OFFERING MEMORANDUM DATED JANUARY 27, 2017

Ratings
Moody: P-1
Fitch: F1+
(See "Ratings" herein)

BOOK-ENTRY-ONLY

NOT TO EXCEED $75,000,000
BOARD OF REGENTS OF THE UNIVERSITY OF NORTH TEXAS SYSTEM
REVENUE FINANCING SYSTEM COMMERCIAL PAPER NOTES, SERIES B

Consisting of

Commercial Paper Notes, Series B, Tax-Exempt Sub-series
Commercial Paper Notes, Series B, Taxable Sub-series

The Board of Regents of the University of North Texas System Revenue Financing System Commercial Paper Notes, Series B, Tax-Exempt Sub-series (the "Tax-Exempt Commercial Paper Notes") and Taxable Sub-series (the "Taxable Commercial Paper Notes" and, together with the Tax-Exempt Commercial Paper Notes, the "Commercial Paper Notes") are special obligations of the Board of Regents (the "Board") of the University of North Texas System (the "University System"). The Commercial Paper Notes will be issued pursuant to an Amended and Restated Master Resolution adopted by the Board on February 12, 1999 (the "Master Resolution") and a Twenty-Fourth Supplemental Resolution to the Master Resolution adopted by the Board on November 17, 2016 (the "Twenty-Fourth Supplement"). The Commercial Paper Notes shall be issued also pursuant to an Issuing and Paying Agent Agreement dated as of December 1, 2016 between the Board and U.S. Bank National Association, as Issuing and Paying Agent. The Commercial Paper Notes will provide interim and/or short-term financing of various capital projects and other lawful purposes, as described herein. Capitalized terms used herein which are not otherwise defined herein have the meanings given to them in the Twenty-Fourth Supplement.

The Commercial Paper Notes will be sold at par as interest-bearing obligations in minimum denominations of $100,000 and integral multiples of $1,000 in excess of such amount, with interest payable at the Original Maturity Date (as defined herein). Each issuance of Commercial Paper Notes shall be dated its respective date of issuance and mature on the Original Maturity Date or, if any Commercial Paper Notes shall remain unpaid at their Original Maturity Date, then on the Extended Maturity Date for such Commercial Paper Notes; provided, however, that (a) the Original Maturity Date for each issuance of Commercial Paper Notes shall not be less than one day nor greater than 90 days after and including their issue date, and (b) the Extended Maturity Date for the Commercial Paper Notes shall be 270 days after and including their issue date. The Commercial Paper Notes initially will be issued in book-entry-only form through The Depository Trust Company, New York, New York.

The Commercial Paper Notes are payable from and secured solely by the "Pledged Revenues" (as defined herein) of the University of North Texas Revenue Financing System (the "Revenue Financing System"), subject to the lien on the Pledged Revenues securing the Prior Encumbered Obligations as defined herein. Currently, there are no Prior Encumbered Obligations outstanding. The Commercial Paper Notes are Parity Obligations (as defined herein). **THE COMMERCIAL PAPER NOTES DO NOT CONSTITUTE GENERAL OBLIGATIONS OF THE BOARD, THE UNIVERSITY OF NORTH TEXAS (THE "UNIVERSITY" OR "UNT"), THE UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER AT FORT WORTH (THE "HEALTH SCIENCE CENTER"), THE UNIVERSITY OF NORTH TEXAS AT DALLAS ("UNT DALLAS"), THE STATE OF TEXAS, OR ANY POLITICAL SUBDIVISION THEREOF. THE BOARD HAS NO TAXING POWER AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE COMMERCIAL PAPER NOTES. See "SECURITY AND SOURCES OF PAYMENT FOR THE COMMERCIAL PAPER NOTES."**

The Twenty-Fourth Supplement provides that the Board may from time to time elect to enter into a liquidity agreement with one or more liquidity providers (which includes any standby purchaser or purchasers in the case of a standby purchase agreement) to provide one or more liquidity facilities. The Board has elected **not** to enter into any liquidity agreements at this time. Timely payment of principal and interest on maturing Commercial Paper Notes is therefore dependent on the ability of the Board to sell rollover Commercial Paper Notes or to refund the Commercial Paper Notes by issuing bonds or using other lawfully available funds of the Revenue Financing System.

The Commercial Paper Notes are being offered when, as and if issued, subject to the approval of certain legal matters, including opinions of McCall, Parkhurst & Horton L.L.P., Bond Counsel, substantially in the forms attached to this Offering Memorandum as Appendix D. The Commercial Paper Notes are expected to be available for purchase and delivery through the facilities of The Depository Trust Company in New York, New York, on and after January 27, 2017.

Morgan Stanley & Co. LLC will be initially the exclusive dealer in connection with the offering and issuance of the Commercial Paper Notes.

MORGAN STANLEY

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Commercial Paper Notes other than as contained in this Offering Memorandum and, if given or made, such other information or representations must not be relied upon. This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Commercial Paper Notes, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information set forth herein has been provided by the University System. Certain other information set forth herein has been obtained by the University System from sources believed to be reliable, but is not guaranteed as to accuracy or completeness.

The information set forth herein is subject to change without notice, and neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.

All references to the documents and other materials are qualified in their entirety by reference to the complete provisions of the documents and other materials. Morgan Stanley & Co. LLC has reviewed the information in this Offering Memorandum in accordance with, and as a part of, its responsibilities to investors under the federal securities law as applied to the facts and circumstances of this transaction, but Morgan Stanley & Co. LLC does not guaranty the accuracy or completeness of such information. The information and expressions of opinion in this Offering Memorandum are subject to change after the date appearing on page 2 of this Offering Memorandum, and future use of this Offering Memorandum shall not otherwise create any implication that there has been no change in the matters referred to in this Offering Memorandum since such dale. Additionally, the expressions of opinion as originally dated January 27, 2017, are subject to change without notice.

SUMMARY OF THE TERMS OF THE PROGRAM

This Summary is subject in all respects to more complete information contained in this Offering Memorandum (and to the documents referenced herein and therein) and should not be considered to be a complete statement of the facts material to making an investment decision. The offering of the Commercial Paper Notes to potential investors is made only by means of the entire Offering Memorandum.

Issuer:	Board of Regents of the University of North Texas System
Designation:	Board of Regents of the University of North Texas System Revenue Financing System Commercial Paper Notes, Series B Consisting of Commercial Paper Notes, Series B, Tax-Exempt Sub-series Commercial Paper Notes, Series B, Taxable Sub-series
Amount:	Maximum principal amount outstanding of $75,000,000
Ratings:	Commercial Paper Notes: P-1 (Moody's) and F1+ (Fitch)
Security:	The Commercial Paper Notes are payable from and secured solely by the "Pledged Revenues" (as defined herein) of the University of North Texas Revenue Financing System (the "Revenue Financing System"), subject to the lien on the Pledged Revenues securing the Prior Encumbered Obligations. Currently, there are no Prior Encumbered Obligations outstanding. The Commercial Paper Notes are Parity Obligations (as defined herein). See "SECURITY AND SOURCES OF PAYMENT FOR THE COMMERCIAL PAPER NOTES."
Liquidity:	The Board has elected **not** to enter into any liquidity agreements at this time. Timely payment of principal of and interest on maturing Commercial Paper Notes is therefore dependent on the ability of the Board to sell rollover Commercial Paper Notes or to refund the Commercial Paper Notes by issuing bonds or using other lawfully available funds of the Revenue Financing System.

Offering Price:	100% of principal amount
Extendable Maturities:	The Commercial Paper Notes shall mature on the Original Maturity Date or, if any Commercial Paper Notes shall remain unpaid at their Original Maturity Date, then on the Extended Maturity Date; provided, however, that (i) the Original Maturity Date for Commercial Paper Notes shall not be less than one day nor greater than 90 days after and including their issue date, and (ii) the Extended Maturity Date for the Commercial Paper Notes shall be 270 days after and including their issue date.
Principal Amounts and Minimum Purchase:	$100,000 minimum principal amount and integral multiples of $1,000 in excess thereof
Interest Payments:	Tax-Exempt Commercial Paper Notes - based on a 365 or 366 day year, as applicable; Taxable Commercial Paper Notes - based on a 360 day year. Interest is payable on Commercial Paper Notes on the Original Maturity Date and if the Original Maturity Date is extended to the Extended Maturity Date, then interest is also payable on the first Business Day of the month after the Original Maturity Date (or, if the Original Maturity Date is on or after the 15th day of the month, the first Business Day of the second month after the Original Maturity Date), the first Business Day of each month thereafter and the Extended Maturity Date or the date of earlier redemption.
Form:	DTC Book-Entry-Only
Maximum Rate:	The lesser of (i) nine percent (9.00%) per annum and (ii) the maximum net effective interest rate permitted by law to be paid on obligations issued or incurred by the Board in the exercise of its borrowing powers (prescribed by Chapter 1204, Texas Government Code).
Redemption:	A Commercial Paper Note is not subject to redemption prior to its Original Maturity Date. On or after its Original Maturity Date, a Commercial Paper Note may be redeemed, in whole but not in part, at a redemption price equal to 100% of the principal amount, plus accrued interest to the date of payment, and without premium, upon not less than 5 nor more than 25 calendar days' notice to the Issuing and Paying Agent.
Tax Status:	Tax-Exempt Commercial Paper Notes and Taxable Commercial Paper Notes. See "TAX MATTERS" herein.
SEC Filing Status:	Exempted securities under Section 3(a)(2) of the Securities Act of 1933
Issuing and Paying Agent:	U.S. Bank National Association, with its principal corporate trust office in New York, New York
Dealer:	Morgan Stanley & Co. LLC
Issuer Contact:	Board of Regents of the University of North Texas System 1901 Main Street Dallas, Texas 75201 Attention: Vice Chancellor for Finance Telephone: (214) 752-5541

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BOARD OF REGENTS OF THE UNIVERSITY OF NORTH TEXAS SYSTEM
REVENUE FINANCING SYSTEM COMMERCIAL PAPER NOTES, SERIES B

Consisting of

Commercial Paper Notes, Series B, Tax-Exempt Sub-series
Commercial Paper Notes, Series B, Taxable Sub-series

INTRODUCTION

This Offering Memorandum, including the cover page and the Appendices (including the financial information referred to in the Appendices), is provided to furnish information in connection with the issuance from time to time by the Board of Regents (the "Board") of the University of North Texas System (the "University System") of its Board of Regents of the University of North Texas System Revenue Financing System Commercial Paper Notes, Series B, Tax-Exempt Sub-series (the "Tax-Exempt Commercial Paper Notes") and Taxable Sub-series (the "Taxable Commercial Paper Notes" and, together with the Tax-Exempt Commercial Paper Notes, the "Commercial Paper Notes"). The Commercial Paper Notes will be issued pursuant to an Amended and Restated Master Resolution adopted by the Board on February 12, 1999 (the "Master Resolution") and a Twenty-Fourth Supplemental Resolution to the Master Resolution adopted by the Board on November 17, 2016 (the "Twenty-Fourth Supplement"). The Commercial Paper Notes may be issued either as Tax-Exempt Commercial Paper Notes, the interest on which is intended to be excluded from gross income for federal income tax purposes, or as Taxable Commercial Paper Notes, the interest on which is intended to be included in gross income for federal income tax purposes, or as both.

In addition to the Master Resolution and the Twenty-Fourth Supplement, the Board has entered into the following agreements in connection with the Commercial Paper Notes:

Issuing and Paying Agent Agreement (as the same may be supplemented and amended, the "Issuing and Paying Agent Agreement"), dated as of December 1, 2016, between the Board and U.S. Bank National Association (the "Issuing and Paying Agent").

Dealer Agreement (as the same may be supplemented and amended, and together with any successor agreements, the "Dealer Agreement"), dated as of December 1, 2016, between the Board and Morgan Stanley & Co. LLC, New York, New York (together with any successor, the "Dealer").

Brief descriptions of the Commercial Paper Notes, the Master Resolution, the Twenty-Fourth Supplement and the Issuing and Paying Agent Agreement are included in this Offering Memorandum or in an Appendix hereto. Such descriptions do not purport to be comprehensive or definitive, and all references herein to the Commercial Paper Notes, the Master Resolution, the Twenty-Fourth Supplement and the Issuing and Paying Agent Agreement and various other documents and instruments mentioned herein are qualified in their entirety by reference to the respective complete document or instrument, copies of which are available from the University System and the Dealer.

A summary of certain provisions of the Master Resolution and the Twenty-Fourth Supplement is attached hereto as Appendix B. Certain definitions used in these summaries are included in Appendix A hereto.

The unaudited combined financial report of the University of North Texas System for the fiscal year ended August 31, 2016, including management's discussion and analysis, is attached hereto as Appendix C.

The forms of proposed opinions of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel, with respect to certain legal matters relating to the Commercial Paper Notes, including the excludability of interest on Tax-Exempt Commercial Paper Notes from gross income for federal income tax purposes, are attached hereto as Appendix D.

The address of the Board is the Board of Regents of the University of North Texas System, 1901 Main Street, Dallas, Texas 75201, Attention: Vice Chancellor for Finance, Telephone: (214) 752-5541.

Capitalized terms used herein which are not otherwise defined herein have the meanings given to them in the Twenty-Fourth Supplement.

PROGRAM DESCRIPTION

Purpose

Proceeds of Commercial Paper Notes are to be applied (i) to the payment of Project Costs of Eligible Projects, (ii) to provide for the current refunding of certain outstanding obligations of the Board, (iii) to pay or provide for the payment of the principal of maturing Commercial Paper Notes, (iv) to pay costs of issuance in connection with the Commercial Paper Notes and (v) to reimburse the University System for payments made for the purposes listed in (i), (ii), (iii) and (iv) above.

From time to time, the Board may approve certain capital expenditures to be paid with proceeds of the Commercial Paper Notes for the acquiring, constructing, maintaining, enlarging, improving or equipping of existing and new facilities.

The particular Eligible Project or Eligible Projects to be financed or the outstanding indebtedness to be currently refunded by the issuance of Commercial Paper Notes will be determined by the Board through its Authorized Representatives from time to time as and when funds are needed or projected to be needed.

General

Commercial Paper Notes may be issued under the Twenty-Fourth Supplement in a principal amount outstanding at any one time not to exceed $75,000,000. Commercial Paper Notes may be issued either as Tax-Exempt Commercial Paper Notes or as Taxable Commercial Paper Notes. The Commercial Paper Notes will have varying maturities of not more than 270 days from their respective dates of issuance.

The Commercial Paper Notes are issuable as interest-bearing obligations in minimum denominations of $100,000 and integral multiples of $1,000 in excess of such amount. Commercial Paper Notes will bear interest from their date of issuance at a rate not in excess of the Maximum Rate, computed on a 365 or 366 day year for the Tax-Exempt Commercial Paper Notes and computed on a 360 day year for the Taxable Commercial Paper Notes.

All Commercial Paper Notes initially shall be issued in book-entry-only form through The Depository Trust Company, New York, New York. See Appendix B – "Summary of Certain Provisions of the Master Resolution and the Twenty-Fourth Supplement – Book-Entry-Only Commercial Paper Notes".

The Twenty-Fourth Supplement prescribes certain procedures and conditions that must be complied with by the Board prior to and in connection with the issuance of Commercial Paper Notes. For a description of these procedures and conditions, see Appendix B – "Summary of Certain Provisions of the Master Resolution and the Twenty-Fourth Supplement – Conditions to Issuance of Commercial Paper Notes" and "- Certain Covenants".

Extension of Commercial Paper Notes

Each issuance of Commercial Paper Notes shall be dated its respective date of issuance and mature on such dates as shall be determined by the Authorized Representative at the time of sale. If any Commercial Paper Notes remain unpaid at their Original Maturity Date, then such Commercial Paper Notes shall mature on the Extended Maturity Date; provided, however, that (i) the Original Maturity Date for each issuance of Commercial Paper Notes shall not be less than one day nor greater than 90 days after and including its issue date, and (ii) the Extended Maturity Date for the Commercial Paper Notes shall be 270 days after and including their issue date.

In no event shall the extension of the Original Maturity Date to the Extended Maturity Date constitute a default under the Commercial Paper Notes or a breach of any covenant or an Event of Default under the Twenty-Fourth Supplement. In the event that the Authorized Representative fails to notify the Dealer and the Issuing and Paying Agent of its determination to extend the Original Maturity Date of any Commercial Paper Notes to the Extended Maturity Date and repayment does not occur on the Original Maturity Date, the maturity of the Commercial Paper Notes shall be automatically extended to the Extended Maturity Date, and there shall be no Event of Default under the Twenty-Fourth Supplement or any event of default under the Commercial Paper Notes.

The Commercial Paper Notes shall bear interest from the Note Date until the Original Maturity Date at the Original Rate. Interest, if any, on Commercial Paper Notes shall be payable on any Original Maturity Date. Interest on the Commercial Paper Notes that are extended beyond the Original Maturity Date that has accrued to the Original Maturity Date will be payable on the Original Maturity Date, and interest on the Commercial Paper Notes maturing on the Extended Maturity Date will accrue at the Extended Rate after the Original Maturity Date and will be payable on the Extended Maturity Date or the date of prior redemption. During the period the Commercial Paper Notes bear interest at the Extended Rate, (i) if the Original Maturity Date is before the 15th day of the month, interest shall be payable on the first Business Day of the next month and on the first Business Day of each month thereafter and on the Extended Maturity Date for the Commercial Paper Notes and (ii) if the Original Maturity Date is on or after the 15th day of the month, interest shall be payable on the first Business Day of the second succeeding month and on the first Business Day of each month thereafter, and on the Extended Maturity Date for the Commercial Paper Notes or the date fixed for redemption of such Commercial Paper Notes, as the case may be.

Commercial Paper Notes are not subject to redemption prior to the Original Maturity Date. Upon extension of the Original Maturity Date to the Extended Maturity Date, Commercial Paper Notes shall, after being extended, be subject to redemption at 100% of the principal thereof at the option of the Authorized Representative in accordance with the terms of the Twenty-Fourth Supplement. Failure to pay the principal of and accrued but unpaid interest on Commercial Paper Notes on the Extended Maturity Date which continues for 5 Business Days shall be an Event of Default under the Twenty-Fourth Supplement.

SECURITY AND SOURCES OF PAYMENT FOR THE COMMERCIAL PAPER NOTES

The Commercial Paper Notes are special obligations of the Board equally and ratably secured with other Parity Obligations solely by and payable solely from a pledge of and lien on the "Pledged Revenues" (as described below) of the University of North Texas Revenue Financing System (the "Revenue Financing System"), subject to the lien on the Pledged Revenues securing the Prior Encumbered Obligations. Currently, there are no Prior Encumbered Obligations outstanding. The Commercial Paper Notes are Parity Obligations (as defined in Appendix A), and the Board has issued and may issue from time to time additional Parity Obligations to provide funds for new construction, renovation of existing facilities or acquisition of equipment and to refund outstanding debt.

The Pledged Revenues consist of, subject to the provisions of the Prior Encumbered Obligations (of which currently there are none), the Revenue Funds, including all of the funds and balances now or hereafter lawfully available to the Board and derived from or attributable to any Participant of the Revenue Financing System which are lawfully available to the Board for payments on Parity Obligations; provided, however, that the following shall not be included in Pledged Revenues unless and to the extent set forth in a Supplement to the Master Resolution: (a) amounts received by the University, the Health Science Center, or UNT Dallas under Article VII, Section 17 of the State Constitution (generally, a provision of the State Constitution currently providing for an annual appropriation to be allocated among eligible agencies and institutions of higher education for the purpose of providing funds for acquisition of capital assets and the construction of capital improvements), and (b) except to the extent so specifically appropriated, general revenue funds appropriated to the Board by the State Legislature. The "Revenue Funds" are defined in the Master Resolution to include the "revenue funds" of the Board (as defined in Section 55.01 of the Texas Education Code to mean the revenues, incomes, receipts, rentals, rates, charges, fees, grants, and tuition levied or collected from any public or private source by an institution of higher education, including interest or other income from those funds) derived by the Board from the operations of the Participants; provided that Revenue Funds do not include, with respect to each series or issue of Parity Obligations, any tuition, rentals, rates, fees, or other charges attributable to any student in a category which, at the time of adoption of the Supplement relating to such Parity Obligations, is exempt by law from paying such tuition, rentals, rates, fees, or other charges. All legally available funds of the Participants, including unrestricted fund and reserve balances, are pledged to the payment of the Parity Obligations. For a more detailed description of the types of revenues and expenditures of the University, UNT Dallas and the Health Science Center, see "THE UNIVERSITY OF NORTH TEXAS SYSTEM."

THE COMMERCIAL PAPER NOTES DO NOT CONSTITUTE GENERAL OBLIGATIONS OF THE BOARD, THE UNIVERSITY OF NORTH TEXAS (THE "UNIVERSITY" OR "UNT"), THE UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER AT FORT WORTH (THE "HEALTH SCIENCE CENTER"), THE UNIVERSITY OF NORTH TEXAS AT DALLAS ("UNT DALLAS"), THE STATE OF TEXAS, OR ANY POLITICAL SUBDIVISION THEREOF. THE BOARD HAS NO TAXING POWER AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE COMMERCIAL PAPER NOTES..

Unless the payment of the principal of the Commercial Paper Notes otherwise shall be provided for from proceeds of other Commercial Paper Notes or from lawfully available revenues of the University System, on or before the respective maturity dates thereof, the Board shall, to the extent and as permitted by law, provide funds or shall in good faith endeavor to provide for the issuance, sale and delivery of bonds or other obligations of the Board in an amount sufficient to provide for the payment of the outstanding principal of the Commercial Paper Notes at maturity.

The Board expects maturing Commercial Paper Notes to be paid through the issuance of additional Commercial Paper Notes or the issuance of long-term bonds. However, if this does not or cannot occur in a timely manner, there can be no assurance that there will be a sufficient amount of available revenues to pay such principal and accrued interest.

Book-Entry-Only System

This section describes how ownership of the Commercial Paper Notes is to be transferred and how the principal of, premium, if any, and interest on the Commercial Paper Notes are to be paid to and credited by DTC while the Commercial Paper Notes 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 Offering Memorandum. The Board and the Dealer believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Board and the Dealer cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Commercial Paper Notes, 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 Commercial Paper Notes), 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 Offering Memorandum. 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 Commercial Paper Notes (the "Securities"). The Securities 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 Note certificate for each maturity will be issued for the Securities, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the University System 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

Effect of Termination of Book-Entry-Only System. In the event the Book-Entry-Only System with respect to the Notes is discontinued by DTC, or the use of the Book-Entry-Only System with respect to the Commercial Paper Notes is discontinued by the Board, printed Note certificates will be issued to the respective holders of the Commercial Paper Notes, and the respective Commercial Paper Notes will be subject to transfer, exchange, and registration provisions as set forth in the Resolution.

TAX COVENANTS

The Board covenants in the Twenty-Fourth Supplement that it will execute and deliver an arbitrage and use of proceeds certificate in the form prescribed by Bond Counsel in connection with each original issuance of Tax-Exempt Commercial Paper Notes (the "Federal Tax Certificate"). The Board represents and covenants in the Twenty-Fourth Supplement and the Federal Tax Certificate that it will not expend, or permit to be expended, the proceeds of any Tax-Exempt Commercial Paper Notes in any manner inconsistent with its reasonable expectations as certified in the Federal Tax Certificates to be executed with respect to each issuance of Tax-Exempt Commercial Paper Notes; provided, however, that the Board may expend proceeds of Tax-Exempt Commercial Paper Notes in such manner if the Board first obtains an unqualified opinion of Bond Counsel to the Board that such expenditure will not impair the exclusion of interest on the Tax-Exempt Commercial Paper Notes from gross income for federal income tax purposes.

The Board further covenants in the Twenty-Fourth Supplement and the Federal Tax Certificate that no use of the proceeds of any of the Tax-Exempt Commercial Paper Notes or any other funds of the Board will be made which will cause any Tax-Exempt Commercial Paper Notes to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code. To that end, the Board agrees in the Twenty-Fourth Supplement and the Federal Tax Certificate to comply with all requirements of said Section 148 and of all regulations issued thereunder or otherwise applicable thereto.

The Board covenants in the Twenty-Fourth Supplement and the Federal Tax Certificate that it will not use any proceeds of the Tax-Exempt Commercial Paper Notes or any other funds held under the Twenty-Fourth Supplement for any purpose which would cause any Tax-Exempt Commercial Paper Notes to be subject to treatment as a "private activity bond" defined in Section 141 of the Code.

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THE UNIVERSITY OF NORTH TEXAS SYSTEM

General

University of North Texas System.

The institutions of the University of North Texas System, which is the only public university system located in and primarily serving the North Texas region, serve nearly 40,000 students. The component institutions include the flagship campus, the University of North Texas; the University of North Texas Health Science Center at Fort Worth; and the University of North Texas at Dallas, which includes under its control the University of North Texas at Dallas College of Law.

University of North Texas.

The University of North Texas was established in 1890 as a teacher education facility with the name Texas Normal College and Teacher Training Institute. In 1961, it moved from college to university status with the name North Texas State University. It became the University of North Texas in May 1988, when the Texas Legislature recognized the University's expanding role in graduate education and research. As it evolved into a public research university, several significant changes helped identify the institution as one of the leading universities in Texas and the leading university in the North Texas region. In 1935, the graduate division was formed, and the college offered its first master's degrees in 1936. In 1949, the college was separated from the state teachers college system, and a separate governing board was named. In 1950, the new board authorized offerings for the degree of Doctor of Education and for the Doctor of Philosophy in music. The college awarded its first doctorate three years later.

Today, the University is one of the nation's largest universities and is a student-focused public research university, helping to power the North Texas region as the most comprehensive university in the Dallas-Fort Worth area. The University is divided into 12 colleges and schools (College of Arts and Sciences; College of Business; College of Education; College of Engineering; College of Information; College of Merchandising, Hospitality and Tourism; College of Music; College of Public Affairs and Community Service; College of Visual Arts and Design; Honors College; Toulouse Graduate School; and the Frank W. and Sue Mayborn School of Journalism).

With nearly 38,000 students, the University serves students from nearly every state in the nation and about 2,500 international students representing 130 countries. The University is viewed as a leader among its peers in the United States for its diverse degree programs, high-quality research and creative activities, and partnerships with the public and private sectors. The University offers 100 bachelor's, 83 master's and 37 doctoral degree programs. A growing public research university, the University has a long track record of excellence in education, music, the arts, business and social sciences with growing strengths in science and engineering. Students and faculty earn top awards for their academic, research and civic achievements. The university has been named one of *America's 100 Best College Buys®* by Institutional Research & Evaluation Inc. for 21 consecutive years, a ranking based on having a high-achieving freshman class and affordable tuition. *The Princeton Review* continually names the University as a "Best in the West" college.

The University is located in Denton, Texas, which is part of one of the fastest growing metropolitan areas in the nation, the Dallas-Fort Worth area. With a current population of nearly 7 million, the North Texas Region is one of the nation's largest metropolitan areas. The University has a nearly 900 acre campus with a 300-acre research park, Discovery Park, and 166 buildings. The University's physical plant and equipment have a book value net of accumulated depreciation in excess of $883,583,026 as of August 31, 2016. See "APPENDIX C – The Unaudited Combined Financial Report of the University of North Texas System for the Fiscal Year Ended August 31, 2016" herein.

The College of Arts and Sciences is the largest of the University's 12 Colleges and Schools and as the "academic heart" of the University, the college educates more than one-third of the University's undergraduates. Many of the college's programs are among the top ranked programs in the country. With nearly 100 undergraduate and graduate programs as varied as English, biology, and political science, the college provides students with rich, wide-ranging experiences necessary to bring a complex, rapidly changing world into focus. The college is built on giving students and faculty a strong foundation of basic and applied research to help them address complex global challenges and sustain the country's innovation economy.

The College of Business contributes to the growth and economic development of the Dallas-Fort Worth area, one of the nation's largest economies. It is one of the largest colleges of business in the nation, educating more than 5,800 students annually and offering more than 50 majors and concentrations through five departments. Its programs have been continuously accredited by the Association to Advance Collegiate Schools of Business International since 1961 and many of its programs are nationally recognized, including its logistics and taxation programs. Its online M.B.A. program is ranked 15th in the nation by *U.S. News & World Report*, a Top 25 by *The Princeton Review* and a Top 15 Best Buy by GetEducated.com. The supply chain and logistics program ranks third nationwide, and its aviation logistics program is the first four-year aviation logistics program at a Texas university and only such program in the U.S.

The College of Education prepares more than 1,000 teachers a year as well as administrators, counselors, child development specialists, professors, educational researchers, play therapists and other professions related to the education field. Its counseling program is ranked 4th in the nation by *Best-Education-Schools.com* and online doctorate in education program is ranked 17th in the nation by *GoGrad.org*. Because of its success, the University consistently ranks as one of the top producers in the State of students taking the State teaching certification exam, with an average 97 percent pass rate. The graduate rehabilitation counseling program is ranked 1st in Texas and 15th in the nation by *U.S. News & World Report*. The college has the most extensive professional development network in the Southwest and offers more than 20 degree programs with numerous concentrations to help people become educators or further their professional development.

The College of Engineering was established in Fall 2003, and has built upon its achievements by offering innovative degree programs that meet industry needs while dramatically increasing the scope and impact of its research. The college plays an integral role in helping the University to grow as a major national research university. For example, the college's mechanical and energy engineering program continues to be a pioneer in green building technologies for the global community. And through its materials science and engineering program, the college is quickly establishing itself as pacesetter in the area of atomic to millimeter scale engineering.

The College of Information, which ranks 21st in the *U.S. News & World Report's* latest graduate school rankings for library and information studies, offers accredited programs in learning technologies, library and information sciences, and linguistics. The college has two Top 10 programs: health librarianship program and school library media program. The college is one of twenty-five universities from around the world that comprise the governing body (iCaucus) of the international iSchools consortium and one of only two universities in Texas with that distinction. Working with other prominent universities, the college is helping to lead the development of the new field of information.

The College of Merchandising, Hospitality and Tourism is nationally recognized as one of the best of its kind in offering unique degrees that address significant areas of growth and innovation in retail, hospitality and tourism industries. Its hospitality management program is among the largest in the U.S. while its merchandising program is the largest. The college offers the first bachelor's degree in digital retailing in the U.S. and the first Master of Science program in merchandising offered completely online. Additionally, its master's program in international sustainable tourism is the first of its kind in the U.S. offering a dual degree from the University and its partner institution, CATIE, in Costa Rica.

The College of Music is one of the largest and most respected comprehensive music schools in the world. Approximately 1,500 music students attend the college each year, participating in nearly 70 widely varied ensembles while engaged in specialized studies in performance, composition, conducting, jazz studies, music education, history, theory or ethnomusicology. Music students, alumni and faculty have made appearances on the world's finest stages, have produced numerous recordings, many receiving Grammy awards and nominations, and have written influential texts in a variety of areas in music scholarship. Distinguished University alumni can be found around the globe in top music ensembles, opera companies, universities and schools.

The College of Public Affairs and Community Service is ahead of the curve, with programs such as the emergency administration program and the academic certificate in volunteer and community resource management that were established as the first of their kind. Two of its programs, rehabilitation counseling and city management, are ranked by *U.S. News & World Report* in the Top 20 nationally and first in Texas. The college also offers the first accredited master's program in applied behavior analysis in the world. The college blends academic programs and applied research with partnerships in the metropolitan area. Unique programs are offered in such areas as applied gerontology, behavioral analysis, rehabilitation services, public administration and criminal justice.

The College of Visual Arts and Design is one of the nation's most comprehensive visual arts schools, offering 30 undergraduate and graduate degree programs and concentrations in areas ranging from art history to communication design to new media. Considered one of the best art schools in the nation and the Southwest, the arts program also is the largest among public universities in the Southern region. The college offers the first and only Ph.D. program in art education in Texas and is ranked in the top third of Master of Fine Arts programs nationally.

The Honors College promotes academic excellence, fosters intellectual growth, and enriches the undergraduate experience for talented and motivated students who choose to be members. While academically rigorous course work is at the heart of the Honors College experience, Honors students — now numbering more than 1,800 — also have access to a wide array of support, privileges, and experiences, including cohort living in a dedicated section of a freshman residence hall and a dedicated residence hall for upperclassmen. Open to any undergraduate student, the Honors College allows students to work toward an academic degree in the academic discipline of their choice while earning Honors recognition and graduating with an Honors distinction that lasts for a lifetime. Upon commencement, Honors College graduates are entitled to wear the Honors College Medallion.

The Toulouse Graduate School oversees the graduate admission process for applicants seeking to enroll in one of the University's 37 doctoral or 83 master's degree programs, many of which are nationally and internationally recognized. The Graduate School is integral to the University's efforts to increase master's and doctoral student enrollment and graduation rates while maintaining the quality of graduate programs. The Graduate School works with the University's graduate programs to develop recruitment plans, improve graduation rates, and evaluate graduate programs. Typically, the University awards more than 200 doctoral degrees and 1,600 master's degrees each year.

The Frank W. and Sue Mayborn School of Journalism is synonymous with excellence. It offers the only nationally accredited professional journalism master's program in Texas and is known for producing some of the nation's top storytellers, including eight Pulitzer Prize winners. With programs in news, strategic communications, narrative and digital journalism, the Mayborn School prepares student to work in all communications fields. The Mayborn School also hosts the signature Mayborn Literary Nonfiction Conference each July, one of the nation's premier writing conferences.

University of North Texas at Dallas.

The first and only public university in the City of Dallas, the University of North Texas at Dallas (UNT Dallas) began as an ambitious idea that would take hold and blossom due to the vision and hard work of a diverse group of energetic and tenacious community leaders. After considerable preparation and planning, UNT Dallas emerged in January 1999 when the Texas Higher Education Coordinating Board granted permission to the University of North Texas to open the University System Center in Dallas. (In September of 1998, the University of North Texas had been selected as the educational partner for UNT Dallas.) With the fall 2000 semester, the institution began offering degree-related academic programs at temporary quarters in a Dallas business park.

On May 8, 2001, Senate Bill 576 was signed by Governor Rick Perry. The measure formally created an independent University of North Texas at Dallas—once total enrollment reached 1,000 students. Needing a permanent home for the University, UNT Dallas had acquired approximately 200 scenic acres of land through a generous donation from the City of Dallas. Additionally, the University of North Texas System purchased another 57 acres adjacent to the donated acreage. The campus is located just north of I-20 on Houston School Road (now renamed University Hills Boulevard), in the heart of Dallas' southern sector. The hilltop campus offers an astounding view of the downtown Dallas skyline.

In April 2005, after eighteen months of work, a master plan was completed for the property. The plan takes full advantage of the site's commanding view of the downtown Dallas skyline. In January 2006, construction was completed on the campus's first structure—a 75,000sq. ft., three-story academic building. A companion building, named Founders Hall, was completed in 2010. It was a grand design that has been awarded the LEED (Leadership in Energy and Environmental Design) Gold Certification from the U.S. Green Building Council.

By April 2009, UNT Dallas had reached the 1,000-student threshold, enabling official status as an independent, general academic institution in the fall of 2010. In 2013, UNT Dallas received accreditation by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) allowing UNT Dallas to build a unique identity with independent accreditation. UNT Dallas welcomed its first freshman class in the Fall of 2010, and by May 2013, UNT Dallas presented degrees to its first graduating class.

Also, in 2009, legislation was passed and signed into law establishing the first college of law in North Texas, the UNT Dallas College of Law. The legislature appropriated $5 million in start-up funding which was received from federal appropriations under the American Recovery and Reinvestment Act of 2009 (ARRA). In 2015, SACSCOC, approved the UNT Dallas College of Law joining UNT Dallas effective September 2015. The UNT Dallas College of Law admitted their third cohort Fall 2016 and is seeking accreditation from the Council of the American Bar Association's Section of Legal Education and Admission to the Bar.

Also, in 2009, Legislation was passed and signed into law establishing the first public college of law in North Texas, the UNT Dallas College of Law. The legislature appropriated $5 million in start-up funding which was received from federal appropriations under the American Recovery and Reinvestment Act of 2009 (ARRA). In 2015, SACSCOC, approved the UNT Dallas College of Law joining UNT Dallas effective September 2015. The UNT Dallas College of Law admitted their third cohort Fall 2016 and is seeking accreditation from the Council of the American Bar Association's Section of Legal Education and Admission to the Bar. On November 17, 2016, the Council of the American Bar Association's Section of Legal Education delayed a decision on whether to provisionally accredit the UNT Dallas College of Law. The UNT Dallas College of Law has requested that the Supreme Court of Texas allow graduating law students to sit for the state bar exam in 2017.

UNT Dallas students are provided a diverse selection of degrees, majors, and certificates. UNT Dallas offers 21 undergraduate and 6 graduate degrees in high-demand fields such as criminal justice, teacher education, business, sociology, psychology, and counseling. The campus expects continued growth with the addition of: a 120-bed residence hall to include classroom space, a 153,000 square foot student learning and success center, amphitheater, and an intramural sports program. Additionally, a Dallas Area Rapid Transit (DART) station that will link UNT Dallas to the downtown Dallas corridor and the rest of the city is planned. Every stride is made to build upon and continually improve the student life experience at UNT Dallas.

Today UNT Dallas is truly a "metropolitan university," not simply because it is located in a large city, but because its student body reflects the social makeup and diversity of Dallas and the surrounding region. In fact, the UNT Dallas student body is among the most diverse in the nation. As a metropolitan university, UNT Dallas practices an educational mission that pushes its efforts beyond the traditional walls of the University into the community. Through service learning, UNT Dallas attracts students to higher education in order to produce thoughtful, contributing citizens who can help build educational legacies in families and communities.

University of North Texas Health Science Center at Fort Worth.

Established in 1970, the University of North Texas Health Science Center (the "Health Science Center") is located on 33 acres in the heart of Fort Worth's Cultural District and is comprised of the Texas College of Osteopathic Medicine (TCOM), the Graduate School of Biomedical Sciences (GSBS), the School of Public Health (SPH), the School of Health Professions (SHP) and the University of North Texas System College of Pharmacy, as well as a medical practice plan. With employees totaling over 1,430 full-time equivalents (FTEs), of which 434 FTEs are faculty members, the Health Science Center is one of the nation's distinguished academic medical centers, dedicated to the advancement of all three disciplines of medical science – education, discovery/research, and health care. The Health Science Center is committed to developing collaborative, practice-ready health professionals by emphasizing team-oriented, evidence-based best practices, quality-improvement approaches and informatics across all five of its schools and colleges. We believe our students will be better disposed to cooperative efforts as practitioners having experienced opportunities to learn about, from and with students from other professions. We are committed to integrating collaborative practice competencies and interprofessional education opportunities beginning with the initial year of our students' health care education and reinforcing these competencies across all years of their education and training. Students who experience interprofessional discipline are better prepared to contribute to a culture of patient safety and improved patient outcomes.

TCOM is Texas'only college of osteopathic medicine and remains committed to its role in primary care delivery. Among all of Texas' health-related institutions, TCOM has the highest percentage of graduates entering primary care and the second-highest percentage among ranked medical schools in the country. With the future of health care headed towards preventative medicine and wellness, the Health Science Center anticipates that more than 900 current medical students will pursue primary care careers, although their training prepares them to aspire to any specialty, from aerospace medicine to heart transplant surgery.

The Health Science Center has three additional graduate schools: The Graduate School of Biomedical Sciences, the School of Public Health and the School of Health Professions. Combined, these schools enroll approximately 1,100 students who will be prepared to be effective health care professionals, with careers in fields that are among the most sought-after.

The University of North Texas System College of Pharmacy, the newest school, is the first pharmacy school in North Texas and the first to be located on an academic health science center campus. Pre-candidate status was granted by the Accreditation Council for Pharmacy Education (ACPE), allowing the school to begin in August 2013. Now entering its fourth year, the College of Pharmacy, now totaling 359 students, will graduate its first class of students in 2017, who will be expected to provide patient care, including medication management, and become an integral part of the health care teams that take care of Texans.

To further the commitment to discovery/research, beginning in fiscal year 2016, the Health Science Center replaced the University's department-based structure with six Health Institutes, which conduct research that is focused on solving significant health problems in Texas. Academic programs are housed in an academy created within each school. This new structure aligns the institution's strengths and fosters interdisciplinary research and education endeavors, while also helping to capitalize on critical shifts in funding.

Despite considerable national cutbacks in funding by the National Institutes of Health (NIH) and other federal agencies, research activities totaling over $38 million in annual research expenditures has been maintained.

Additionally, we continue to achieve the milestones for our 1115 Healthcare Transformation Waiver programs and have the necessary infrastructure in place to ensure the future success of our Delivery System Reform Incentive Payment (DSRIP) projects. These programs are funded through the Centers for Medicare and Medicaid (CMS) and are designed to establish innovative health care delivery models that support the Institute for Healthcare's Triple Aim: improve the patient's care experience, improve the health of populations, and reduce the per-capita cost of health care.

Since 2006, the Health Science Center has partnered with the non-profit technology incubator TECH Fort Worth to bring new technologies to the market. Firms get a boost from our Accelerator Lab Program and our Executives-in-Residence, who act as mentors and offer advice from their years of experience in the pharmaceutical industry. With acceleration labs and grant-funded biomedical and translational research, the Health Science Center offers opportunities for extraordinary research.

Faculty members of the Health Science Center's medical school constitute UNT Health, a multi-specialty medical group practice. Over 80 doctors and midlevel practitioners practice in 11 medical and surgical specialties and subspecialties, including allergy/immunology, cardiology, geriatrics, pediatrics and physical therapy. Approximately 120,000 encounters are logged each year by patients seeking everything from pre-natal to geriatric care.

The Health Science Center specializes in patient safety, aging and Alzheimer's Disease, and forensic genetics. The Institute for Patient Safety and Preventable Harm focuses on patient safety problems and preventable medical errors through professional and community education, research and quality improvement projects. Meanwhile, the institution is a statewide leader in both aging and Alzheimer's Disease research, making significant advances in prevention, treatment and care. The Health Science Center is also home to the Texas Missing Persons DNA Database, a database for solving crimes, identifying missing persons, and combatting human trafficking; the DNA ProKids program, an international program that utilizes genetic testing to fight human trafficking; and the National Missing and Unidentified Persons System for the Department of Justice (NamUs), a national clearinghouse for missing person cases, unidentified remains, unidentified living individuals, and unclaimed bodies.

On July 6, 2015, the University of North Texas Health Science Center entered into a memorandum of understanding with Texas Christian University to create a new MD school, with its first class anticipated in the 2019-2020 school year. Plans include utilizing existing educational, research and training facilities, along with faculty from both institutions, allowing start-up costs to be minimized and privately funded.

Governance and Administration

The Participants are governed, managed, and controlled by the nine-member University of North Texas System Board of Regents. Each Regent is appointed by the Governor of the State subject to confirmation by the State Senate. Each Regent serves a six-year term, with three new appointments made to the Board every two years. A Regent may be reappointed to serve on the Board and may continue to serve upon the expiration of the Regent's state term until a successor is appointed. The members of the Board elect one of the Regents to serve as Chair of the Board and may elect any other officers they deem necessary. The Regents serve without pay except for reimbursement for actual expenses incurred in the performance of their duties, subject to the approval of the Chair of the Board.

The Board is legally responsible for the establishment and control of policy for the University, the Health Science Center and UNT-Dallas. The Board appoints a Chancellor who directs the operations of the University, the Health Science Center, UNT-Dallas and the University System, and is responsible for carrying out policies determined by the Board. Also, the Office of the Chief Audit Executive, UNTS Internal Audit reports to the Board of Regents.

The Chancellor directs the operations of the University System and is assisted by the Vice Chancellor for Academic Affairs and Student Success; the Vice Chancellor for Finance; the Vice Chancellor/General Counsel; the Vice Chancellor for Facilities; and the Vice Chancellor for Governmental Relations.

The President of the University directs the operations of the University and is assisted by the Provost and Vice President for Academic Affairs; the Vice President for Finance and Administration; the Vice President for Research and Economic Development; the Vice President for Enrollment; the Vice President for Student Affairs; the Vice President for Advancement; the Vice President for University Relations and Planning; the Vice President for Institutional Equity and Diversity; and the Director of Athletics.

The President of the Health Science Center directs the operations of the Health Science Center and is assisted by the Provost and Executive Vice President for Academic Affairs; the Senior Vice President for Finance and CFO; the Senior Vice President for Community Engagement; the Vice President for Strategy and Organizational Excellence; the Vice President for Institutional Advancement; the Vice President for Governmental Affairs; Senior Vice President for Innovation and Brand; Vice President of Operations; Vice President for Research; Executive Vice President for Clinical Affairs; Vice President for Administration; Senior Vice President and Chief People Officer.

The President of the University of North Texas at Dallas directs the operations of UNT-Dallas and is assisted by the Provost and Vice President for Academic Excellence and Student Success, the Vice President for Finance and Administration, and the Vice President for University Advancement.

Lee F. Jackson was appointed Chancellor of the University System on September 1, 2002 after a 30-year career in government in Dallas and the state of Texas. The Chancellor reports to the Board, whose members are appointed by the Governor of Texas. Chancellor Jackson is responsible for the University System initiatives and policy direction, planning, and oversight for three campuses: the University, Health Science Center, and UNT-Dallas. Chancellor Jackson began his career in the Dallas City Manager's Office, served 10 years in the Texas House of Representatives, and was elected four times as Dallas County Judge, the chief elected official in the state's second-largest county. He received many awards for regional leadership, initiated new programs in juvenile justice, air quality, and transportation, and led the opening of the Sixth Floor Museum, which has become the premier visitor attraction in downtown Dallas. Chancellor Jackson earned his bachelor's degree in political science from Duke University and a master's degree in public administration from Southern Methodist University.

Rosemary R. Haggett joined the University System in June 2010 as Vice Chancellor for Academic Affairs and Student Success, a newly created position directing the University System's academic planning, reporting, and campus support. Prior to joining the University System, Dr. Haggett served as Provost and Executive Vice President for Academic Affairs at the University of Toledo for nearly three years. Before that, she was Acting Division Director of the Division of Graduate Education and Senior Adviser of the Education and Human Resources Directorate of the National Science Foundation. Dr. Haggett was the second woman in the United States to serve as a College of Agriculture dean when she was appointed Dean of the West Virginia University College of Agriculture, Forestry, and Consumer Sciences in 1994. Dr. Haggett performed postdoctoral at Northwestern University and earned a bachelor's degree in biology from the University of Bridgeport.

Janet Waldron joined the University System in April 2014 as Vice Chancellor for Finance. She has over 30 years' experience in leadership roles in finance and management. Before joining the University System, she served the University of Maine as Senior Vice President for Administration and Finance for 11 years. Prior to the University of Maine, she served as Commissioner of the State of Maine's Department of Administrative and Financial Services for 8 years. Under her financial leadership, the State improved its financial position resulting in two credit rating upgrades. She earned a bachelor's degree in psychology from the University of New Hampshire and performed graduate studies at Dartmouth College, the University of Maine and Harvard's Kennedy School. She served as chair for the Council of Business Affairs for the Association of Public Land Grant Universities (APLU).

Nancy S. Footer came to the University System as Vice Chancellor and General Counsel (the top legal counsel post) in March 2004. Between 1994 and 2003, Ms. Footer served as Bowling Green State University's General Counsel and Assistant to the President for Legal Affairs. She also served for nine years as associate counsel for the University of Houston System. Ms. Footer earned her Juris Doctor from the University of Houston College of Law in 1983. Her Bachelor of Arts degree, earned with special honors, is from the University of Texas at Austin.

Neal J. Smatresk began his term as President of the University in February 2014. Before joining the University, Dr. Smatresk led the University of Nevada, Las Vegas, as president for five years and provost for two years. Prior to UNLV, he served as Vice Chancellor for Academic Affairs and Deputy to the Chancellor at the University of Hawaii at Manoa from 2004 to 2007. Dr. Smatresk started his academic career at the University of Texas at Arlington and spent 22 years there, serving as Dean of Science from 1998 to 2004; Chair of the Department of Biology from 1994 to 1998; and Professor of Biology from 1982 to 2004. Dr. Smatresk was a Postdoctoral Trainee at University of Pennsylvania School of Medicine after earning his Ph.D. in zoology from the University of Texas at Austin, Port Aransas Marine Laboratory. He earned his master's and bachelor's degrees in biology from State University of New York at Buffalo.

Finley O. Graves began serving as the University's Provost and Vice President for Academic Affairs in March 2015. Before becoming provost, Dr. Graves served as Dean of the University's College of Business from 2007-2015 and as the Chair of the Department of Accounting from 2002-2007. Prior to joining the University in 2002, Dr. Graves was Head of the Department of Accounting at Kansas State University from 1997 to 2002. From 1983 through 1997, he was a member of the faculty of the School of Accountancy at the University of Mississippi. Prior to that, Dr. Graves was a faculty member in the Department of German and Russian at the University of Alabama from 1973 to 1981, and served chair of that department in 1980-81. Dr. Graves holds a Ph.D. in accountancy from the, University of Alabama and a Ph.D. in Germanic languages and literatures from the University of North Carolina at Chapel Hill. He earned a master's in accountancy from the University of Alabama and a master's in modern Germanic literature from Rice University. He earned bachelor's degree in modern foreign languages from the University of Mississippi. Dr. Graves is a licensed CPA in Mississippi and is currently a member of the Accounting Accreditation Committee of AACSB International, the organization that accredits business and accounting programs worldwide.

Bob Brown has served as the University's Vice President for Finance and Administration since May 2014. He has been a college or university CFO for over 30 years. Before joining the University, he served as Vice President for Business and Administration at Texas A&M-Commerce for eight years. Prior to joining Texas A&M-Commerce, Mr. Brown served from 1997 to 2006 as the Vice Chancellor for Business Affairs for Dallas County Community College District, where he held previous roles that included College Vice President of Business Services from 1983 to 1991; Director of Business Operations from 1981-1982; and Internal Auditor from 1980-1981. He also served as Vice Chancellor of District Services and Chief Financial Officer for the North Harris Montgomery Community College District in Houston from 1993 to 1997 and as Vice President for Business and College Services at Central Piedmont Community College in North Carolina from 1992 to 1993. A licensed CPA, Mr. Brown earned his M.B.A. and bachelor's degree in business from the University. He completed the College Business Management Institute at the University of Kentucky and the Governor's Executive Development Program at the University of Texas at Austin.

Michael Williams was named President of the University of North Texas Health Science Center in July of 2013. He previously practiced anesthesiology and critical care medicine in Texas for more than twenty years. He then served as CEO at Hill Country Memorial Hospital from 2008 - 2013, during which time the hospital won numerous state and national awards and became a Truven Top 100 U.S. Hospital in 2012, 2013. Under his leadership the hospital was also awarded the 2013 Malcolm Baldrige Best Practice for Leadership Award, and named a Top 10 Finalist for the 2013 Malcolm Baldrige National Presidential Quality Award. The hospital went on to win the 2014 Malcolm Baldrige National Presidential Quality Award. Dr. Williams completed his anesthesiology and critical care training at the University of Texas Southwestern Medical School in Dallas and the Texas Heart Institute in Houston. Dr. Williams holds board certifications in both anesthesiology and critical care medicine by the American Board of Anesthesiology. He holds an MBA from Duke University, and a Master's in Health Care Management from Harvard University. He has been named a Fellow of the American College of Health Care Executives and a Fellow of the American College of Chest Physicians. In 2013, Dr. Williams was named to the U.S. News and World Report's Advisory Council for the annual Hospital of Tomorrow Conference and remains an active member.

Thomas Yorio became the Provost and Executive Vice President for Academic Affairs of the Health Science Center in 2008. He first joined the Health Science Center as an Assistant Professor in 1977 and rose in rank to Professor in Pharmacology and Neuroscience. He was selected as the Founding Dean of the Graduate School of Biomedical Sciences in 1993 and also has served as Executive Vice President for Academic Affairs and Research. Dr. Yorio received his Ph.D. in pharmacology from Mount Sinai School of Medicine and his bachelor's degree in biology from Herbert Lehman College. He was also a National Science Foundation Fellow and a National Kidney Foundation Fellow. He currently is a Fellow of the Association for Research in Vision and Ophthalmology (FARVO).

Greg Anderson joined the University of North Texas Health Science Center in June of 2016 as Interim Chief Financial Officer and became Chief Financial Officer in December of 2016. Prior to joining the Health Science Center, Mr. Anderson was the Chief Financial Officer of Kalon Biotherapeutics, LLC. As a member of Kalon Biotherapeutics Executive team, Greg oversaw all financial activities of the company including internal and external reporting, accounting, treasury and tax matters, as well as financial planning, budgeting and analysis. Prior to joining Kalon in December 2013, Greg served as the Chief Financial Officer and Treasurer for The Texas A&M University System (the "System") with over twenty-seven years of experience. As the Chief Financial Officer and Treasurer for the System, Mr. Anderson was responsible for all financial matters and major construction for the System including system wide financial accounting and reporting oversight, the annual operating budgeting process, investment management, debt management, the direction of tax and fiscal activities, and financial activities.

Robert Mong became President of the University of North Texas at Dallas in August 2015. Before taking up his responsibilities at UNT Dallas, Mr. Mong completed a 36-year career at the Dallas Morning News that included service as the paper's managing editor and later as editor in chief. Mr. Mong has dedicated most of his volunteer activities to higher education. His volunteer work includes serving on the journalism advisory board at SMU and Chair of the LSU Manship School of Communication board of visitors. Mr. Mong helped start the Mayborn Literacy Non Fiction Conference at the University and was an active member of the school's journalism dean search committee. In 2004, he won the national Empathy Award, sponsored by the Volunteers of America. The award each year recognizes a journalist who has made their community a better place to live. Mr. Mong is a graduate of Haverford College and attended Stanford University's Executive Program in the Graduate School of Business.

Glenda Balas assumed the position of Interim Provost and Vice President for Academic Affairs at the University of North Texas at Dallas in June 2016. Dr. Balas has served as UNTD's Dean of Liberal Arts and Sciences (LAS) since July 1, 2013. As Dean, she has been instrumental in establishing seven undergraduate programs, two master's degrees, an updated Bachelor of Applied Arts and Sciences Degree, and online teaching across the university. She has actively participated in strategic planning, budgeting, and hiring, increasing LAS faculty by more than a third since 2013. Dr. Balas has taken the lead in developing Prior Learning Assessment for veterans at UNTD and designed a campus radio station that will launch in August of this year. She serves on the leadership teams for the university's "Puente" and "Re-Imagining the First Year Experience" programs. Prior to coming to UNT Dallas, Dr. Balas served as Department Chair and Director of the Communication and Journalism Doctoral Program at the University of New Mexico. She was also Department Chair at Sam Houston State University. Dr. Balas holds an M.B.A. degree from Eastern New Mexico University and a Ph.D. in Communication Studies from the University of Iowa.

Dan Edelman began his service as the Executive Vice President of Finance and Administration and Chief Financial Officer at the University of North Texas at Dallas in July 2014. He has more than three decades of diverse leadership experience in academia and business. Before joining UNT Dallas, Dr. Edelman served in a variety of administrative positions at Texas A&M University-Commerce. Among his administrative appointments Dr. Edelman served as Associate Provost and Vice President of Academic Affairs and Department Head of Accounting. Prior to joining academia, Dr. Edelman served in a variety of management positions in accounting/finance including CEO and CFO. Dr. Edelman earned a PhD from Illinois Institute of Technology. Dr. Edelman is a certified public accountant and also a tenured Professor of Accounting at UNT Dallas.

Financial Statements

Annually, not later than November 20, an unaudited financial report dated as of August 31, prepared from the books of the Participants, must be delivered to the Governor and the State Comptroller of Public Accounts. Each year, the State Auditor must certify the financial statements of the State as a whole, inclusive of the Participants, and in so doing examines the financial records of the Participants. No outside audit in support of this detailed review is required or obtained by the Participants.

The State issues audited financial statements, prepared in accordance with generally accepted accounting principles for the State government as a whole. The statements are prepared by the Comptroller of Public Accounts and are audited by the State Auditor's Office. The State Auditor expresses an opinion on the financial statements of the State but does not express an opinion on the financial statements of individual component units including those of the Participants. The scope of the State Auditor's audit includes tests for compliance with the covenants of general obligation and revenue bond issues of the State and its component agencies and institutions. Supplementary schedules are included in the State financial statements providing, for each bond issue, information related to the pledged revenues and expenditures, coverage of debt service requirements, restricted account balances, and/or other relevant information that may be feasibly incorporated. The State Auditor does not express an opinion on such schedules in relation to the basic financial statements taken as a whole. Any material compliance exceptions related to bond covenants are addressed in the overall management letter for the State audit. The final report of the State Auditor is normally available in April of the year following the prior fiscal year.

The Participants' combined primary financial reports cover all financial operations of the Participants. Amounts due between Participants and other duplications in reporting are eliminated in combining the individual financial reports.

The unaudited Combined Financial Report of the University of North Texas System for the fiscal year ended August 31, 2016 in contained in Appendix C herein.

LITIGATION

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Commercial Paper Notes, or questioning or affecting the validity of the Commercial Paper Notes or the proceedings and authority under which they are to be issued. Neither the creation, organization nor existence of the Board, nor the title of the present officers of the Board to their respective offices, is being contested.

The University System, in its normal operations, is a defendant in various legal actions. The University System administrators are of the opinion that the outcome of these matters will not have a material adverse effect on the provisions for the use of Pledged Revenues or on the financial position or operations of the University System.

TAX MATTERS

Tax-Exempt Commercial Paper Notes

Opinion. On the date of initial delivery of the Commercial Paper Notes, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the Board, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), interest on the Commercial Paper Notes for federal income tax purposes will be excludable from the "gross income" of the holders thereof. Moreover, Bond Counsel will render its opinion that the Commercial Paper Notes are not "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"), although interest thereon may be an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code. Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Commercial Paper Notes. See "Appendix D – FORM OF OPINIONS OF BOND COUNSEL."

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

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Commercial Paper Notes in order for interest on the Commercial Paper Notes 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 Commercial Paper Notes to be included in gross income retroactively to the date of issuance of the Commercial Paper Notes. The opinion of Bond Counsel is conditioned on compliance by the Board with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Commercial Paper Notes.

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

A ruling was not sought from the Internal Revenue Service by the Board with respect to the Commercial Paper Notes or the property financed or refinanced with proceeds of the Commercial Paper Notes or the Refunded Bonds. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Commercial Paper Notes, 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 Board as the taxpayer and the holders of the Commercial Paper Notes may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

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 Commercial Paper Notes. 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 accumulated earnings and profits and excess passive investment income, 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 DISCUSSIONS 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 OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE COMMERCIAL PAPER NOTES.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Commercial Paper Notes, 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 Commercial Paper Note, 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 that 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., a market discount 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.

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 Commercial Paper Notes under federal or state law, and could affect the market price or marketability of the Commercial Paper Notes. Any of the foregoing could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any of the foregoing becoming effective cannot be predicted. Prospective purchasers of the Commercial Paper Notes should consult their own tax advisors regarding the foregoing matters.

State, Local, and Foreign Taxes. Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership, or disposition of the Commercial Paper Notes 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 Commercial Paper Notes will be sent to each registered holder and to the Internal Revenue Service. 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 (herein referred to as a "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 to non-U.S. holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Taxable Commercial Paper Notes

General. The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Taxable Commercial Paper Notes and is based on the Code, the regulations promulgated thereunder, published revenue rulings and court decisions currently in effect, all of which are subject to change. The Internal Revenue Service has not yet issued regulations or rulings relating to the treatment of obligations such as the Taxable Commercial Paper Notes, and as such said opinion and this summary of federal income tax consequences are subject to modification by the eventual issuance of regulations or rulings or by subsequent administrative or judicial interpretation, which could apply retroactively.

The following discussion is applicable to investors other than those investors who are subject to special provisions of the Code, such as life insurance companies, tax-exempt organizations, foreign taxpayers and taxpayers who may be subject to the alternative minimum tax or personal holding company provisions of the Code. This summary is further limited to investors who will hold the Taxable Commercial Paper Notes as "capital assets" (generally, property held for investment) within the meaning of section 1221 of the Code. INVESTORS 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 THE COMMERCIAL PAPER NOTES IN THEIR PARTICULAR CIRCUMSTANCES BEFORE DETERMINING WHETHER TO PURCHASE COMMERCIAL PAPER NOTES. THE FOLLOWING DISCUSSION IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN.

Periodic Interest Payments and Original Issue Discount. The Taxable Commercial Paper Notes are not obligations described in section 103(a) of the Code. Accordingly, the stated interest paid on the Taxable Commercial Paper Notes or original issue discount, if any, accruing on the Taxable Commercial Paper Notes will be included in "gross income" within the meaning of section 61 of the Code of the owners and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to the owner thereof.

Disposition of Taxable Commercial Paper Notes. An owner will recognize gain or loss on the redemption, sale or exchange of a Taxable Commercial Paper Note equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner's tax basis in the Taxable

Commercial Paper Note. Generally, the owner's tax basis in the Taxable Commercial Paper Notes will be the owner's initial cost. Any gain or loss generally will be a capital gain or loss and either will be long-term or short-term depending on whether the Taxable Commercial Paper Notes has been held for more than one year.

Under current law, purchasers of the Taxable Commercial Paper Notes who do not purchase the Taxable Commercial Paper Notes in the initial public offering at the initial public offering price (a "subsequent purchaser") will generally be required, on the disposition of Taxable Commercial Paper Notes, to recognize as ordinary income a portion of the gain, if any, to the extent of the accrued "market discount." Market discount is the amount by which the price paid for a Taxable Commercial Paper Note by a subsequent purchaser is less than the Taxable Commercial Paper Note's "stated redemption price at maturity" (or, in the case of a Taxable Commercial Paper Note issued at an original issue discount, if any, the Taxable Commercial Paper Note's "revised issue price"). In such instances, section 1277 of the Code also may apply so as to defer the deductibility of all or a portion of the interest incurred by a subsequent purchaser with respect to amounts borrowed to acquire Taxable Commercial Paper Notes with market discount.

Required Reporting to Internal Revenue Service. Subject to certain exceptions, interest payments made to the owners with respect to the Taxable Commercial Paper Notes will be reported to the Internal Revenue Service. Such information will be filed each year with the Internal Revenue Service on Form 1099 which will reflect the name, address and taxpayer identification number of the registered owner. A copy of Form 1099 will be sent to each registered owner of a Taxable Commercial Paper Note for federal income tax reporting purposes.

Other Federal Income Tax Consequences. The Code requires debt obligations, such as the Taxable Commercial Paper Notes, to be issued in registered form and denies certain tax benefits to the issuer and the holders of obligations failing this requirement. The Board shall issue the Taxable Commercial Paper Notes in registered form.

Interest paid to an owner of a Taxable Commercial Paper Note ordinarily will not be subject to withholding of federal income tax if such owner is a United States person. A United States person, however, will be subject to withholding of such tax at a rate set forth in section 3406 of the Code. This withholding generally applies if the owner of a Taxable Commercial Paper Note (i) fails to furnish to the issuer such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnishes the issuer an incorrect TIN, (iii) fails to report properly interest, dividends or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the issuer or such owner's broker with a certified statement, signed under penalty or perjury, that the TIN provided to the issuer is correct and that such owner is not subject to backup withholding.

State and Local Taxes and Foreign Persons. Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the Taxable Commercial Paper Notes under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

LEGAL OPINIONS

The validity of the Commercial Paper Notes is expected to be approved by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. For proposed forms of Bond Counsel's opinions, which include certain assumptions as to future acts by the Board, see Appendix D.

NO CONTINUING DISCLOSURE

The offering and sale of the Commercial Paper Notes is exempt from the rules of the Securities and Exchange Commission ("SEC") relating to the continuing disclosure of annual financial and operating information and certain enumerated events. Pursuant to continuing disclosure undertakings of the Board in connection with certain of its outstanding bonds, the Board is obligated to provide certain financial information and operating data relating to the University System, including financial statements, and notice of certain enumerated events, as provided by Rule 15c2-12 adopted by the SEC and promulgated under the Securities and Exchange Act of 1934, as amended (the "Rule"), by not later than 180 days following the end of each Fiscal Year of the Board. Such filings are made with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) site. In addition, in the Twenty-Fourth Supplement the Board has, on a voluntary basis, agreed to provide the same financial information and operating data, including notice of enumerated events, to the MSRB through its

EMMA site by the same time. Such information, including the Official Statement relating to the Board's Revenue Financing System Refunding and Improvement Bonds, Series 2017A and Taxable Series 2017B, which is also on file with the MSRB, is incorporated by reference herein. Such documents speak only as of their date. The information and opinions herein and in such annual reports, official statements and repository filings are subject to change without notice, and neither the delivery thereof nor the delivery of this Offering Memorandum shall, under any circumstances, create any implication that there has been no change in the affairs of the Board or the University System or other matters described therein or herein.

RATINGS

The following sets forth the ratings assigned to the Commercial Paper Notes by Moody's Investor's Service ("Moody's") and Fitch Ratings, Inc. ("Fitch").

Moody's:	P-1
Fitch:	F1+

Certain information was supplied by the University System and the Board to the rating agencies to be considered in evaluating the Commercial Paper Notes. Such ratings express only the view of the respective rating agency, and an explanation of the significance of such ratings may be obtained only from such agencies. Such ratings are not a recommendation to buy, sell or hold the Commercial Paper Notes.

There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised, either downward or upward, or withdrawn entirely, by said rating agencies if, in their judgment, circumstances so warrant. A revision or withdrawal of any rating with respect to the Commercial Paper Notes could have an effect on the market prices and marketability of the Commercial Paper Notes. The Board cannot predict the timing or impact of future action by the rating agencies. The Board undertakes no responsibility to oppose any revision or withdrawal of such ratings.

AUTHORIZATION OF OFFERING MEMORANDUM

The execution and distribution of this Offering Memorandum have been duly authorized by the Board.

The date of this Offering Memorandum is January 27, 2017.

BOARD OF REGENTS OF THE
UNIVERSITY OF NORTH TEXAS

By: /s/ Brint Ryan
Chair

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APPENDIX A

CERTAIN DEFINITIONS

The following are definitions in summary form of certain terms contained in the Master Resolution and the Twenty-Fourth Supplement:

Master Resolution

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

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

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

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

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

or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such Debt;

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

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

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

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

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

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

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

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

"*Credit Agreement*" means, collectively, a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase

Parity Obligations, purchase or sale agreements, interest rate swap agreements, currency exchange agreements, interest rate floor or cap agreements, or commitments or other contracts or agreements authorized, recognized and approved by the Board as a Credit Agreement in connection with the authorization, issuance, security, or payment of Parity Obligations and on a parity therewith.

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

"*Debt*" means all:

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

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

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

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

"*Designated Financial Officer*" shall mean the Vice President for Finance and Business Affairs of the University, or such other official of the University or the Health Sciences Center so designated by the Board.

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

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

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

"*Health Sciences Center*" means the University of North Texas Health Sciences Center at Fort Worth, together with every other agency or health related institution or branch now or hereafter operated by or under the jurisdiction of the Board.

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

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

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

"*Officer's Certificate*" means a certificate executed by a Designated Financial Officer.

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

"*Outstanding*" when used with respect to Parity Obligations means, as of the date of determination, all Parity Obligations theretofore delivered under this Resolution and any Supplement, except:

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

(2) Parity Obligations deemed paid pursuant to the provisions of Section 12 of this Resolution or any comparable section of any Supplement;

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

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

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

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

"*Parity Obligations*" means all Debt of the Board which may be issued or assumed in accordance with the terms of this Resolution and a Supplement, secured by a pledge of the Pledged Revenues subject only to the liens securing Prior Encumbered Obligations.

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

Paying Agent" shall mean each entity designated in a Supplement as the place of payment of a series or issue of Parity Obligations.

"*Pledged Revenues*" means, subject to the provisions of the Prior Encumbered Obligations, the Revenue Funds, including all of the funds and balances now or hereafter lawfully available to the Board and derived from or attributable to any Participant of the Financing System which are lawfully available to the Board for payments on Parity Obligations; provided, however, that the following shall not be included in Pledged Revenues unless and to the extent set forth in a Supplement: (a) amounts received by the University or the Health Sciences Center under Article 7, Section 17 of the Constitution of the State of Texas, including the income therefrom and any fund balances relating thereto; and (b) except to the extent so specifically appropriated, general revenue funds appropriated to the Board by the Legislature of the State of Texas.

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

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

"*Registrar*" shall mean the entity designated in a Supplement as the Registrar of a series or issue of Parity Obligations.

"*Resolution*" or "*Master Resolution*" means this Master Resolution establishing the Financing System.

"*Revenue Financing System*" or "*Financing System*" means the "University of North Texas Revenue Financing System", currently for the benefit of the University and the Health Sciences Center, and such other institutions and agencies now or hereafter under the control or governance of the Board, and made a participant of the Revenue Financing System by specific action of the Board.

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

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

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

"*Supplement*" or "*Supplemental Resolution*" means a resolution supplemental to, and authorized and executed pursuant to the terms of, this Resolution including, without limitation, the "First Supplemental Resolution to the Master Resolution Authorizing the Issuance, Sale, and Delivery of Board of Regents of the University of North Texas Revenue Financing System Bonds, Series 1997; and Approving and Authorizing Instruments and Procedures Relating Thereto" approved by the Board on August 29, 1997.

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

"*University*" means the University of North Texas, together with every other agency or general academic institution or branch thereof now or hereafter operated by or under the jurisdiction of the Board acting for and on behalf of the University of North Texas pursuant to law.

Twenty-Fourth Supplement

The term "*Acts*" shall mean, collectively, Chapter 55, Texas Education Code, as amended, and Chapter 1371, Texas Government Code, as amended.

The terms "*Authorized Representative*" and "*Board Representative*" shall mean the Chancellor of the System, the Vice Chancellor for Finance for the System, or such other official of the System appointed by the Board to carry out the functions of the Board specified herein.

The term "*Board*" shall mean the Board of Regents of the System, which is currently the governing body for the University, the Health Science Center and UNT-Dallas.

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

The term "*Code*" shall mean the Internal Revenue Code of 1986, as amended.

The terms "*Commercial Paper Note*" and "*Series B Commercial Paper Note*" shall mean any Taxable Commercial Paper Note or Tax-Exempt Commercial Paper Note issued pursuant to the provisions of the Master Resolution and the Twenty-Fourth Supplement, having the terms and characteristics specified in Section 2.02 and in the forms set forth in Exhibit B to the Twenty-Fourth Supplement.

The terms "*Costs*" and "*Project Costs*" shall mean all costs and expenses defined as "project costs" under the Acts incurred in relation to Eligible Projects and permitted by law to be paid with the proceeds of the Commercial Paper Notes, including without limitation design, planning, engineering, and legal costs; acquisition costs of land, interests in land, right of way, and easements; construction costs; costs of machinery, equipment, and other capital assets incident and related to the operation, maintenance, and administration of the Eligible Projects; and financing costs, including interest during construction and one year after construction, underwriter's discount, and/or legal, financial, and other professional services fees and expenses, and shall include reimbursement for Costs attributable to Eligible Projects incurred prior to the issuance of any Commercial Paper Notes.

The term "*Dealer*" shall have the meaning given said term in Section 3.04.

The term "*Designated Trust Office*" shall have the meaning given said term in Section 2.03(a) of the Twenty-Fourth Supplement.

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

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

The term "*Eligible Project*" shall mean the acquisition, purchase, construction, improvement, enlargement, and/or equipping of any property, buildings, structures, activities, services, operations, or other facilities, or any other project, program or improvement authorized by the laws of the State of Texas for and on behalf of the Financing System or any Participant thereof.

The term "*EMMA*" shall mean the Electronic Municipal Market Access website of the MSRB.

The term "*Extended Maturity Date*" shall mean, for each Commercial Paper Note, the date specified in the Extension Notice as the maturity date to which the maturity of such Commercial Paper Note is to be extended, which maturity date shall be a Business Day; provided, that an Extended Maturity Date shall not be established in violation of the provisions of Section 2.02(a)(ii) or 2.02(b)(ii) of the Twenty-Fourth Supplement.

The term "*Extended Rate*" shall mean the rate of interest per annum determined by the following formula:

For Tax-Exempt Commercial Paper Notes: the greater of (SIFMA Index + *E*) or *F*

For Taxable Commercial Paper Notes: the greater of (LIBOR Index + *E*) or *F*

The Extended Rate applicable to a Commercial Paper Note will be determined by the Issuing and Paying Agent as provided in Section 2.02(c) of the Twenty-Fourth Supplement. As used in the formula set forth above in this definition, the *E* and *F* variables shall be the fixed percentage rates, expressed in basis points and yields, respectively, determined based on the Prevailing Ratings of Fitch, Moody's and S&P, if then rating the Commercial Paper Notes at the request of the System, as follows:

Prevailing Rating

Fitch	Moody's	S&P	E Variable	F Variable
F-1+	P-1	A-1+	250 bps	7.00%
F-1	-	A-1	350 bps	7.50%
F-2	P-2	A-2	550 bps	8.00%
Lower than F-2 (or rating withdrawn for credit reasons)	Lower than P-2 (or rating withdrawn for credit reasons)	Lower than A-2 (or rating withdrawn for credit reasons)	Max Rate	Max Rate

If the individual Prevailing Ratings indicate different *E* or *F* variables as a result of split ratings assigned to the Commercial Paper Notes, the *E* or *F* variable shall be the arithmetic average of those indicated by the Prevailing Ratings. If the System obtains another rating on the Commercial Paper Notes from a credit rating agency, the Issuing and Paying Agent shall, upon written direction of the Authorized Representative, following consultation with the Authorized Representative and the Dealer, determine how the credit rating agency's rating categories shall be treated for the purpose of indicating an *E* or *F* variable. In no event shall the Extended Rate exceed the Maximum Interest Rate.

The term "*Extension Request*" shall mean the instructions provided to the Issuing and Paying Agent and the Dealer by an Authorized Representative to extend the Original Maturity Date of a Commercial Paper Note to an Extended Maturity Date, in substantially the form set forth in Exhibit D to the Twenty-Fourth Supplement.

The term "*Fifteenth Series Bonds*" shall mean, collectively, the Board of Regents of the University of North Texas System Revenue Financing System Bonds, Series 2012A and the Board of Regents of the University of North Texas System Revenue Financing System Bonds, Taxable Series 2012B, authorized by the Fifteenth Supplement.

The term "*Fifteenth Supplement*" shall mean the resolution adopted by the Board on August 18, 2011, authorizing the authorizing the Fifteenth Series Bonds.

The term "*Fourteenth Series Bonds*" shall mean, collectively, the Board of Regents of the University of North Texas System Revenue Financing System Bonds, Series 2009A, the Board of Regents of the University of North Texas System Revenue Financing System Refunding Bonds, Series 2009B, and the Board of Regents of the University of North Texas System Revenue Financing System Refunding Bonds, Series 2010, authorized by the Fourteenth Supplement.

The term "*Fourteenth Supplement*" shall mean the resolution adopted by the Board of Regents on August 21, 2009, authorizing the Fourteenth Series Bonds.

The term "*Fiscal Year*" shall mean the 12-month operational period of the System commencing on September 1 of each year and ending on the following August 31.

The term "*Fitch*" shall mean Fitch Ratings, Inc., or, if such entity is dissolved or liquidated or otherwise ceases to perform securities ratings services, such other nationally recognized securities rating agency as may be designated in writing by the Board.

The term "*Health Science Center*" shall mean the University of North Texas Health Science Center at Fort Worth.

The terms "*Holder*" or "*Noteholder*" shall mean the Registered Owner or any person, firm, association, or corporation who is in possession of any Commercial Paper Note issued to bearer or in blank.

The term "*Issuance Request*" shall mean the instructions provided to the Issuing and Paying Agent by an Authorized Representative in the manner set forth in Section 3.01 of the Twenty-Fourth Supplement.

The terms "*Issuing and Paying Agent*" and "*Paying Agent*", "*Paying Agent/Registrar*" and "*Registrar*" shall mean with respect to the Commercial Paper Notes the agent appointed pursuant to Section 2.03, or any successor to such agent.

The term "*LIBOR Index*" means (i) for any date the London interbank offered rate for U.S. dollar deposits for a one-month period, as reported on the Reuters Screen LIBOR01 Page (or any successor thereto) as of 11:00 a.m., London, England time, on the second Business Day preceding such date or (ii) if such rate is not then reported by Reuters, the rate then reported by any successor to or substitute for such service designated in writing by the Issuing and Paying Agent and the System, acting through an Authorized Representative, that provides rate quotations comparable to those provided on such Reuters screen page.

The term "*Master Notes*" shall mean the DTC master notes, in substantially the forms set forth in Exhibit C to the Twenty-Fourth Supplement.

The term "*Master Resolution*" shall mean the "Amended and Restated Master Resolution Establishing the Revenue Financing System under the Authority and Responsibility of the Board of Regents of the University of North Texas", adopted by the Board on February 12, 1999.

The term "*Maximum Interest Rate*" or "*Max Rate*" shall mean the lesser of (i) nine percent (9.00%) per annum and (ii) the maximum net effective interest rate permitted by law to be paid on obligations issued or incurred by the Board in the exercise of its borrowing powers (prescribed by Chapter 1204, Texas Government Code).

The term "*Maximum Maturity Date*" shall mean December 31, 2044.

The term "*Moody's*" shall mean Moody's Investors Service or, if such entity is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the Board.

The term "*MSRB*" shall mean the Municipal Securities Rulemaking Board.

The term "*Note Date*" shall have the meaning given in Section 2.02(c).

The term "*Note Payment Fund*" shall mean that fund created pursuant to Section 2.08.

The term "*Original Maturity Date*" shall mean, for each Commercial Paper Note, the date specified in the Issuance Request as the date of maturity of the Commercial Paper Note; provided that the Original Maturity Date shall not extend beyond the Maximum Maturity Date.

The term "*Original Rate*" shall mean, for each Commercial Paper Note, the rate of interest per annum borne by such Commercial Paper Note to the Original Maturity Date as specified in the applicable Issuance Request.

The term "*Parity Bonds*" shall mean (i) all Parity Obligations outstanding on the date the Twenty-Fourth Supplement is adopted (other than the Series A Commercial Paper Notes and the Series B Commercial Paper

Notes), and (ii) all Parity Obligations issued after the date the Twenty-Fourth Supplement is adopted (other than the Series A Commercial Paper Notes and the Series B Commercial Paper Notes) that on the date of issuance thereof have a Stated Maturity of one year or greater.

The term "*Parity Obligations*" shall mean, collectively, the Series A Commercial Paper Notes, the Eleventh Series Bonds, the Thirteenth Series Bonds, the Fourteenth Series Bonds, the Fifteenth Series Bonds, the Sixteenth Series Bonds, the Nineteenth Series Bonds, the Twentieth Series Bonds, the Twenty-First Series Bonds, the Twenty-Second Series Bonds (when delivered to the purchaser thereof), the Twenty-Third Series Bonds (when delivered to the underwriters and/or purchasers thereof) and the Series B Commercial Paper Notes, and any bonds or other obligations issued after the authorization of the Series B Commercial Paper Notes and declared by the Board to be Parity Obligations.

The term "*Prevailing Rating*" shall mean, at the time of determination and with respect to Fitch or Moody's, the rating assigned to the Commercial Paper Notes by Fitch or Moody's, or any comparable future designation by Fitch or Moody's, as the case may be.

The term "*Rating Agency*" shall mean Fitch, Moody's and S&P, if such entity is then providing a rating on the Commercial Paper Notes at the request of the System.

The term "*Registered Owner*" shall mean the person or entity in whose name any Commercial Paper Note is registered in the Registration Books.

The term "*Registration Books*" shall mean books or records relating to the registration, payment, and transfer or exchange of the Commercial Paper Notes maintained by the Issuing and Paying Agent pursuant to Section 2.03.

The term "*Regulations*" shall mean all applicable temporary, proposed and final regulations and procedures promulgated under the Code or promulgated under the Internal Revenue Code of 1954, to the extent applicable to the Code.

The term "*Rule*" shall mean SEC Rule 15c2-12, as amended from time to time.

The term "*S&P*" shall mean Standard & Poor's Rating Service, a Standard & Poor's Financial Services LLC business, or, if such entity is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the Board.

The term "*SEC*" shall mean the United States Securities and Exchange Commission.

The term "*Series A Commercial Paper Note*" shall mean any commercial paper note issued pursuant to the provisions of the Master Resolution and the Tenth Supplement.

The term "*SIFMA*" means the Securities Industry and Financial Markets Association.

The term "*SIFMA Index*" means (i) the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by SIFMA or any person acting in cooperation with or under the sponsorship of SIFMA or (ii) if such index is not published, such other publicly available rate as the Dealer (or if the Dealer fails to do so, the System, acting through an Authorized Representative) shall deem most nearly equivalent thereto. Such index may be expressed as a percentage of (more or less than, or equal to, 100%) and/or a fixed spread to another index.

The term "*Sixteenth Series Bonds*" shall mean, collectively, the Board of Regents of the University of North Texas System Revenue Financing System Refunding and Improvement Bonds, Series 2015A and the Board of Regents of the University of North Texas System Revenue Financing System Refunding Bonds, Taxable Series 2015B, authorized by the Sixteenth Supplement.

The term "*Sixteenth Supplement*" shall mean the resolution adopted by the Board of Regents on August 16, 2013, authorizing the Sixteenth Series Bonds.

The term "*System*" shall mean The University of North Texas System.

The term "*Taxable Commercial Paper Note*" shall mean a Commercial Paper Note issued pursuant to the provisions of the Master Resolution and the Twenty-Fourth Supplement, the interest on which is not exempt from federal income taxation under the Code.

The term "*Taxable Commercial Paper Note Payment Account*" shall mean the account created pursuant to Section 2.08.

The term "*Tax-Exempt Commercial Paper Note*" shall mean a Commercial Paper Note issued pursuant to the provisions of the Master Resolution and the Twenty-Fourth Supplement, the interest on which is exempt from federal income taxation under the Code.

The term "*Tax-Exempt Commercial Paper Note Payment Account*" shall mean the account created pursuant to Section 2.08.

The term "*Tenth Supplement*" shall mean the Second Amended and Restated Tenth Supplemental Resolution adopted by the Board on December 6, 2013, authorizing the Series A Commercial Paper Notes.

The term "*Thirteenth Series Bonds*" shall mean the Board of Regents of the University of North Texas System Revenue Financing System Bonds, Series 2009, authorized by the Thirteenth Supplement.

The term "*Thirteenth Supplement*" shall mean the resolution adopted by the Board on November 20, 2008, authorizing the Thirteenth Series Bonds.

The term "*Twentieth Series Bonds*" shall mean the Board of Regents of the University of North Texas System Revenue Financing System Refunding Bonds, Series 2015, authorized by the Twentieth Supplement.

The term "*Twentieth Supplement*" shall mean the resolution adopted by the Board on April 8, 2015, authorizing the Twentieth Series Bonds.

The term "*Twenty-First Series Bonds*" shall mean the Board of Regents of the University of North Texas System Revenue Financing System Refunding Bonds, Series 2015C, authorized by the Twenty-First Supplement.

The term "*Twenty-First Supplement*" shall mean the resolution adopted by the Board on October 6, 2015, authorizing the Twenty-First Series Bonds.

The term "*Twenty-Second Series Bonds*" shall mean the Board of Regents of the University of North Texas System Revenue Financing System Refunding Bonds, Forward Delivery Series 2018, authorized by the Twenty-First Supplement.

The term "*Twenty-Second Supplement*" shall mean the resolution adopted by the Board on May 20, 2016, authorizing the Twenty-Second Series Bonds.

The term "*Twenty-Third Series Bonds*" shall mean the Board of Regents of the University of North Texas System Revenue Financing System Bonds, in one or more series, authorized to be issued in accordance with the terms of the Twenty-Third Supplement.

The term "*Twenty-Third Supplement*" shall mean the resolution adopted by the Board on August 19, 2016, authorizing the Twenty-Third Series Bonds.

The term "*Twenty-Fourth Supplement*" shall mean the resolution adopted by the Board of Regents on November 17, 2016, authorizing the Series B Commercial Paper Notes.

The term "*University*" shall mean the University of North Texas.

The term "*UNT-Dallas*" shall mean The University of North Texas at Dallas.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE TWENTY-FOURTH SUPPLEMENT

THE MASTER RESOLUTION

The statements made herein concerning the Master Resolution and the Twenty-Fourth Supplement are summaries and do not purport to be complete. Such statements use certain terms defined in the Master Resolution and the Twenty-Fourth Supplement and are qualified in their entirety by reference to the detailed provisions of the Master Resolution and the Twenty-Fourth Supplement.

Establishment of Revenue Financing System.

Pursuant to the Master Resolution, the Board has established the Revenue Financing System to provide a consolidated financing structure for revenue-supported debt obligations of the Board, including the Commercial Paper Notes, which are to be issued for the benefit of Participants which are or will be included as part of the Revenue Financing System. The current Participants include the University and the Health Science Center, and the Revenue Financing System may include other entities that are hereafter included under the control of the Board, but only upon affirmative official action of the Board.

Payment and Funds.

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

The Master Resolution allows the Board to supplement the security for Parity Obligations. This could take the form of establishing one or more reserve funds or accounts to further secure any Parity Obligations. Currently, the Board has not established a reserve fund to secure the payment of the Parity Obligations.

Participants.

Release of Participants. Subject to the conditions set forth below, any Participant or portion thereof may be closed and abandoned by law or may be removed from the Revenue Financing System (thus deleting the revenues, income, funds, and balances attributable to said Participant or portion thereof from the Pledged Revenues) without violating the terms of the Master Resolution provided:

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

(2) the Board shall have received an opinion of counsel which shall state that such release will not affect the status for federal income tax purposes of interest on any Parity Obligations and that all conditions precedent provided in the Master Resolution or any supplement relating to such release have been complied with; and

(3) (A) if the Participant or portion thereof to be released from the Revenue Financing System is to remain under the governance and control of the Board, the Board must either (i) provide, from

lawfully available funds, including Pledged Revenues attributable to said withdrawing Participant, for the payment or discharge of said Participant's Direct Obligations or (ii) pledge to the payment of Parity Obligations, additional resources not then pledged in an amount sufficient to satisfy such withdrawing Participant's Direct Obligations as they come due; or

(B) if the Participant or portion thereof to be released from the Revenue Financing System is to no longer be under the governance and control of the Board and remaining in operation independent of the Board, the Board must receive a binding obligation of the new governing body of the withdrawing institution or the portion thereof being withdrawn, obligating said governing body to make payments to the Board at the times and in the amounts equal to said Participant's Annual Obligations or to pay or discharge said Participant's Direct Obligations, or, in the case of a portion of a Participant being withdrawn, the proportion of the Participant's Annual Obligation or Direct Obligation, as the case may be, attributable to the withdrawing portion of the Participant.

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

Certain Covenants.

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

Other Covenants. The Board has additionally covenanted in the Resolution (i) to faithfully perform all covenants and provisions contained in the Resolution, any Supplement thereto, and in each Parity Obligation; (ii) to call for redemption all Parity Obligations, in accordance with their terms, which are subject to mandatory redemption; (iii) that it lawfully owns, has title to, or is lawfully possessed of the land, buildings, and facilities now constituting the University and the Health Science Center and to defend such title for the benefit of the owners of the Parity Obligations; (iv) that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Obligations; (v) to maintain and preserve the property of the Revenue Financing System; (vi) not to incur any debt secured by the Pledged Revenues except as permitted in the Resolution; (vii) to invest and secure money held in funds and accounts established under the Resolution in accordance with law and written policies of the Board; (viii) to keep proper books and records and accounts for the Revenue Financing System and to cause to be prepared annual financial reports of the Revenue Financing System and to furnish such reports, to appropriate municipal bond rating agencies and, upon request, owners of Parity Obligations; and (ix) to permit any owner or owners of 25% or more of outstanding principal amount of Parity Obligations at all reasonable times to inspect all records, accounts, and data of the Board relating to the Revenue Financing System. Notwithstanding the foregoing, and in addition to the right reserved by the Board to refund any Prior Encumbered Obligations with Parity Obligations, the Board reserves the right to issue obligations to refund any Prior Encumbered Obligations and to secure the refunding obligations with the same source or sources securing the Prior Encumbered Obligations being refunded. Upon the defeasance of the refunded Prior Encumbered Obligations, the refunding obligations will be Prior Encumbered Obligations (unless the refunding obligations are made Parity Obligations in accordance with the terms of this Resolution) under the Master Resolution and any Supplement for all purposes.

Remedies.

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

Amendment of Resolution.

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

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

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

(iii) To supplement the security for the Parity Obligations, including, but not by way of limitation, to provide for the addition of new institutions and agencies to the Financing System or to clarify the provisions regarding the University and the Health Science Center as a Participant in the Financing System; provided, however, if the definition of Pledged Revenues is amended in any manner which results in the pledge of additional resources, the terms of such amendment may limit the amount of such additional pledge and the manner, extent, and duration of such additional pledge all as set forth in such amendment;

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

(v) To make such changes, modifications, or amendments as may be necessary or desirable, which shall not adversely affect the interests of the owners of the outstanding Parity Obligations, in order, to the extent permitted by law, to facilitate the economic and practical utilization of Credit Agreements with respect to outstanding Parity Obligations; or

(vi) To make such other changes in the provisions hereof as the Board may deem necessary or desirable and which shall not, in the judgment of the Board, materially adversely affect the interests of the owners of Parity Obligations.

Amendments With Consent. Subject to the other provisions of the Resolution, the owners of outstanding Parity Obligations aggregating a majority in Outstanding Principal Amounts shall have the right from time to time to approve any amendment, other than amendments described in the foregoing paragraph, to the Master Resolution, or with respect to an amendment affecting a particular supplemental resolution only, a majority in aggregate principal amount of the Parity Obligations issued under such supplemental resolution, which may be deemed necessary or desirable by the Board; provided, however, that no provision shall permit or be construed to permit, without the approval of the owners of all of the Parity Obligations, the amendment of the terms and conditions in the Resolution so as to:

(1) Grant to the owners of any Parity Obligations a priority over the owners of any other Parity Obligations;
(2) Materially adversely affect the rights of the owners of less than all Parity Obligations then outstanding; or
(3) Change the minimum percentage of the Outstanding Principal Amount necessary for consent to such amendment.

In addition to the foregoing limitations, the Resolution provides that no provisions shall be construed to permit, without the approval of the owners of all of the Parity Obligations outstanding, the amendment of the Resolution or the Bonds so as to:

(1) Make any change in the maturity of the Parity Obligations;
(2) Reduce the rate of interest borne by the Parity Obligations;
(3) Reduce the amount of principal payable on the Outstanding Parity Obligations;
(4) Modify the terms of payment of principal of or interest on the Parity Obligations, or impose any conditions with respect to such payment;
(5) Affect the rights of the owners of less than all Parity Obligations then Outstanding; or
(6) Change the minimum percentage of the Outstanding Principal Amount of Parity Obligations necessary for consent to such amendment.

Defeasance.

Any Parity Obligations and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Debt") within the meaning of the Resolution, except to the extent required for payment thereof, when the payment of all principal and interest payable with respect to such Parity Obligations to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption or provision for the giving of same having been made) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such Parity Obligations for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) noncallable Government Obligations which mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the Board with each such Paying Agent for the payment of its services until after all Defeased Debt shall have become due and payable. At such time as Parity Obligations shall be deemed to be Defeased Debt under the terms of the Resolution, such Parity Obligations and the interest thereof shall no longer be secured by, payable from, or entitled to the benefits of, the Pledged Revenues, and such principal and interest shall be payable solely from such money or Government Obligations, and shall not be regarded as outstanding for any purposes other than payment, transfer, and exchange.

TWENTY-FOURTH SUPPLEMENT

Commercial Paper.

Authorized Amount of the Commercial Paper. The System is authorized to issue from time to time Commercial Paper Notes in an aggregate maximum principal amount not to $75,000,000 at any one time Outstanding. Commercial Paper Notes may be issued as Tax-Exempt Commercial Paper Notes and Taxable Commercial Paper Notes.

Issuance of Commercial PaperNotes. Tax-Exempt Commercial Paper Notes to be designated **"Board of Regents of The University of North Texas System Revenue Financing System Commercial Paper Notes, Series B, Tax-**

Exempt Sub-series" are hereby authorized to be issued and sold and delivered from time to time in such principal amounts as determined by an Authorized Representative in denominations of $100,000 or in integral multiples of $1,000 in excess thereof, numbered in ascending consecutive numerical order in the order of their issuance, and shall mature and become due and payable on such dates as an Authorized Representative shall determine at the time of sale; provided, however, that no Tax-Exempt Commercial Paper Note shall (i) mature after the Maximum Maturity Date or (ii) have a term, from the Note Date to its Original Maturity Date or its Extended Maturity Date, as the case may be, in excess of 270 calendar days. Taxable Commercial Paper Notes to be designated "**Board of Regents of The University of North Texas System Revenue Financing System Commercial Paper Notes, Series B, Taxable Sub-series**" are hereby authorized to be issued and sold and delivered from time to time in such principal amounts as determined by an Authorized Representative in denominations of $100,000 or in integral multiples of $1,000 in excess thereof, numbered in ascending consecutive numerical order in the order of their issuance, and shall mature and become due and payable on such dates as an Authorized Representative shall determine at the time of sale; provided, however, that no Taxable Commercial Paper Note shall (i) mature after the Maximum Maturity Date or (ii) have a term, from the Note Date to its Original Maturity Date or its Extended Maturity Date, as the case may be, in excess of 270 calendar days.

Terms Applicable to Commercial Paper Generally. Subject to the conditions and limitations contained in the Twenty-Fourth Supplement, Commercial Paper Notes herein authorized shall be dated as of their date of issuance (the "Note Date") and shall bear no interest or bear interest at such rate or rates per annum computed, with respect to the Tax-Exempt Commercial Paper Notes, on the basis of actual days elapsed and on a 365-day or 366-day (as applicable) year (but in no event to exceed the Maximum Interest Rate) and, with respect to the Taxable Commercial Paper Notes, on the basis of actual days elapsed and on a 360-day year (but in no event to exceed the Maximum Interest Rate), as may be determined by an Authorized Representative. The Commercial Paper Notes shall bear interest from the Note Date until the Original Maturity Date at the Original Rate. Interest, if any, on Commercial Paper Notes shall be payable on any Original Maturity Date. The foregoing notwithstanding, on any Original Maturity Date, if the Authorized Representative exercises the option to extend the Original Maturity Date to an Extended Maturity Date, the Commercial Paper Notes will bear interest from the Original Maturity Date to the Extended Maturity Date at the Extended Rate. If the Authorized Representative exercises the option in accordance with the Twenty-Fourth Supplement to extend the Original Maturity Date of any Commercial Paper Note to an Extended Maturity Date, the accrued but unpaid interest on the Commercial Paper Note, but not the principal of the Commercial Paper Note, shall be paid on its Original Maturity Date. The Extended Rate will be determined by the Issuing and Paying Agent based on the Prevailing Ratings available as of 11:00 a.m. on the Original Maturity Date and on each Thursday thereafter until the Extended Maturity Date or the date fixed for redemption of such Commercial Paper Notes, and will apply from that Thursday through the following Wednesday, the Extended Maturity Date, or the date fixed for redemption of such Commercial Paper Notes, as the case may be. If the Original Maturity Date is before the 15th day of the month, interest shall be payable on the first Business Day of the next month and on the first Business Day of each month thereafter and on the Extended Maturity Date for this Commercial Paper Note. If the Original Maturity Date is on or after the 15th day of the month, interest shall be payable on the first Business Day of the second succeeding month and on the first Business Day of each month thereafter, and on the Extended Maturity Date for this Commercial Paper Note or the date fixed for redemption of such Commercial Paper Notes, as the case may be.

Notice of Extension of Maturity of Commercial Paper Notes. The Authorized Representative shall deliver to the Issuing and Paying Agent and the Dealer an Extension Request by no later than 11:30 a.m. on the Original Maturity Date if the option to extend the Original Maturity Date of a Commercial Paper Note to an Extended Maturity Date is exercised. The Issuing and Paying Agent shall correspondingly notify (i) DTC by no later than 12:00 noon on the Original Maturity Date and (ii) (A) each Rating Agency then maintaining a rating on the Commercial Paper Notes and (B) EMMA by no later than 5:00 p.m. on the Original Maturity Date, that the maturity of such Commercial Paper Note is being extended to the Extended Maturity Date set forth in the Extension Request. Even if the requisite notices are not given, if payment of the principal of and interest on a Commercial Paper Note does not occur on the Original Maturity Date, the maturity of the Commercial Paper Note shall be extended automatically to the Extended Maturity Date set forth in the Extension Request. With the consent of the Issuing and Paying Agent and the Dealer, the Authorized Representative may modify the notification provisions contained in the Twenty-Fourth Supplement if deemed appropriate to conform to DTC's rules and procedures.

The Commercial Paper Notes shall not be subject to redemption prior to their Original Maturity Date. In the event the Board, acting through an Authorized Representative, exercises its option to extend the maturity of any Commercial Paper Note from its Original Maturity Date to an Extended Maturity Date, that Commercial Paper Note may be redeemed on any date after its Original Maturity Date, at the option of the Board, at a redemption price equal to par (100%), plus accrued and unpaid interest to the redemption date. To exercise its redemption option, an Authorized Representative shall provide not less than five (5) nor more than twenty five (25) calendar days' notice to the Issuing and Paying Agent. The Issuing and Paying Agent will notify the DTC of the Commercial Paper Notes to be redeemed within one Business Day of receipt of such notice.

Both principal of and interest on Commercial Paper shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts. Except in the case of Book-Entry Commercial Paper, principal of and interest on Commercial Paper shall be payable upon presentation and surrender thereof at the Office of the Trustee.

Proceeds of Sale of Commercial Paper Notes. The proceeds of the sale of Commercial Paper Notes shall be used for the purpose of for the purpose of financing Project Costs of Eligible Projects and to refinance, renew, or refund Commercial Paper Notes, Prior Encumbered Obligations, and Parity Obligations, including interest thereon, all in accordance with and subject to the terms, conditions, and limitations contained herein. For purposes of the Twenty-Fourth Supplement, any portion of Outstanding Commercial Paper Notes to be paid from money on deposit with the Issuing and Paying Agent and from the available proceeds of Parity Obligations or other obligations of the Board issued on the day of calculation shall not be considered Outstanding. The authority to issue Commercial Paper Notes from time to time under the provisions of the Twenty-Fourth Supplement shall exist until the Maximum Maturity Date, regardless of whether at any time prior to the Maximum Maturity Date there are any Commercial Paper Notes Outstanding. Anything to the contrary herein notwithstanding, Commercial Paper Notes may only be issued to refinance or refund Prior Encumbered Obligations or Parity Bonds issued as "obligations" under Chapter 1371, Texas Government Code, to effect a gross defeasance thereof in accordance with the provisions of Chapter 1207, Texas Government Code, and only with the prior approval of the Board. Proceeds so received for such purpose shall be invested and secured in accordance with applicable law, including, without limitation, the provisions of Chapter 1207, Texas Government Code.

Note Payment Fund.

There shall be created a fund at the Issuing and Paying Agent entitled the "University of North Texas System Revenue Financing System Commercial Paper Note Payment Fund – Series B" (the "Note Payment Fund"). Within the Note Payment Fund, there shall be established a "University of North Texas System Revenue Financing System Tax-Exempt Commercial Paper Note Payment Account – Series B" (the "Tax-Exempt Commercial Paper Note Payment Account") and a "University of North Texas System Revenue Financing System Taxable Commercial Paper Note Payment Account – Series B" (the "Taxable Commercial Paper Note Payment Account"). The proceeds from the sale of Parity Obligations issued for the purpose of refunding and retiring Commercial Paper Notes Outstanding under the Twenty-Fourth Supplement shall be paid to the Issuing and Paying Agent for deposit to the credit of the Tax-Exempt Commercial Paper Note Payment Account or the Taxable Commercial Paper Note Payment Account, as directed by an Authorized Representative, and used for such purpose. In addition, all amounts required to be paid to the Issuing and Paying Agent for deposit by the Board pursuant to the Twenty-Fourth Supplement shall be paid to the Issuing and Paying Agent for deposit to the Tax-Exempt Commercial Paper Note Payment Account or the Taxable Commercial Paper Note Payment Account, as the case may be, and shall be used to pay principal of, premium, if any, and interest on Tax-Exempt Commercial Paper Notes or Taxable Commercial Paper Notes, as the case may be, at the respective interest payment, maturity or redemption of such Commercial Paper Notes as provided in the Twenty-Fourth Supplement.

Commercial Paper Notes Treated as Parity Obligations; Security and Pledge.

The Master Resolution is incorporated by reference into the Twenty-Fourth Supplement and as such made a part of the Twenty-Fourth Supplement for all purposes, except to the extent modified and supplemented hereby and the Commercial Paper Notes are hereby declared to be Parity Obligations under the Master Resolution. The Board determines that it will have sufficient funds to meet the financial obligations of each Participant in the Financing System (currently the University, the Health Science Center and UNT-Dallas), including sufficient Pledged

Revenues to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System. Furthermore, the Board hereby determines that each of the Participants for whom the Commercial Paper Notes are being issued possess the financial capability to satisfy its Direct Obligation after taking into account the issuance of the Commercial Paper Notes.

The Commercial Paper Notes are special obligations of the Board payable from and secured solely by the Pledged Revenues pursuant to the Master Resolution and the Twenty-Fourth Supplement. The Pledged Revenues are hereby pledged, subject to the liens securing the Prior Encumbered Obligations, to the payment of the principal of, premium, if any, and interest on the Commercial Paper Notes as the same shall become due and payable. The Board agrees to make payments into the Tax-Exempt Commercial Paper Note Payment Account and the Taxable Commercial Paper Note Payment Account, as the case may be, at such times and in such amounts as are necessary to provide for the full payment of the principal of, premium, if any, and the interest on the Tax-Exempt Commercial Paper Notes and the Taxable Commercial Paper Notes, as the case may be, when due, in accordance with the terms and conditions set forth in the Twenty-Fourth Supplement.

Dealer Agreements.

At all times during which there shall be Outstanding Commercial Paper Notes, the System shall be a party to one or more Dealer Agreements, each of which shall be in the form authorized by the System. The System shall provide the Issuing and Paying Agent with a copy of each Dealer Agreement in effect from time to time.

Certain Covenants.

Limitation on Issuance. Unless the Twenty-Fourth Supplement is amended and modified by the Board in accordance with the provisions of Section 6.01 of the Twenty-Fourth Supplement, the Board covenants that there will not be issued under the terms of the Twenty-Fourth Supplement and Outstanding at any time more than $75,000,000 in principal amount of Commercial Paper Notes.

Provision for Payment. The Board covenants to maintain, or cause to be provided in the manner described in the Twenty-Fourth Supplement, available funds in an amount equal to the principal amount of Commercial Paper Notes for which liquidity is provided then Outstanding, plus interest on the Commercial Paper Notes then Outstanding. In furtherance of the foregoing covenant, the Board agrees that it will not issue any Commercial Paper Notes or make any borrowings which will result in a violation of such covenant.

Lawfully Available Funds. To the extent that the Dealer cannot sell Commercial Paper Notes to renew or refund Outstanding Commercial Paper Notes on their maturity, the Board covenants to use lawfully available funds to purchase Commercial Paper Notes issued to renew and refund such maturing Commercial Paper Notes. Such payment, issuance and purchase are not intended to constitute an extinguishment of the obligation represented by such maturing Commercial Paper Notes and the Board may issue Commercial Paper Notes to renew and refund the Commercial Paper Notes held by it when the Dealer is again able to sell Commercial Paper Notes. While such Commercial Paper Notes are held by the Board they shall bear interest at the rate being earned by the funds used to purchase such Commercial Paper Notes on the date of purchase.

Covenant to Refinance. The Board covenants that it will undertake its best efforts to issue and deliver Parity Obligations at the times and in the amounts necessary to refinance the Commercial Paper Notes that are maturing on the applicable Extended Maturity Date and apply the proceeds of such Parity Obligations to retire such Commercial Paper Notes, either at maturity or redemption prior to maturity. Notwithstanding the foregoing, the Authorized Representative shall not deliver an Issuance Request for Commercial Paper Notes that could not be refinanced on or before the Maximum Maturity Date.

The receipts derived from the refinancing of the Commercial Paper Notes, whether by other Commercial Paper Notes or other Parity Obligations, and all amounts in the funds and accounts created or maintained pursuant to the Twenty-Fourth Supplement or the Issuing and Paying Agent Agreement, including earnings on such amounts, are hereby pledged as security for the payment of the Commercial Paper Notes and constitute trust funds held for that purpose, subject only to the provisions of the Twenty-Fourth Supplement and the Issuing and Paying Agent Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein. The pledge made shall be irrevocable until all of the Commercial Paper Notes to be refinanced have been paid and retired. The granting of this pledge by the Board does not limit in any manner the rights of the Board to issue or incur any other Parity Obligations.

Tax-Exempt Commercial Paper Notes to Remain Tax Exempt. The Board covenants that it will execute and deliver a federal tax certificate in the form prescribed by Bond Counsel in connection with the first issuance of Tax-Exempt Commercial Paper Notes (the "Federal Tax Certificate"), and that in connection with any subsequent issuance of Tax-Exempt Commercial Paper Notes it will, if requested by Bond Counsel, execute and deliver either written confirmation that the facts, estimates, circumstances and reasonable expectations contained therein continue to be accurate as of such issue date or a revised Federal Tax Certificate dated such issue date. The Board represents and covenants that it will not expend, or permit to be expended, the proceeds of any Tax-Exempt Commercial Paper Notes in any manner inconsistent with its reasonable expectations as certified in the Federal Tax Certificates to be executed from time to time with respect to the Tax-Exempt Commercial Paper Notes; provided, however, that the Board may expend Tax-Exempt Commercial Paper Note proceeds in such manner if the Board first obtains an unqualified opinion of Bond Counsel that such expenditure will not impair the exclusion of interest on the Tax-Exempt Commercial Paper Notes from gross income for federal income tax purposes.

The Board further covenants that no use of the proceeds of any of the Tax-Exempt Commercial Paper Notes or any other funds of the Board will be made which will cause any Tax-Exempt Commercial Paper Notes to be "arbitrage bonds" subject to federal income taxation by reason of section 148 of the Code. To that end, the Board shall comply with all requirements of section 148 and of all regulations issued thereunder or otherwise applicable thereto. The Board covenants that it will not use any proceeds of the Tax-Exempt Commercial Paper Notes or any other funds held under the Indenture for any purpose which would cause any Tax-Exempt Commercial Paper Note to be subject to treatment as a "private activity bond" defined in section 141 of the Code.

The Board has reserved the right in the Twenty-Fourth Supplement to issue Taxable Commercial Paper Notes without regard to the covenants described in the preceding two paragraphs.

Amendment of Twenty-Fourth Supplement. *Amendments Without Consent.* The Twenty-Fourth Supplement and the rights and obligations of the Board and of the owners of the Outstanding Commercial Paper Notes may be modified or amended at any time without notice to or the consent of any owner of the Commercial Paper Notes or any other Parity Obligations, solely for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Board contained in the Twenty-Fourth Supplement, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Board in the Twenty-Fourth Supplement;

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

(iii) to supplement the security for the Outstanding Commercial Paper Notes issued hereunder, replace or provide additional credit facilities, or change the form of the Outstanding Commercial Paper Notes or make such other changes in the provisions hereof, including extending the Maximum Maturity Date, as the Board may deem necessary or desirable and which shall not, in the judgment of the Board, materially adversely affect the interests of the owners of the Outstanding Commercial Paper Notes;

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

(v) to increase the principal amount of Commercial Paper Notes which may be Outstanding pursuant to the terms of the Twenty-Fourth Supplement.

Amendments With Consent. Subject to the other provisions of the Twenty-Fourth Supplement, the owners of Outstanding Commercial Paper Notes aggregating at least a majority in Outstanding Principal Amount shall have the right from time to time to approve any amendment, other than amendments described in subsection (a) of this Section, to the Twenty-Fourth Supplement which may be deemed necessary or desirable by the Board, provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the owners of all of the Outstanding Commercial Paper Notes, the amendment of the terms and conditions in the Twenty-Fourth Supplement or in the Commercial Paper Notes so as to:

(i) make any change in the maturity of the Outstanding Commercial Paper Notes (other than the extension of the Original Maturity Date of a Commercial Paper Note to an Extended Maturity Date);

(ii) reduce, or change the formula by which the interest rate is calculated, of interest borne by Outstanding Commercial Paper Notes;

(iii) reduce the amount of the principal payable on Outstanding Commercial Paper Notes;

(iv) modify the terms of payment of principal of or interest on the Outstanding Commercial Paper Notes, or impose any conditions with respect to such payment (except as is provided in the Twenty-Fourth Supplement with respect to establishing an Extended Maturity Date for a Commercial Paper Note);

(v) affect the rights of the owners of less than all Commercial Paper Notes then Outstanding; or

(vi) change the minimum percentage of the Outstanding Principal Amount of Commercial Paper Notes necessary for consent to such amendment.

Notice of Amendment.

If at any time the Board shall desire to amend the Twenty-Fourth Supplement requiring consent of Noteholders, the Board shall cause notice of the proposed amendment to be provided in writing to EMMA and either to DTC, if the Commercial Paper Notes are held in a book-entry only system, or to each Holder of Commercial Paper Notes, if the Commercial Paper Notes are not held in a book-entry only system. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of the Issuing and Paying Agent for inspection by all Holders of Commercial Paper Notes issued hereunder. A copy of such notice also shall be provided in writing to each Rating Agency.

Receipt of Consents.

Whenever at any time not less than thirty (30) days, and within one year, from the date of the first publication of said notice or other service of written notice of the proposed amendment the Board shall receive an instrument or instruments executed by all of the Holders or the Holders of at least a majority in Outstanding Principal Amount of the Commercial Paper Notes, as appropriate, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the Board may adopt the amendatory resolution in substantially the same form.

Any consent given by any Holder of Commercial Paper Notes pursuant to the provisions of the Twenty-Fourth Supplement shall be irrevocable for a period of six months from the date of the first publication or other service of the notice provided for in the Twenty-Fourth Supplement, and shall be conclusive and binding upon all future Holders of the same Commercial Paper Notes during such period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the Holder who gave such consent, or by a successor in title, by filing notice thereof with the Issuing and Paying Agent and the Board, but such revocation shall not be effective if the Holders of at least a majority in Outstanding Principal Amount of Commercial Paper Notes prior to the attempted revocation consented to and approved the amendment.

Events of Default.

The following shall be Events of Default under the Twenty-Fourth Supplement:

(a) a failure by the Board to pay the principal of any Commercial Paper Note for five (5) Business Days after the date the same shall have become due and payable on an Extended Maturity Date;

(b) a failure by the Board to pay any installment of interest on any Commercial Paper Note for five (5) Business Days after the date such interest shall have become due and payable on an Extended Maturity Date or in accordance with the Twenty-Fourth Supplement;

(c) a failure by the Board to apply the proceeds of Parity Obligations issued to refund Commercial Paper Notes having a maturity on an Extended Maturity Date to the payment thereof on the applicable Extended Maturity Date or date of redemption prior to such Extended Maturity Date;

(d) a failure by the Board to observe and perform any covenant, condition, agreement or provision (other than as specified in paragraphs (a) and (b) above) contained in the Commercial Paper Notes, the Master Resolution or in the Twenty-Fourth Supplement on the part of the System to be observed or performed, which materially, adversely affects the rights of the Registered Owners, including, but not limited to, their prospect or ability to be repaid in accordance with the Master Resolution and the Twenty-Fourth Supplement, and which failure shall continue for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Board by the Dealer, the Issuing and Paying Agent or any Registered Owner; or

(e) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, including, without limitation, proceedings under the United States Bankruptcy Code (as the same may from time to time be hereafter amended), or other proceedings for relief under any federal or State bankruptcy law or similar law for the relief of debtors are instituted by or against the System, and, if instituted against the System, said proceedings are consented to or are not dismissed within sixty (60) days after such institution.

If any Event of Default has occurred, but is subsequently cured or waived, then such Event of Default shall no longer constitute an Event of Default under the Twenty-Fourth Supplement.

Remedies.

Upon the happening of any Event of Default, any Registered Owner or an authorized representative thereof, including, but not limited to, a trustee or trustees therefore, may proceed against the Board or the System, as appropriate, for the purpose of protecting and enforcing the rights of the Registered Owners under the Master Resolution and the Twenty-Fourth Supplement, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Registered Owners hereunder or any combination of such remedies. It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Registered Owners of Commercial Paper Notes then Outstanding.

No remedy conferred or reserved in the Twenty-Fourth Supplement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Commercial Paper Notes or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of the Master Resolution or the Twenty-Fourth Supplement, the right to accelerate the debt evidenced by the Commercial Paper Notes shall not be available as a remedy under the Master Resolution or the Twenty-Fourth Supplement.

Termination of Commercial Paper Program.

Notwithstanding anything to the contrary contained in the Twenty-Fourth Supplement, no Commercial Paper Note may be issued on or after December 31, 2047.

APPENDIX C

THE UNAUDITED COMBINED FINANCIAL REPORT OF THE UNIVERSITY OF NORTH TEXAS SYSTEM FOR THE FISCAL YEAR ENDED AUGUST 31, 2016

APPENDIX D

FORMS OF BOND COUNSEL OPINIONS

January 27, 2017

BOARD OF REGENTS OF THE UNIVERSITY OF NORTH TEXAS SYSTEM REVENUE FINANCING SYSTEM COMMERCIAL PAPER NOTES, SERIES B, TAX-EXEMPT SUB-SERIES

AS BOND COUNSEL for the Board of Regents of The University of North Texas System (the "Board"), we have reviewed a record of proceedings relating to the issuance from time to time of up to an aggregate principal amount of One Hundred Million Dollars ($75,000,000) of Commercial Paper Notes, Series B, Tax-Exempt Sub-series (the "Commercial Paper Notes"), all in accordance with the resolutions of the Board of Regents of the System authorizing the issuance of such Commercial Paper Notes (collectively, the "Resolution"). Terms used herein and not otherwise defined shall have the meaning given in the Resolution.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Board relating to the authorization, issuance, sale, and delivery of the Commercial Paper Notes, including the Resolution, certificates and opinions of officials of the Board, and other pertinent instruments relating to the issuance of the Commercial Paper Notes.

WE ARE FURTHER OF THE OPINION THAT, under existing laws, upon due execution, authentication and payment and upon compliance by the Board with conditions and covenants of the Resolution, the Commercial Paper Notes, together with the other Parity Obligations (as defined in the Resolution), are payable from and equally secured by the Pledged Revenues (as defined in the Resolution); provided, however, that the lien on and pledge of the Pledged Revenues is junior and subordinate to the lien and pledge securing the payment of the Prior Encumbered Obligations, all as further defined and described in the Resolution. The Commercial Paper Notes do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the Board, except with respect to the Pledged Revenues as described in the Resolution, and the holders thereof shall never have the right to demand payment of the Commercial Paper Notes from any sources or properties of the Board except as described in the Resolution.

THE AGREEMENTS, COVENANTS AND OBLIGATIONS described in the foregoing paragraph, however, may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally.

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

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Commercial Paper Notes.

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

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Commercial Paper Notes is as Bond Counsel for the Board, and, in that capacity, we have been engaged by the Board for the sole purpose of rendering an opinion with respect to the legality and validity of the Commercial Paper Notes under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Commercial Paper Notes 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 Board, or the disclosure thereof in connection with the sale of the Commercial Paper Notes, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Commercial Paper Notes. Under the terms of the Resolution, the Board has reserved the right to issue a sub-series of commercial paper notes, which are not obligations described in section 103(a) of the Code (the "Taxable Commercial Paper Notes"). The aggregate principal amount of the Commercial Paper Notes and the Taxable Commercial Paper Notes that may be issued and at any one time be Outstanding shall not result in the aggregate principal amount of Commercial Paper Notes then Outstanding, after taking into account the aggregate principal amount of Taxable Commercial Paper Notes then Outstanding, being in excess of $75,000,000.

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 federal income tax law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Commercial Paper Notes. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Board as the taxpayer. We observe that the Board 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 Commercial Paper Notes as includable in gross income for federal income tax purposes.

YOU MAY CONTINUE to rely on this opinion to the extent (i) there is no change in existing law subsequent to the date of this opinion and (ii) the representatives, warranties and covenants contained in the Resolution, and certificates dated the date of this opinion and executed and delivered by authorized officials of the Board remain true and accurate.

Respectfully,

January 27, 2017

BOARD OF REGENTS OF THE UNIVERSITY OF NORTH TEXAS SYSTEM REVENUE FINANCING SYSTEM COMMERCIAL PAPER NOTES, SERIES B, TAXABLE SUB-SERIES

AS BOND COUNSEL for the Board of Regents of The University of North Texas System (the "Board"), we have reviewed a record of proceedings relating to the issuance from time to time of up to an aggregate principal amount of One Hundred Million Dollars ($75,000,000) of Commercial Paper Notes, Series B, Taxable Sub-series (the "Commercial Paper Notes"), all in accordance with the resolutions of the Board of Regents of the System authorizing the issuance of such Commercial Paper Notes (collectively, the "Resolution"). Terms used herein and not otherwise defined shall have the meaning given in the Resolution.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Board relating to the authorization, issuance, sale, and delivery of the Commercial Paper Notes, including the Resolution, certificates and opinions of officials of the Board, and other pertinent instruments relating to the issuance of the Commercial Paper Notes.

WE ARE FURTHER OF THE OPINION THAT, under existing laws, upon due execution, authentication and payment and upon compliance by the Board with conditions and covenants of the Resolution, the Commercial Paper Notes, together with the other Parity Obligations (as defined in the Resolution), are payable from and equally secured by the Pledged Revenues (as defined in the Resolution); provided, however, that the lien on and pledge of the Pledged Revenues is junior and subordinate to the lien and pledge securing the payment of the Prior Encumbered Obligations, all as further defined and described in the Resolution. The Commercial Paper Notes do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the Board, except with respect to the Pledged Revenues as described in the Resolution, and the holders thereof shall never have the right to demand payment of the Commercial Paper Notes from any sources or properties of the Board except as described in the Resolution.

THE AGREEMENTS, COVENANTS AND OBLIGATIONS described in the foregoing paragraph, however, may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally.

IT IS OUR OPINION THAT THE COMMERCIAL PAPER NOTES ARE NOT OBLIGATIONS DESCRIBED IN SECTION 103(a) OF THE INTERNAL REVENUE CODE OF 1986.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Commercial Paper Notes.

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Commercial Paper Notes is as Bond Counsel for the Board, and, in that capacity, we have been engaged by the Board for the sole purpose of rendering an opinion with respect to the legality and validity of the Commercial Paper Notes under the Constitution and laws of the State of Texas, 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 Board, or the disclosure thereof in connection with the sale of the Commercial Paper Notes, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Commercial Paper Notes. Under the terms of the Resolution, the Board has reserved the right to issue a series of commercial paper notes, which are obligations described in section 103(a) of the Code (the "Tax-Exempt Commercial Paper Notes"). The aggregate principal amount of the Commercial Paper Notes and the Tax-Exempt Commercial Paper Notes that may be issued and at any one time be Outstanding shall not result in the aggregate principal amount of Commercial Paper Notes and Tax-Exempt Commercial Paper Notes then Outstanding, after taking into account the aggregate principal amount of Commercial Paper Notes then Outstanding, being in excess of $75,000,000.

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 federal income tax law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Commercial Paper Notes. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Board as the taxpayer.

YOU MAY CONTINUE to rely on this opinion to the extent (i) there is no change in existing law subsequent to the date of this opinion and (ii) the representatives, warranties and covenants contained in the Resolution, and certificates dated the date of this opinion and executed and delivered by authorized officials of the Board remain true and accurate.

Respectfully,

APPENDIX C

THE UNAUDITED COMBINED FINANCIAL REPORT OF THE UNIVERSITY OF NORTH TEXAS SYSTEM FOR THE FISCAL YEAR ENDED AUGUST 31, 2016

CONSOLIDATED ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2016

UNIVERSITY OF
NORTH TEXAS
SYSTEM

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CONSOLIDATED ANNUAL FINANCIAL REPORT

of the

UNIVERSITY OF NORTH TEXAS SYSTEM

DALLAS, TEXAS

Lee Jackson, Chancellor

For the Year Ended August 31, 2016

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UNT | UNT HEALTH SCIENCE CENTER | UNT DALLAS | UNT SYSTEM ADMINISTRATION

OFFICE OF THE CHANCELLOR | LEE F. JACKSON, *Chancellor*

November 18, 2016

The Honorable Greg Abbott
Office of the Governor
P.O. Box 12428
Austin, TX 78711-2428

Ms. Ursula Parks
Director, Legislative Budget Board
P.O. Box 12666, Capitol Station
Austin, TX 78711

The Honorable Glenn Hegar
Texas Comptroller of Public Accounts
P.O. Box 13528, Capitol Station
Austin, TX 78711-3528

Mr. John Keel, CPA
Texas State Auditors' Office
P.O. Box 12067
Austin, TX 78711-2067

Dear Sirs and Madam:

I am pleased to submit the annual financial report of the University of North Texas System for the year ended August 31, 2016, in compliance with Texas Government Code Annotated, Section 2101.011, and in accordance with the requirements established by the Texas Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) Statement No. 34, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all requirements in this statement. The financial report will be considered for audit by the state auditor as part of the audit of the State of Texas *Comprehensive Annual Financial Report* (CAFR); therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Jane-Anne Kanke at (940) 565-3214. Dan Stephens may be contacted at (940) 369-5551 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

Lee F. Jackson

1901 MAIN STREET | DALLAS, TEXAS 75201 | TEL 214.752.8585 | FAX 214.752.8827 | TTY 940.369.8652
WWW.UNTSYSTEM.EDU | CHANCELLOR@UNTSYSTEM.EDU

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UNIVERSITY OF NORTH TEXAS SYSTEM ADMINISTRATION

ORGANIZATIONAL DATA

August 31, 2016

BOARD OF REGENTS

Donald Potts .... *(Term expires 5-22-17)* .... Dallas
Al Silva... *(Term expires 5-22-17)* .... San Antonio
Milton B. Lee... *(Term expires 5-22-17)* .... San Antonio

Rusty Reid .... *(Term expires 5-22-19)* .... Ft. Worth
Gwyn Shea .... *(Term expires 5-22-19)* .... Irving
B. Glen Whitley .... *(Term expires 5-22-19)* .... Hurst

Brint Ryan .... *(Term expires 5-22-21)* .... Dallas
A.K. Mago.. *(Term expires 5-22-21)* .... Dallas
Laura Wright .... *(Term expires 5-22-21)* .... Dallas

STUDENT REGENT

Christopher Lee....................................... *(Term expires 5-31-17)* .... Houston

OFFICERS OF THE BOARD

Brint Ryan .... Chairman
Donald Potts .... Vice Chairman
Rosemary R. Haggett .... Secretary

ADMINISTRATIVE OFFICERS

Lee F. Jackson .... Chancellor
Janet Waldron.. Vice Chancellor for Finance

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UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2016

Introduction

The University of North Texas System (the "System") was established by the 76th Legislature and legislative funding was provided for the fiscal year beginning September 1, 1999. The System is an agency of the State of Texas and is currently comprised of the University of North Texas System Administration ("System Administration"), established 1999, and three academic institutions funded by the Legislature: the University of North Texas ("UNT"), established 1890; the University of North Texas Health Science Center at Fort Worth ("HSC"), established 1970; and the University of North Texas at Dallas ("UNTD"), established 1999.

The System serves the North Texas area and boosts economic activity in the region by over $5.2 billion annually. Approximately 43,000 students are enrolled in undergraduate, graduate and professional programs. The System awarded more than 9,200 degrees in 2015, including the largest number of Master's and Doctoral degrees in the region. The System has a network of over 360,000 alumni with more than 237,000 alumni living in the Dallas-Fort Worth region. The System is governed by a nine-member Board of Regents appointed by the Governor of Texas and confirmed by the Texas State Senate. Three members are appointed every odd-numbered year for six-year terms. In addition, the Governor appoints a non-voting Student Regent for a one-year term.

Financial Highlights and Overview of the Financial Statements

The objective of Management's Discussion and Analysis (the "MD&A") is to provide an overview of the financial position and activities of the System for the year ended August 31, 2016, with selected comparative information for the year ended August 31, 2015. As discussed in the Notes to the Consolidated Financial Statements (Note 14, *Adjustments to Net Position*), the beginning net position for 2016 was restated. The MD&A was prepared by management and should be read in conjunction with the accompanying financial statements and notes. The emphasis of discussion about these financial statements will focus on current year data. Unless otherwise indicated, years in this MD&A refer to fiscal years ended August 31.

The System consolidated financial report includes three primary financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The financial statements of the System have been prepared in accordance with Generally Accepted Accounting Principles ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB").

In addition, the System consolidated financial report contains the Statement of Financial Position and the Statement of Activities for the University of North Texas Foundation, Inc. (the "Foundation"), a discretely presented component unit. The Foundation is a separate nonprofit organization which is an essential component of the University of North Texas program for university advancement and for the development of private sources of funding for capital acquisition, operations, endowments, and other purposes relating to the mission of the University of North Texas. The financial statements of the Foundation have been prepared in accordance with GAAP as prescribed by the Financial Accounting Standards Board ("FASB").

Financial Highlights

- Total assets and deferred outflows of resources of the System exceeded its total liabilities and deferred inflows of resources in 2016, resulting in a net position of $742.9 million. Unrestricted net position, which may be used to meet the System's future obligations, was $173.4 million, or 23.3% of total net position at year end.

- In 2016, the System concluded the fiscal year with a positive change in net position of $47.4 million, compared to a $22.7 million change in 2015. Major contributing factors related to this $18.4 million increase include a $19.5 million increase in legislative, additional and capital appropriations from general revenue and the Higher Education Assistance Fund ("HEAF") along with the phase out of the Texas B-On-Time Loan program, which resulted in a reduction in transfers to other state agencies of $6.2 million. Additionally, the System had $10.7 million in revenue for the fair value of the System's investments in 2016 that compares favorably to a $21.0 million loss reported in the prior year. These increases were offset by a $6.3 million restatement to accumulated depreciation resulting from improved historical data identified during the implementation of a new capital assets software system in 2016.

- The System continues to make significant investments, $88.4 million in 2016 alone, in numerous capital projects across all institutions to strategically benefit students, faculty, and staff. The System has also committed $457.0 million to fund, with assistance from State supported debt financing and HEAF capital appropriations, future capital asset additions and improvements over the next several years. These projects are currently in various stages of completion. The "Capital Asset and Debt Administration" section of the MD&A provides more details pertaining to these strategic investments.

Overview of the Financial Statements

These statements are prepared applying the following principles and standards:

- Reporting is on the full accrual basis of accounting. All current year revenues and expenses are recognized when earned or incurred, regardless of when the cash is received or disbursed.

- Depreciation and amortization expense on capital assets is reported as an operating expense on the Statement of Revenues, Expenses and Changes in Net Position. The historical cost of capital assets, net of accumulated depreciation and amortization, is reported on the Statement of Net Position.

- Revenues and expenses are categorized as operating or nonoperating. Revenues from state appropriations, gifts, and investment income are reported as nonoperating revenue in accordance with GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended.

Statement of Net Position

The Statement of Net Position presents the financial position of the System at fiscal year-end. From the data presented, readers of this statement are able to determine the assets available to continue the operations of the System. They are also able to determine what the System owes to vendors, investors and lending institutions. Finally, the Statement of Net Position provides a picture of the net position and the availability of resources to cover the expenses of the System. The change in net position is one indicator of whether the financial condition has improved or worsened during the fiscal year when considered with nonfinancial facts, such as enrollment levels and the condition of facilities.

The Statement of Net Position presents the assets, deferred outflows, liabilities, deferred inflows and net position of the System as of the end of the year. The net position section of the statement is reported by three major categories: 1) Net Investment in Capital Assets, 2) Restricted, and 3) Unrestricted. The Net Investment in Capital Assets section represents the System's equity in property, plant, and equipment, net of accumulated depreciation and amortization, capital asset related bonds and other debt items. Restricted Net Position is reported for amounts subject to constraints that are either externally imposed or imposed by law. Amounts that are permanently held for investment are divided into two categories: 1) Non-Expendable and 2) Expendable. Unrestricted Net Position is available for any lawful purpose of the System.

The following table reflects the Condensed Comparative Statement of Net Position for the System as of August 31, 2016 and 2015:

Condensed Comparative Statement of Net Position
As of August 31, 2016 and 2015
(in thousands of dollars)

	2016	2015	% Increase (Decrease)
Assets and Deferred Outflows of Resources			
Current Assets	$ 544,986	$ 498,910	9.2%
Non-Current Assets:			
Capital Assets, Net	1,025,004	1,010,589	1.4%
Other Non-Current Assets	233,584	223,978	4.3%
Deferred Outflows of Resources	25,854	22,298	15.9%
Total Assets and Deferred Outflows of Resources	**$ 1,829,428**	**$ 1,755,775**	**4.2%**
Liabilities and Deferred Inflows of Resources			
Current Liabilities	$ 407,949	$ 376,985	8.2%
Non-Current Liabilities:			
Bonded Indebtedness	514,046	362,782	41.7%
Other Non-Current Liabilities	142,376	282,172	(49.5%)
Deferred Inflows of Resources	22,123	32,034	(30.9%)
Total Liabilities and Deferred Inflows of Resources	**$ 1,086,494**	**$ 1,053,973**	**3.1%**
Net Position			
Net Investment in Capital Assets	$ 465,252	$ 463,615	0.4%
Restricted:			
Funds Held as Permanent Investments:			
Non-Expendable	46,960	45,881	2.4%
Expendable	18,161	23,133	(21.5%)
Other Restricted	39,135	31,357	24.8%
Total Restricted	104,256	100,371	3.9%
Unrestricted	173,426	137,816	25.8%
Total Net Position	**$ 742,934**	**$ 701,802**	**5.9%**
Total Liabilities and Net Position	**$ 1,829,428**	**$ 1,755,775**	**4.2%**

The section below includes explanations and management's analysis of significant changes within the Statement of Net Position:

Total Assets and Deferred Outflows

Current Assets

The System's current assets increased $46.1 million, or 9.2%, in 2016 primarily as a result of a $26.8 million increase in legislative appropriation receivables, a $6.5 million increase in general accounts receivables, and a $ 9.1 million increase in prepaid assets for certain multi-year contract expenses and fall term scholarships awarded for recognition in 2017.

Non-Current Assets: Net Capital Assets

Net capital assets increased $14.4 million, or 1.4%, in 2016 as a result of an increase in capital and intangible assets. This increase was primarily attributable to approximately $88.4 million of capital improvements offset by depreciation and amortization expense of $65.9 million. Major capital additions included $16.0 million in renovation to the UNT Student Union, $10.4 million in renovation to the UNT Science Research Building, $6.2 million for the purchase of land and a building by HSC in Fort Worth, $5.2 million for the HSC Interdisciplinary Research and Education Building, $3.1 million in additional costs for UNT Rawlins Hall, $18.5 million in equipment, vehicle and library purchases, $5.8 million for capitalized software costs, and other additions to depreciable capital assets.

Other Non-Current Assets
The System's other non-current assets increased by $9.6 million, or 4.3%, primarily due to a $10.7 million increase in the fair market value of investments resulting from a significant improvement in the equity and bond markets.

Deferred Outflows
Deferred outflows increased $3.6 million, or 15.9%, in 2016 primarily due to the recognition of $4.1 million of deferred outflows of resources related to pension obligations required under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* as amended.

Total Liabilities and Deferred Inflows
Current Liabilities
The System's current liabilities increased $31.0 million, or 8.2%, in 2016 primarily due to an increase of $14.9 million in short-term commercial paper reported under notes and loans payable and a $7.2 million increase in current revenue bonds payable. Unearned revenue increased $19.3 million, or 9.1%, primarily related to increased prepayments of tuition and fees associated with the rise in student enrollment and increases in tuition and fee rates. Funds held for others decreased by $12.6 million, or 83.6%, primarily due to the transfer by HSC at the beginning of 2016 of $13 million of restricted investments to HSC's T-COM Foundation. These investments were historically reported by HSC as current liabilities.

Non-Current Liabilities
Non-current liabilities consist primarily of non-current portions of notes and loans payable; revenue bonds payable; net pension liability; employees' compensable leave payable; and capital lease obligations. In total, non-current liabilities increased $11.5 million, or 1.8%, primarily due to an increase of $15.0 million to net pension liability related to adjustments under GASB Statement No. 68, which was implemented in 2015. This $15.0 million net pension liability increase is attributable to a material underperformance of actual investment returns as compared to the expected return for the TRS Plan measurement period ending August 31, 2015. The overall increase in non-current liabilities was also impacted by a $1.6 million decrease in employees' compensable leave and a $1.1 million decrease in capital lease obligations. In addition, the $151.3 million increase in revenue bonds payable was offset by a correlated $152.3 million decrease in notes and loans payable.

Deferred Inflows
Deferred inflows decreased $9.9 million, or 30.9%, in 2016 primarily due to the reduction of $10.9 million of deferred inflows of resources related to pension obligations required under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* as amended.

Total Net Position
Total net position represents the residual interest in the System's total assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. Net position increased by $41.1 million, or 5.9%, in 2016.

Net Investment in Capital Assets
Net investment in capital assets represents the System's capital and intangible assets, net of accumulated depreciation and amortization and outstanding debt obligations attributable to the acquisition, construction or improvement of those assets. The net $1.6 million, or 0.04%, increase in net investment in capital assets in 2016 primarily resulted from an increase of $88.4 million of capital additions, reduced by $65.9 million of depreciation and amortization. The net increase was offset by an $18.5 million net increase in notes and bonds payable, capital lease obligations, and deferred outflows and inflows of resources related to unamortized gains and losses on refunded bonds.

Restricted Net Position

Restricted net position primarily includes the System's permanent investments subject to externally imposed restrictions governing their use. In total, restricted net position increased by $3.9 million, or 3.9%, in 2016 primarily due to increased fair market value of restricted investments and positive fundraising efforts resulting in an increase in restricted contributions across the System.

Unrestricted Net Position

Unrestricted net position increased by $35.6 million, or 25.8%, primarily due to a $19.5 million increase in legislative, additional and capital appropriations from general revenue and HEAF.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the System's revenues earned and the expenses incurred during 2016, regardless of when cash is received or paid. Activities are reported as either operating or nonoperating. Generally, operating revenues are earned in exchange for providing goods and services. Operating expenses are incurred in the normal operation of the System, including a provision for depreciation and amortization on capital assets. Certain revenue sources the System relies on for operations include state appropriations, gifts, grants and investment income, which are required by GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended, to be classified as nonoperating revenues. Revenues are reported by major source, and expenses are reported on the face of the statement by functional (programmatic) categories as defined by the National Association of College and University Business Officers ("NACUBO").

The following table reflects the System's Condensed Comparative Statement of Revenues, Expenses and Changes in Net Position for the years ended August 31, 2016 and 2015:

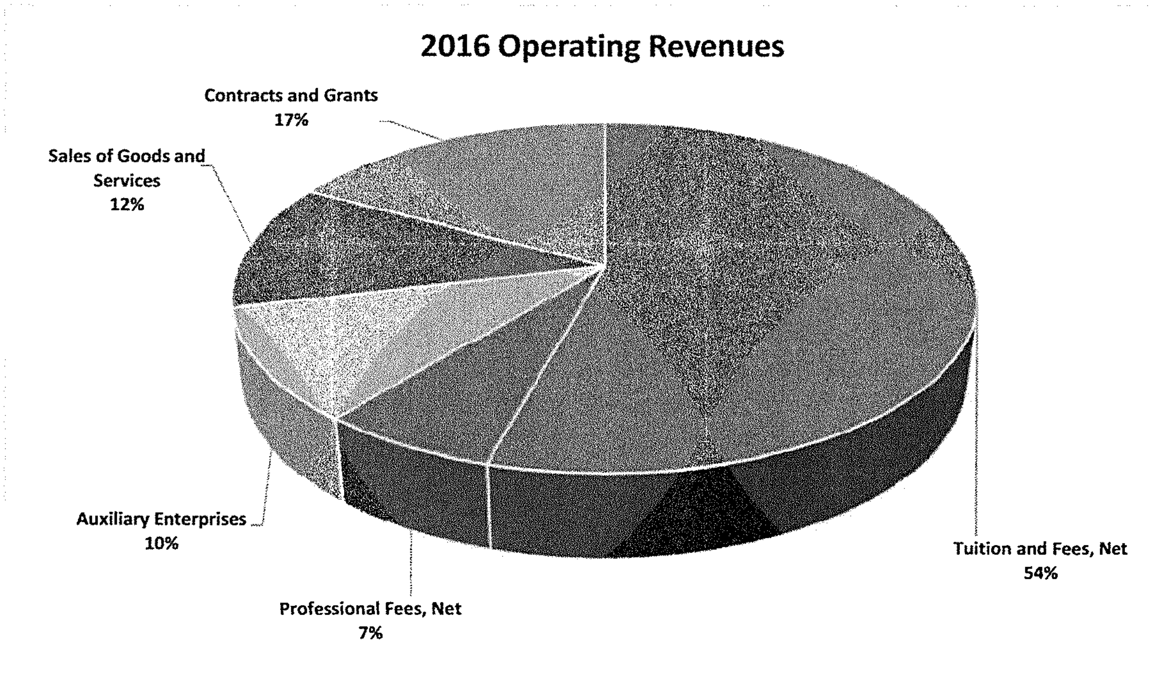
Condensed Comparative Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended August 31, 2016 and 2015
(in thousands of dollars)

	2016	2015	% Increase (Decrease)
Operating Revenues	$ 631,994	$ 587,503	7.6%
Operating Expenses	934,303	881,079	6.0%
Operating Income (Loss)	**$ (302,309)**	**$ (293,576)**	**3.0%**
Nonoperating Revenues (Expenses)	308,123	281,917	9.3%
Income (Loss) Before Other Revenues, Expenses and Transfers	**$ 5,814**	**$ (11,659)**	**(149.9%)**
Other Revenues, Expenses and Transfers	41,604	34,333	21.2%
Change in Net Position	**$ 47,418**	**$ 22,674**	**109.1%**
Net Position, Beginning of Year	$ 701,802	$ 796,263	(11.9%)
Restatement	(6,285)	(117,135)	(94.6%)
Restated Net Position, Beginning of Year	695,517	679,128	2.4%
Net Position, End of Year	**$ 742,935**	**$ 701,802**	**5.9%**

Operating Revenues

Operating revenues totaled $632.0 million in 2016, an increase of $44.5 million, or 7.6%, over 2015. The System's primary sources of operating revenues are tuition and fees, and federal, state, local, and private grants. Net tuition and fees, representing 54% of operating revenues, are reflected in the financial statements with associated discounts and allowances shown separately. Net tuition and fees increased $39.0 million, or 12.9%, as a result of increased enrollment and increased tuition rates throughout the System. Federal, state, local, and private grant revenues, representing 17% of operating revenues, are primarily from governmental and private sources and are related to research programs that normally provide for the recovery of direct and indirect costs.

The pie chart below shows operating revenues by major source for the year ended August 31, 2016:



Operating Expenses

Operating expenses totaled $934.3 million in 2016, an increase of $53.2 million, or 6.0%, over 2015. The increase is primarily due to a $16.4 million, or 27.0%, increase in scholarship expenses and a combined $11.0 million, or 2.0%, increase in total employee related compensation costs, which makes up 60% of total operating expenses. An additional increase of $9.7 million, or 17.2%, in depreciation and amortization expense is primarily due to the completion of new buildings, while the remaining variance, an increase of $16.1 million, represents an overall minor increase in various other operating expense categories.

UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2016

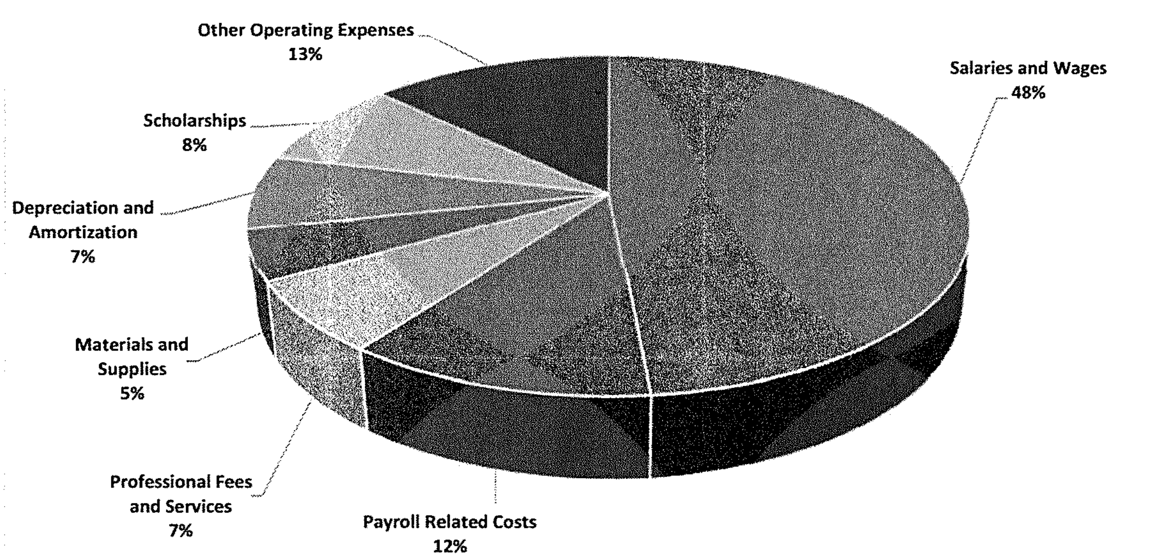
The table below shows the amount and percentage change of operating expenses based on natural classification for the year ended August 31, 2016:

Operating Expenses - Natural Classification
For the Years Ended August 31, 2016 and 2015
(in thousands of dollars)

	2016	2015	% Increase (Decrease)
Operating Expenses			
Cost of Goods Sold	$ 3,813	$ 5,994	(36.4%)
Salaries and Wages	453,084	429,971	5.4%
Payroll Related Costs	109,045	121,118	(10.0%)
Professional Fees and Services	63,196	68,698	(8.0%)
Federal Pass-Through Expenses	824	487	69.1%
State Pass-Through Expenses	206	99	108.4%
Travel	12,395	11,193	10.7%
Materials and Supplies	44,466	39,037	13.9%
Communications and Utilities	19,761	19,234	2.7%
Repairs and Maintenance	33,393	27,564	21.1%
Rentals and Leases	14,573	11,082	31.5%
Printing and Reproduction	5,556	4,307	29.0%
Depreciation and Amortization	65,900	56,223	17.2%
Scholarships	77,452	61,004	27.0%
Claims and Losses	842	3,346	(74.8%)
Other Operating Expenses	29,797	21,722	37.2%
Total Operating Expenses	$ 934,303	$ 881,079	6.0%

The pie chart below shows the percentage of total operating expenses pertaining to each type of operating expense based on natural classification for the year ended August 31, 2016:

2016 Operating Expenses - Natural Classification

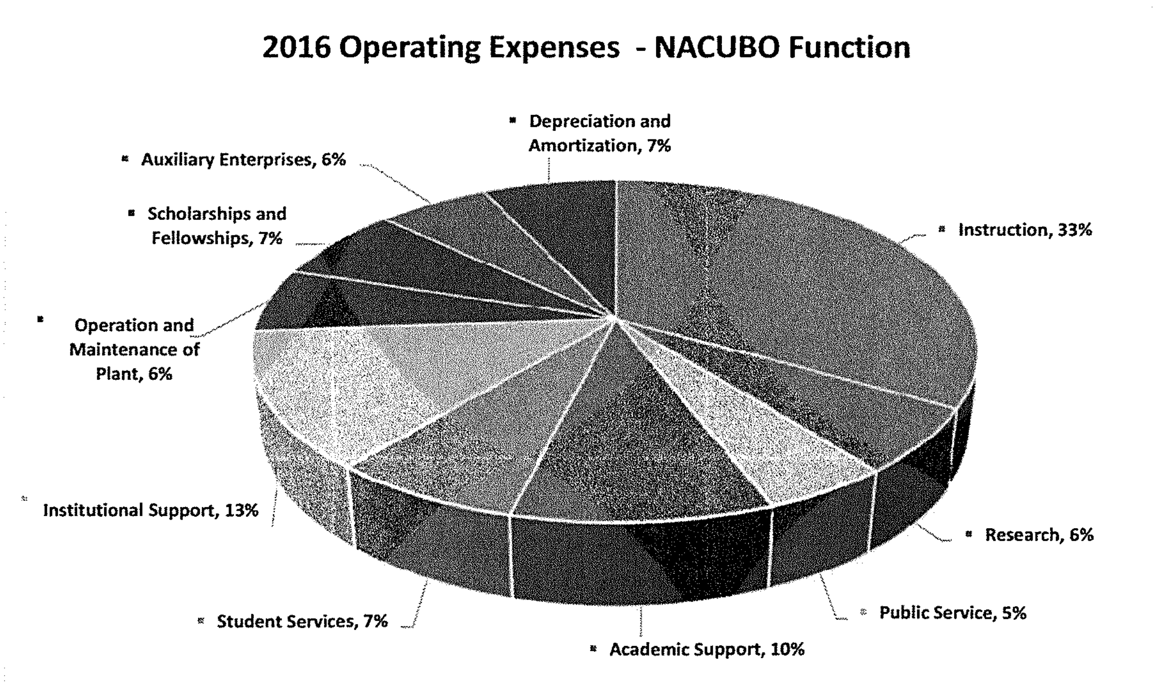


The table below shows the amount and percentage change of operating expenses based on NACUBO functional (programmatic) classification for the year ended August 31, 2016:

Operating Expenses - NACUBO Function
For the Years Ended August 31, 2016 and 2015
(in thousands of dollars)

	2016	2015	% Increase (Decrease)
Operating Expenses			
Instruction	$ 307,062	$ 251,692	22.0%
Research	56,796	56,830	(0.1%)
Public Service	44,302	18,569	138.6%
Academic Support	90,221	180,992	(50.2%)
Student Services	66,491	67,672	(1.7%)
Institutional Support	118,619	93,716	26.6%
Operation and Maintenance of Plant	55,655	51,371	8.3%
Scholarships and Fellowships	74,234	58,799	26.3%
Auxiliary Enterprises	55,023	45,215	21.7%
Depreciation and Amortization	65,900	56,223	17.2%
Total Operating Expenses	**$ 934,303**	**$ 881,079**	**6.0%**

The pie chart below shows the percentage of total operating expenses pertaining to each type of operating expense based on NACUBO functional (programmatic) classification for the year ended August 31, 2016:



Nonoperating Revenues and Expenses
Certain significant recurring revenues and expenses are considered nonoperating. The System's primary nonoperating revenues come from state appropriations, federal Pell grant revenue, gifts, investment income, and in 2016, gain on sales of capital assets, and net increase in fair market value of investments. The System's primary nonoperating expenses are interest expense and fiscal charges and other nonoperating expenses. Legislative and additional appropriations increased $18.3 million, or 7.7%, between 2015 and 2016 due mainly to formula funding changes that positively benefitted HSC and other healthcare-related educational institutions across the State. The fair value of the System's investments increased by $10.7 million primarily due to favorable market conditions for the long-term investment pool and endowments professionally managed by the Foundation. Interest expense and fiscal charges on capital asset financings increased by $4.6 million from $16.1 million in 2015 to $20.7 million in 2016 due to additional bond interest payments from the 2015 issuances.

Other Revenues, Expenses and Transfers
Other revenues, expenses and transfers is comprised of capital and endowment related additions and transfers, which increased $7.3 million, or 21.2%, in 2016. HEAF comprises the majority of the balance. Annual HEAF-related revenue totaling $37.8 million, increased $1.2 million over prior year. HEAF is reported as capital appropriations rather than operating or nonoperating revenue. The Texas B-On-Time Loan program has been phased out, which resulted in a decrease in transfers to other state agencies of $6.2 million. This funding remained within the System to offset operations.

Capital Asset and Debt Administration
Investments in capital asset additions were $88.4 million in 2016. Major capital project activity included:

- Land and Building Acquisitions (HSC) – 975 Haskell Street
- Building Improvements (UNT) – Student Union, Science Research Building, Rawlins Hall, Bruce Hall, and the College of Visual Arts and Design Building
- Building Improvements (HSC) – Interdisciplinary Research Building
- Building Improvements (UNTD) – Dallas Student Learning and Success Center and Residence Hall
- Building Improvements (System Administration) – Dallas Municipal Building

The System has committed $457.0 million to capital asset additions and improvements which are currently in various stages of completion. These additions and improvements primarily consist of new buildings or renovations to existing buildings, including the Interdisciplinary Research Building at HSC, the College of Visual Arts and Design at UNT, the Dallas Municipal Building for the future use by UNT Dallas College of Law, and the Student Learning and Success Center at UNT Dallas. More detailed information regarding the System's capital additions and commitments is provided in Note 2, *Capital Assets*, and Note 15, *Contingencies and Commitments*, in the Notes to the Consolidated Financial Statements.

Revenue bonds payable represents the largest portion of the System's liabilities. Current and non-current revenue bonds payable increased $158.5 million to $547.9 million in 2016. All bonds related to financing of current and prior years' construction needs reflect "Aa2" and "AA" credit ratings from two major bond rating agencies, Moody's and Fitch, respectively. More detailed information regarding the System's bonded indebtedness is provided in Note 5, *Long-Term Liabilities*, and Note 6, *Bonded Indebtedness*, in the accompanying Notes to the Consolidated Financial Statements.

Economic Outlook

The System's primary sources of revenue are tuition and fees and legislative appropriations. Strong enrollment growth, program expansion, and a successful 84th legislative session contributed to a positive outlook for the System.

For 2017, net tuition and fees revenues are budgeted at an increase of $52.2 million, or 17.0%, over 2016. This revenue increase is the result of modest tuition rate increases and full-time student equivalent enrollment growth. Between fall 2015 and fall 2016, enrollment increased 3% system-wide.

During the 84th Texas Legislative Session, the State renewed its commitment to higher education with $1.35 billion in new funding for 2016 and 2017. Significant investments in institutions included maintaining and enhancing formula rates, funding capital projects, and raising the amount of the constitutional capital appropriation (HEAF). This resulted in a two-year appropriations increase to System institutions of over $80.0 million.

Fiscal year 2017 budgeted legislative appropriation revenues for the System are $6.9 million, or 2.7%, higher than 2016. Budgeted amounts include new funding for specialized initiatives and unique programs recognized by the 84th Legislature as deserving state support. These areas of excellence include HSC's Institute for Patient Safety and Preventable Harm, HSC's Texas Missing Persons and Human Identification Program, and UNT's Texas Academy of Mathematics and Science. The merger between UNTD and the College of Law was also supported with operations funding to support the incoming second- and third-year law classes.

State appropriation increases in 2017 include an influx of funding to support construction and renovation of facilities for each System institution and other capital expenditures. State-supported construction projects were selected to allow for continued growth, increased research capacity and excellent programs. Construction of a student success and learning center at UNTD, an interdisciplinary research building at HSC, a new College of Visual Arts and Design facility at UNT, and renovations of facilities for the College of Law in downtown Dallas, will begin by January 2017. The System anticipates sufficient market access due to Fitch and Moody's maintaining 'stable' outlooks on System debt.

UNT has established four Research Institutes of Excellence that are a pipeline for bringing UNT's research to industry and marketplace. It is one of the nation's 115 top-tier research universities, according to latest Carnegie Classification. Strategic initiatives for growth and revenue include expanding off-site educational opportunities for working professionals—delivering UNT degrees in new locations and modalities. From UNT's new College at Frisco to the Collin Higher Education Center in McKinney to the Universities Center in the heart of downtown Dallas to North Central Texas College's Gainesville campus, UNT has carefully identified these locations to deliver site-directed workforce-informed degrees and continuing professional education to local industry including Fortune 500, and 1,000 corporations in the region.

UNTD had record enrollment in fall 2016. Construction on the first residence hall is underway and is anticipated to open in July 2017. The Dallas Area Rapid Transit ("DART") station adjacent to campus, which links the university directly to the downtown corridor and to the rest of the metro area, opened in October 2016. College of Law facilities are under renovation, and $72 million investments form a strong financial commitment to the College of Law. Fall 2016 enrollment is at an all-time high of 387, and the College is working through the accreditation process.

HSC continues to expand some of its most recent innovative initiatives including enrolling the UNT System College of Pharmacy's fourth cohort of students; furthering the Fort Worth M.D. School's accreditation, a partnership with Texas Christian University ("TCU") whose first class of 60 students will begin in fall 2019; and advancing the Institute for Patient Safety & Preventable Harm's mission by creating patient safety projects, providing community education programs and offering grant funding opportunities. To strengthen HSC's position for long-term viability, the institution has incorporated continuous improvement as part of the planning and management initiatives. New positions will be created to further this effort. Additionally, HSC is making strides in philanthropy, by reaching donors who have expressed increased interest.

CONSOLIDATED

FINANCIAL STATEMENTS

of the

UNIVERSITY OF NORTH TEXAS SYSTEM

DENTON, TEXAS

For the Year Ended August 31, 2016

UNIVERSITY OF NORTH TEXAS SYSTEM - CONSOLIDATED (794)
Statement of Net Position
As of August 31, 2016

		August 31, 2016
ASSETS		
Current Assets		
Cash and Cash Equivalents:		
Cash on Hand	$	109,654.47
Cash in Bank		20,298,226.21
Cash in Transit/Reimburse from Treasury		1,683,945.79
Cash in State Treasury		16,864,464.85
Cash Equivalents		144,480,766.19
Restricted Cash and Cash Equivalents:		
Cash on Hand		20,857.00
Cash in Bank		13,802,862.92
Cash Equivalents		6,393,567.00
Short Term Investments (Note 3)		45,062,449.50
Legislative Appropriations		103,099,493.83
Receivables From:		
Accounts Receivable		79,443,094.57
Federal		32,991,666.12
Other Intergovernmental		1,525,425.95
Clinical Practice		13,263,049.94
Gifts, Pledges and Donations		2,236,416.55
Interest and Dividends		2,162,505.12
Other Receivables		1,500,986.56
Due From Other Agencies		8,287,943.59
Consumable Inventories		429,677.17
Merchandise Inventories		2,757,360.14
Pre-Paid Items		45,789,314.81
Loans and Contracts		2,782,039.62
Total Current Assets	**$**	**544,985,767.90**
Non-Current Assets		
Restricted Investments (Note 3)	$	60,370,688.17
Loans and Contracts		5,058,657.66
Investments (Note 3)		166,504,720.08
Gifts, Pledges and Donations		1,650,332.21
Capital Assets (Note 2):		
Non-Depreciable or Non-Amortizable		141,421,390.85
Depreciable or Amortizable, Net		883,583,026.30
Total Non-Current Assets	**$**	**1,258,588,815.27**
Total Assets	**$**	**1,803,574,583.17**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources	$	25,854,103.09
Total Deferred Outflows of Resources	**$**	**25,854,103.09**
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$**	**1,829,428,686.26**

Continued on Next Page

See Accompanying Notes to the Consolidated Financial Statements

		August 31, 2016
LIABILITIES		
Current Liabilities		
Payables From:		
Accounts Payable	$	52,443,948.51
Payroll Payable		48,435,301.88
Other Payables		4,901,710.50
Interest		8,910,082.34
Due To Other Agencies		335,004.82
Unearned Revenue		230,019,449.35
Notes and Loans Payable (Note 4, 5)		20,150,000.00
Revenue Bonds Payable (Note 5, 6)		33,843,393.95
Claims and Judgments (Note 5)		890,607.00
Employees' Compensable Leave (Note 5)		4,303,112.53
Capital Lease Obligations (Note 5, 8)		1,249,546.84
Funds Held for Others		2,467,341.88
Total Current Liabilities	**$**	**407,949,499.60**
Non-Current Liabilities		
Revenue Bonds Payable (Note 5, 6)	$	514,046,365.19
Claims and Judgments (Note 5)		960,317.00
Employees' Compensable Leave (Note 5)		20,378,603.94
Capital Lease Obligations (Note 5, 8)		2,662,979.88
Net Pension Liability (Note 5, 9)		118,374,598.00
Total Non-Current Liabilities	**$**	**656,422,864.01**
Total Liabilities	**$**	**1,064,372,363.61**
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources	$	22,122,704.99
Total Deferred Inflows of Resources	**$**	**22,122,704.99**
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**$**	**1,086,495,068.60**
NET POSITION		
Net Investment in Capital Assets	$	465,252,019.93
Restricted For:		
Funds Held as Permanent Investments		
Non-Expendable		46,959,890.17
Expendable		18,160,583.05
Other Restricted		39,135,417.96
Unrestricted		173,425,706.55
Total Net Position	**$**	**742,933,617.66**

Concluded

See Accompanying Notes to the Consolidated Financial Statements

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UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Statement of Financial Position
As of August 31, 2016

	August 31, 2016		Audited August 31, 2015	
ASSETS:				
Cash	$	11,097,919	$	13,074,006
Investments		280,449,492		258,792,772
Trust Investments		5,145,602		5,050,677
Annuity Investments		1,307,661		1,320,105
Accounts Receivable		2,800		2,855
Contributions Receivable, Net		4,390,291		17,256,072
Prepaid Expenses		103		1,094
Real Estate		42,808		112,183
Trust Property		461,271		157,177
Inventory		7,500		7,500
Cash Value of Life Insurance Policies		513,979		512,137
Total ASSETS	**$**	**303,419,426**	**$**	**296,286,578**
LIABILITIES:				
Accounts Payable	$	2,044,372	$	1,495,345
Agency Funds		366,057		149,050
Trust and Annuity Obligations		2,174,900		2,152,161
Assets Held for Others		180,356,786		167,796,746
Total LIABILITIES	**$**	**184,942,115**	**$**	**171,593,302**
NET ASSETS:				
Unrestricted-Undesignated	$	794,640	$	2,875,193
Unrestricted-Market Loss Over Historical Cost		1,577,403		1,272,517
Unrestricted Board-Designated		(1,878,274)		(1,088,028)
Temporarily Restricted		25,982,410		34,796,568
Permanently Restricted		92,001,132		86,837,026
Total NET ASSETS	**$**	**118,477,311**	**$**	**124,693,276**
Total LIABILITIES & NET ASSETS	**$**	**303,419,426**	**$**	**296,286,578**

See Accompanying Notes to the Financial Statements

UNAUDITED

UNIVERSITY OF NORTH TEXAS SYSTEM - CONSOLIDATED (794)
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended August 31, 2016

		August 31, 2016
OPERATING REVENUES		
Tuition and Fees	$	434,876,879.48
Discounts and Allowances		(93,362,918.33)
Professional Fees		110,947,043.17
Discounts and Allowances		(69,633,398.30)
Auxiliary Enterprises		65,894,140.84
Discounts and Allowances		(147,746.07)
Sales of Goods and Services		73,905,043.15
Federal Grant Revenue		46,175,539.02
Federal Pass-Through Revenue		1,810,748.61
State Grant Revenue		3,040,114.82
State Grant Pass-Through Revenue		31,326,811.17
Other Contracts and Grants		24,988,733.90
Other Operating Revenues		2,172,587.63
Total Operating Revenues	**$**	**631,993,579.09**
OPERATING EXPENSES [1]		
Instruction	$	307,061,961.54
Research		56,796,046.42
Public Service		44,302,218.73
Academic Support		90,220,550.05
Student Services		66,490,677.74
Institutional Support		118,618,719.72
Operation and Maintenance of Plant		55,655,357.05
Scholarships and Fellowships		74,233,990.42
Auxiliary Enterprises		55,023,485.67
Depreciation and Amortization		65,900,269.08
Total Operating Expenses	**$**	**934,303,276.42**
Operating Loss	**$**	**(302,309,697.33)**
NONOPERATING REVENUES (EXPENSES)		
Legislative Appropriations (GR)	$	212,034,099.00
Additional Appropriations (GR)		44,497,362.49
Federal Revenue		51,030,542.41
Gifts		11,584,783.49
Investment Income		5,345,979.45
Interest Expense and Fiscal Charges		(20,645,678.68)
Gain on Sale of Capital Assets		1,043,427.82
Net Increase in Fair Value of Investments		10,734,926.66
Other Nonoperating Revenues		397,319.66
Other Nonoperating Expenses		(7,900,122.39)
Total Nonoperating Revenues (Expenses)	**$**	**308,122,639.91**
Income Before Other Revenues, Expenses and Transfers	**$**	**5,812,942.58**
OTHER REVENUES, EXPENSES AND TRANSFERS		
Capital Contributions	$	1,717,692.26
Capital Appropriations (HEAF)		37,844,609.00
Contributions To Permanent and Term Endowments		258,291.70
Transfers To Other State Agencies		(93,045.34)
Transfers From Other State Agencies		810,178.00
Legislative Transfers In		1,066,757.00
Total Other Revenues, Expenses and Transfers	**$**	**41,604,482.62**
CHANGE IN NET POSITION	**$**	**47,417,425.20**
Beginning Net Position	$	701,801,561.69
Restatement		(6,285,369.23)
Beginning Net Position, as Restated	**$**	**695,516,192.46**
ENDING NET POSITION	**$**	**742,933,617.66**

(1) See Matrix of Operating Expenses Reported by Function.

See Accompanying Notes to the Consolidated Financial Statements

UNIVERSITY OF NORTH TEXAS SYSTEM - CONSOLIDATED (794)
Matrix of Operating Expenses Reported by Function
For the Year Ended August 31, 2016

Operating Expenses	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operation and Maintenance of Plant	Scholarships and Fellowships	Auxiliary Enterprises	Depreciation and Amortization	Total Expenditures
Cost of Goods Sold	$ 222,399.83	$ 5,625.00	$ -	$ 171,055.59	$ 561,150.65	$ 220,794.95	$ 84,740.01	$ -	$ 2,547,439.41	$ -	$ 3,813,205.44
Salaries and Wages	228,045,985.20	27,258,519.60	14,315,974.35	51,184,513.01	34,459,494.07	62,269,145.67	15,690,358.07	11,276.04	19,848,678.34	-	453,083,944.35
Payroll Related Costs	47,548,068.59	6,249,062.96	3,826,547.31	13,746,084.10	10,193,612.83	17,274,433.46	4,033,455.29	2,223.52	6,171,944.47	-	109,045,432.53
Professional Fees and Services	5,703,682.47	10,259,291.75	22,231,085.06	3,843,327.17	3,919,215.34	13,297,469.56	1,129,371.95	34,901.22	2,777,558.78	-	63,195,903.30
Federal Pass-Through Expenses	3,726.29	749,843.50	70,325.19	-	-	-	-	-	-	-	823,894.98
State Pass-Through Expenses	-	206,368.58	(351.62)	-	-	-	-	-	-	-	206,016.96
Travel	3,266,499.10	1,668,279.81	387,464.58	2,287,665.02	3,600,154.53	1,030,535.37	98,669.51	-	55,462.21	-	12,394,730.13
Materials and Supplies	7,369,068.62	6,357,563.51	1,367,832.28	10,349,354.08	3,580,163.12	3,640,100.43	6,533,575.12	1,732.09	5,266,460.45	-	44,465,849.70
Communications and Utilities	685,308.28	40,311.28	45,282.38	755,028.84	1,492,435.10	2,596,158.16	10,009,327.11	750.00	4,136,874.30	-	19,761,475.45
Repairs and Maintenance	1,230,102.77	669,781.76	168,168.04	2,002,095.32	1,291,754.82	6,467,467.64	14,719,342.31	2,324.29	6,842,004.63	-	33,393,041.58
Rentals and Leases	2,901,384.87	910,907.60	441,156.76	1,929,803.04	1,240,665.47	3,111,309.59	2,727,853.24	-	1,309,591.09	-	14,572,671.66
Printing and Reproduction	743,879.80	278,692.52	184,841.42	715,162.20	1,037,077.98	2,150,489.58	99,123.19	399.95	346,171.17	-	5,555,837.81
Depreciation and Amortization	-	-	-	-	-	-	-	-	-	65,900,269.08	65,900,269.08
Scholarships	1,796,095.41	841,144.59	219,509.93	106,562.54	129,064.23	195,139.21	7,271.27	74,156,340.66	849.06	-	77,451,976.90
Claims and Losses	758,405.15	-	-	-	-	83,500.00	-	-	-	-	841,905.15
Other Operating Expenses	6,787,355.16	1,300,653.96	1,044,383.05	3,129,899.14	4,985,889.60	6,282,176.10	522,269.98	24,042.65	5,720,451.76	-	29,797,121.40
Total Operating Expenses	$ 307,061,961.54	$ 56,796,046.42	$ 44,302,218.73	$ 90,220,550.05	$ 66,490,677.74	$ 118,618,719.72	$ 55,655,357.05	$ 74,233,990.42	$ 55,023,485.67	$ 65,900,269.08	$ 934,303,276.42

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UNAUDITED

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Statement Of Activities
For the Twelve Months Ended August 31, 2016

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUES, GAINS AND OTHER SUPPORT:				
Gifts	$ 34,691	$ (11,970,411)	$ 6,202,771	$ (5,732,949)
Gifts in Kind	-	546,051	41,740	587,791
Investment Income/(Loss)	14,820	6,895,223	-	6,910,043
Royalty Income	-	2,124	-	2,124
FMV of Goods Received and Other	-	96,541	-	96,541
Actuarial Gain/(Loss) on Annuity/Trust Agreements	-	-	52,681	52,681
Revenue from Life Insurance Policies	-	-	17,387	17,387
Internal Management Fee Income	1,089,349	-	-	1,089,349
External Management Fee Income	424,069	-	-	424,069
Total REVENUES, GAINS AND OTHER SUPPORT	**$ 1,562,929**	**$ (4,430,472)**	**$ 6,314,579**	**$ 3,447,036**
Interfund Transfers	$ (2,542,451)	$ 3,514,526	$ (972,075)	$ -
Release of Donor Restrictions	8,076,610	(7,898,212)	(178,398)	-
PROGRAM SERVICES:				
Scholarships and Awards	$ 2,138,048			$ 2,138,048
Distributions to UNT	2,820,224			2,820,224
Distributions to Other Institutions	25,500			25,500
Services Purchased	1,970,356			1,970,356
Expense Reimbursements	4,356			4,356
Internal Management Fee	1,089,349			1,089,349
Life Insurance Premiums	28,777			28,777
Board Designated Grant to University	220,000			220,000
Total PROGRAM SERVICES	**$ 8,296,610**			**$ 8,296,610**
MANAGEMENT and GENERAL EXPENSES:				
Payroll and Benefits	$ 1,171,182			$ 1,171,182
Administrative Expense	13,764			13,764
Travel, Telephone and Internet	16,886			16,886
Professional Development	17,559			17,559
Consulting Services	61,633			61,633
Annual Audit and Tax Preparation	27,000			27,000
Attorney Fees	1,827			1,827
Office and Computer Equipment and Software	16,989			16,989
Bank Charges and Credit Card Discount	4,646			4,646
Insurance - Property and Liability	26,938			26,938
Uses of Operating Reserves	7,967			7,967
Total MANAGEMENT and GENERAL EXPENSES	**$ 1,366,391**			**$ 1,366,391**
Total SERVICES and EXPENSES	**$ 9,663,001**			**$ 9,663,001**
NET CHANGE IN ASSETS	**$ (2,565,913)**	**$ (8,814,158)**	**$ 5,164,106**	**$ (6,215,965)**
NET ASSETS BEGINNING OF YEAR	**$ 3,059,682**	**$ 34,796,568**	**$ 86,837,026**	**$ 124,693,276**
NET ASSETS END OF YEAR	**$ 493,769**	**$ 25,982,410**	**$ 92,001,132**	**$ 118,477,311**

See Accompanying Notes to the Financial Statements

UNAUDITED

UNIVERSITY OF NORTH TEXAS SYSTEM - CONSOLIDATED (794)
Statement of Cash Flows
For the Year Ended August 31, 2016

		August 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from Customers	$	112,898,298.11
Proceeds from Tuition and Fees		358,486,870.29
Proceeds from Research Grants and Contracts		105,346,690.42
Proceeds from Loan Programs		250,564.16
Proceeds from Auxiliaries		65,712,501.87
Proceeds from Other Revenues		2,122,532.56
Payments to Suppliers for Goods and Services		(264,288,460.69)
Payments to Employees		(531,416,452.78)
Payments for Loans Provided		(625,731.73)
Payments for Other Expenses		(88,261,905.53)
Net Cash Provided (Used) by Operating Activities	$	(239,775,093.32)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from State Appropriations	$	200,541,280.85
Proceeds from Gifts		12,367,350.92
Proceeds from Endowments		258,291.70
Proceeds from Transfers from Other Agencies		810,178.00
Proceeds from Legislative Transfers		1,066,757.00
Proceeds from Grant Receipts		51,030,542.41
Proceeds from Other Revenues		2,467,814.50
Payments for Transfers to Other Agencies		(93,045.34)
Payments for Other Uses		(3,905.00)
Net Cash Provided (Used) by Noncapital Financing Activities	$	268,445,265.04
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Capital Assets	$	2,707,991.07
Proceeds from State Appropriations		37,844,609.00
Proceeds from Debt Issuance		261,586,428.55
Proceeds from Captial Contributions		451,685.81
Payments for Additions to Capital Assets		(75,001,732.13)
Payments for Capital Leases		(1,179,705.74)
Payments of Principal on Debt Issuance		(235,340,000.00)
Payments of Other Costs of Debt Issuance		(1,251,099.64)
Payments of Interest on Debt Issuance		(21,848,920.21)
Net Cash Provided (Used) by Capital and Related Financing Activities	$	(32,030,743.29)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	$	30,648,284.73
Proceeds from Interest and Investment Income		4,740,094.59
Payments to Acquire Investments		(75,714,226.25)
Net Cash Provided (Used) by Investing Activities	$	(40,325,846.93)
Net Increase (Decrease) in Cash and Cash Equivalents	$	(43,686,418.50)
Cash and Cash Equivalents, September 1, 2015	$	247,340,762.93
Cash and Cash Equivalents, August 31, 2016	$	203,654,344.43

See Accompanying Notes to the Consolidated Financial Statements

UNIVERSITY OF NORTH TEXAS SYSTEM - CONSOLIDATED (794)
Statement of Cash Flows
For the Year Ended August 31, 2016

		August 31, 2016
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Loss	$	(302,309,697.33)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	$	65,900,269.08
Pension Expense		(55,742.71)
Employee Benefits Paid by State		29,163,359.49
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables		(6,700,085.13)
(Increase) Decrease in Inventories		(514,019.34)
(Increase) Decrease in Loans and Contracts		(375,167.57)
(Increase) Decrease in Prepaid Expenses		(9,123,041.11)
Increase (Decrease) in Payables		(19,250,805.47)
Increase (Decrease) in Unearned Revenue		19,269,003.72
Increase (Decrease) in Other Liabilities		(15,779,166.95)
Total Adjustments	$	62,534,604.01
Net Cash Provided (Used) by Operating Activities	$	(239,775,093.32)
NON-CASH TRANSACTIONS		
Net Change in Fair Value of Investments	$	10,734,926.66
Donation of Capital Assets		1,266,006.46
Borrowing Under Capital Lease Purchase		186,326.30
Gain (Loss) on Sales/Disposals of Capital Assets		1,043,427.82
Amortization of Bond Premiums (Discounts)		4,129,746.33
Amortization of Deferred Inflows/Outflows from Refunding Bonds		(133,444.13)
Capital Assets Acquired with Payables		11,765,119.68
Nonoperating Expenses with Payables		8,715,612.59

See Accompanying Notes to the Consolidated Financial Statements

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NOTES TO THE

CONSOLIDATED FINANCIAL STATEMENTS

of the

UNIVERSITY OF NORTH TEXAS SYSTEM

DENTON, TEXAS

For the Year Ended August 31, 2016

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Consolidated Financial Statements
For the Year Ended August 31, 2016

Note 1: Summary of Significant Accounting Policies

Introduction

The University of North Texas System (the "System") is an agency of the State of Texas (the "State") and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for Annual Financial Reports of State Agencies and Universities and with Generally Accepted Accounting Principles ("GAAP").

The consolidated financial statements include the University of North Texas System Administration ("System Administration") and all institutions of the System. Amounts due between and among institutions, amounts held for institutions by the System Administration and other duplications in reporting are eliminated in consolidating the financial statements.

The System is composed of the System Administration and three academic institutions as follows: the University of North Texas ("UNT"), the University of North Texas Health Science Center at Fort Worth ("HSC"), and the University of North Texas at Dallas ("UNTD"). The System is governed by a nine-member Board of Regents appointed by the Governor of Texas and confirmed by the Texas State Senate. Three members are appointed every odd-numbered year for six-year terms. In addition, the Governor appoints a nonvoting student Regent for a one-year term.

Basis of Accounting

The financial statements of the System have been prepared using the economic resources measurement focus and the full accrual basis of accounting. The System reports as a business-type activity, as defined by the Governmental Accounting Standards Board ("GASB"). Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Under the full accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* as amended. The Statement of Revenues, Expenses and Changes in Net Position is segregated into operating and nonoperating sections. Operating activities consist of transactions that are the direct result of providing goods and services to customers or directly related to the System's principal ongoing operations.

Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Net Position

Assets

Cash and Cash Equivalents

Short-term highly liquid investments that are both readily convertible to known amounts of cash and having an original maturity of three months or less are considered cash equivalents.

It is the System's policy to exclude items that meet this definition if they are part of an investment pool, which has an investment horizon of one year or greater. Therefore, highly liquid investments that are part of the Foundation-managed long-term investment pool are not considered cash and cash equivalents. Additionally, endowments invested in money market accounts are also excluded from cash and cash equivalents as the intent is to invest these funds for more than one year. Cash held in the State Treasury is considered cash and cash equivalents. Restricted cash and cash equivalents include restricted sources of funds used for construction of capital assets as well as funds held for debt service. The System holds bond proceeds in restricted investment accounts to be disbursed to its institutions to support capital projects.

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Consolidated Financial Statements
For the Year Ended August 31, 2016

Legislative Appropriations
The appropriation of revenues by the Texas Legislature (the "Legislature") is in the form of general revenue. The Legislature meets every odd-numbered year and approves a two-year budget (biennial) for all State agencies. The general revenue appropriation to the System supports the instruction, research and operation of the System. Appropriations also include payments made by the State on behalf of the System for benefits related to salaries funded by state appropriations. There is no assurance that the Legislature will continue its state appropriations to the System in future years; however, the System expects that the Legislature will continue to do so. Higher Education Assistance Funds ("HEAF funds") are general revenue appropriations received from the State designated for the acquisition of certain capital assets and capital projects. As of August 31, 2016, the unexpended amount was $74,757,006.31.

Accounts and Other Receivables
Accounts receivable mainly consists of tuition and fee charges to students. Accounts receivable is shown net of an allowance for doubtful accounts, which is approximately $27.8 million of the outstanding accounts receivable balance at August 31, 2016. The System has adopted a policy of reserving for account receivables based on collections history over the previous five years. Any amount outstanding after five years is reserved at 100% per state requirements.

Federal receivables include federal grants and education scholarships.

Intergovernmental receivables include amounts due from state government or private sources in connection with reimbursement of allowable expenditures made pursuant to the System's grants and contracts.

Clinical Practice receivables are presented net of allowances for contractual discounts and bad debts. The bad debt allowance on clinical receivables was approximately $10.7 million as of August 31, 2016. Clinical accounts receivable are subject to concentrations of patient accounts receivable credit risk. The mix of receivables (gross) from patients and third parties as of August 31, 2016 was as follows:

	August 31, 2016 (Gross)
County Hospital	15%
Medicaid	29%
Medicare	17%
Commercial	19%
Self-Pay	8%
Other	12%
Total	**100%**

Gift receivables include amounts pledged to the university by donors, net of allowances. The allowance for gift pledges is approximately $2.2 million at August 31, 2016. Multiyear gift pledges are reported at the discounted present value. At the beginning of each fiscal year, the System re-establishes the scale of discount rates applicable for present valuing multi-year gift pledges that are received during the new fiscal year.

Pre-paid Items
Pre-paid items include prepaid scholarship expenses that pertain to the fall term of the following fiscal year and other various prepaid expenses.

Loans and Contracts
Current and noncurrent loans and contracts receivables, related to student loans, are shown net of allowances. The net allowance on loans and contracts at August 31, 2016 is approximately $4.1 million.

Investments

The System accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. Changes in realized gain (loss) on the carrying value of investments are reported as a component of investment income. Restricted investments include investments restricted by legal or contractual requirements, including those related to donors and constitutional restrictions.

Capital and Intangible Assets

The System follows the State's capitalization policy, which requires capitalization of assets with an initial individual cost of more than $5,000 for equipment items, $100,000 for buildings, building improvements and improvements other than buildings, and $500,000 for infrastructure items, and an estimated useful life of greater than one year. These assets are capitalized at cost or, if not purchased, at fair value as of the date of acquisition.

Purchases of library books are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Outlays for construction in progress are capitalized as incurred. Interest expense related to construction is capitalized in accordance with the requirements of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, as amended.

Depreciation is reported on all exhaustible assets. Inexhaustible assets such as land, works of art and historical treasures are not depreciated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally, 10 to 30 years for buildings and improvements, 10 to 45 years for infrastructure, 4 to 15 years for equipment, and 15 years for library books.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, as amended, requires all intangible assets not specifically excluded by scope provisions to be classified as capital assets. The System has computer software that meets the criteria. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets is applied to computer software, as applicable.

Deferred Outflows of Resources

Deferred outflows of resources relate to unamortized losses on refunding of debt and pensions.

Deferred Outflows of Resources Related to Debt Refunding

For debt refunding, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as deferred outflows or deferred inflows. The gain or loss is amortized using the straight-line method over the remaining life of the old debt or the life of the new debt, whichever is shorter, in the Statement of Revenues, Expenses and Changes in Net Position as a component of interest expense.

Deferred Outflows of Resources Related to Pensions

Certain changes in the collective net pension liability of the Teacher Retirement System of Texas Plan (the "TRS Plan") are reported as deferred outflows of resources related to pensions or as deferred inflows of resources related to pensions, depending on the type of change. The types of deferred outflows of resources related to pensions and their respective accounting treatments are discussed below.

- System contributions subsequent to the measurement date of the collective net pension liability are recognized as a reduction in the net pension liability in the following year.
- The effect on the System's proportionate share of the total pension liability of changes of economic and demographic assumptions or of other inputs that increase the total pension liability is amortized as a component of pension expense using the straight-line method over the expected average remaining service lives of active and inactive employees.

- The effect on the System's proportionate share of the total pension liability of differences between expected and actual experience that increase the total pension liability is amortized as a component of pension expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- The effect on the System's proportionate share of the collective net pension liability of less actual earnings on pension plan investments than projected is amortized as a component of pension expense using the straight-line method over a period of five years.

Liabilities

Accounts and Other Payables

Accounts and other payables represent the liability for the value of assets or services received at the Statement of Net Position date for which payment is pending.

Unearned Revenue

Unearned revenue represents assets received in advance of an exchange taking place in an exchange transaction or assets received prior to eligibility requirements (other than time requirements) being met in a nonexchange transaction. Unearned revenue includes $222.5 million of tuition revenue related to the semesters that have not been completed as of August 31, 2016. Tuition revenue is recognized based on the number of class days as a percentage of total class days that fall within the fiscal year.

Revenue Bonds Payable

Revenue bonds payable are reported at par value. Bond discounts and premiums are amortized over the life of the bonds using the interest method. Revenue bonds payable is reported separately as either current or non-current in the Statement of Net Position.

Claims and Judgments

Claims and judgments are reported when it is probable a loss has occurred and the amount of the loss can be reasonably estimated. These liabilities include an amount for claims that were incurred but not reported. See Note 15, *Contingencies and Commitments*, and Note 17, *Risk Management*, for information on risk management, claims and judgments.

Employees' Compensable Leave

Employees' compensable leave represents the liability that becomes due upon the occurrence of relevant events such as resignations, retirements and uses of leave balances by covered employees, in conformance with state policy and practice. Liabilities are reported separately as either current or non-current in the Statement of Net Position. These obligations generally are paid from the same funding source from which each employee's salary or wage compensation is paid.

Capital Lease Obligations

Capital lease obligations represent the liability for future lease payments under capital lease contracts. Liabilities are reported separately as either current or non-current in the Statement of Net Position.

Funds Held for Others

Funds held for others represent funds held by the System as custodial or fiscal agent for students, faculty members, foundations and others.

Net Pension Liability

The fiduciary net position of the TRS Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the TRS Plan, and additions to/deductions from the TRS Plan's fiduciary net position have been determined on the same basis as they are reported by TRS. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The framework for measuring fair value is based on a hierarchy that gives the highest priority to the use of observable inputs in an active market and lowest priority to the use of unobservable inputs.

Deferred Inflows of Resources
Deferred inflows of resources relate to unamortized gains on refunding of debt and pensions.

Deferred Inflows of Resources Related to Debt Refunding
For debt refunding, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as deferred outflows or deferred inflows. The gain or loss is amortized using the straight-line method over the remaining life of the old debt or the life of the new debt, whichever is shorter, in the Statement of Revenues, Expenses and Changes in Net Position as a component of interest expense.

Deferred Inflows of Resources Related to Pensions
Certain changes in the collective net pension liability of the TRS Plan are reported as deferred outflows of resources related to pensions or as deferred inflows of resources related to pensions, depending on the type of change. The types of deferred inflows of resources related to pensions and their respective accounting treatments are discussed below.

- The effect on the System's proportionate share of the total pension liability of changes of economic and demographic assumptions or of other inputs that decrease the total pension liability is amortized as a component of pension expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- The effect on the System's proportionate share of the total pension liability of differences between expected and actual experience that decrease the total pension liability is amortized as a component of pension expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- Decreases in the System's proportion of the collective net pension liability are amortized as a component of pension expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- System contributions during the measurement period that are less than its proportionate share of total of contributions are amortized as a component of pension expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- The effect on the System's proportionate share of the collective net pension liability of more actual earnings on pension plan investments than projected is amortized as a component of pension expense using the straight-line method over a period of five years.

Net Position
Net Investment in Capital Assets
Net investment in capital assets consists of capital assets, net of accumulated depreciation, and unspent bond proceeds reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

Restricted Net Position
Restricted net position primarily consists of permanent investments subject to restrictions externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Restricted nonexpendable net position is subject to externally imposed stipulations that require the amounts be maintained in perpetuity by the System. Such assets include the System's permanent endowment funds.

Restricted expendable net position is subject to externally imposed stipulations that can be fulfilled by actions of the System pursuant to those stipulations or that expire with the passage of time.

Unrestricted Net Position
Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified. Because the System is an agency of the State, constraints on the use of resources imposed by the State are not considered external restrictions.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the System addresses each situation on a case-by-case basis prior to determining the resources to be used to satisfy the obligation. Generally, the System's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

Revenues and Expenses

Operating Revenues and Expenses
Operating revenues include activities such as net student tuition and fees; net professional fees for hospital clinical services; net sales and services by auxiliary enterprises; and most federal, state and local grants and contracts. Operating expenses include salaries and wages, payroll related costs, professional fees and services, materials and supplies, depreciation and amortization, and scholarships and fellowships. In addition, all changes to incurred but not reported liabilities related to insurance programs are reflected as operating.

Professional Fees Revenue
HSC has agreements with third parties that provide for reimbursement to HSC at amounts different from its established rates. Contractual adjustments under third party reimbursement programs represent the difference between HSC's established rates for services and the amounts reimbursed by third parties. HSC's more significant third parties are the Medicare and Medicaid programs.

Medicare outpatient services are reimbursed on a prospective basis through ambulatory payment classifications, which are based on clinical resources used in performing the procedure. Medicaid outpatient services are paid based on a fee schedule or blended rates.

Scholarship Allowances and Student Aid
Financial aid to students is reported in the financial statements as prescribed by the National Association of College and University Business Officers ("NACUBO"). Certain aid (student loans, funds provided to students as awarded by third parties and Federal Direct Lending) is accounted for as third party payments (credited to the student's account and reported as revenue as if the student made the payment). All other aid is reflected in the financial statements either as operating expense or as scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. The allowance is computed on an institution-wide basis by allocating cash payments to students, excluding payments for services, using the ratio of total aid to the aid not considered to be third party aid.

Nonoperating Revenues and Expenses
Nonoperating revenues include activities such as gifts and contributions, insurance recoveries received in years subsequent to the associated loss, state appropriations, investment income and other revenue sources that are defined as nonoperating revenues by GASB. The System's institutions are the named beneficiaries in certain lawsuits, wills, trusts, and insurance policies; however, the System does not recognize these potential refunds, gifts, and contributions until realized. Nonoperating expenses include activities such as interest expense on capital asset financings and other expenses that are defined as nonoperating expenses by GASB.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, is intended to aid in decision making by improving the usefulness of information about pensions included in financial statements of state and local governments. The standard is the result of a review of all existing standards related to postemployment benefits with a focus on the effectiveness of providing useful decision-making information, supporting accountability, and improving transparency. This statement will be implemented in 2017. System management expects minimal impact to the financial statements.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, has the same objective as GASB Statement No. 73, but as it relates to other postemployment benefit plans ("OPEB plans"). This statement, if applicable, should be implemented in 2017. Since the System is not an administrator of any such plans, this statement will have no impact to the financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* also has the same objective as Statement No's. 73 and 74; however, this statement specifically replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Because this statement addresses the employer's portion of OPEB, System management does anticipate a significant impact to the financial statements. The statement will be implemented in 2018. System management will await guidance from the State Comptroller's Office as to how to implement and at what agency level this will be reported.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, amends the blending requirements for component units that are not-for-profit corporations, where the primary government is the sole corporate member. The statement will be implemented in 2017. The System is still evaluating whether this will apply to any component and therefore impact the financial statements.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, provides recognition and measurement guidance for governments which are a beneficiary of such agreements. This statement will be implemented in 2018. The System has not yet evaluated the impact this will have to the financial statements.

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement will be implemented in 2018. The System will await guidance and reporting requirements provided by the state, but minimal to no impact to the financial statements is expected.

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Consolidated Financial Statements
For the Year Ended August 31, 2016

Note 2: Capital Assets

A summary of changes in capital assets for the year ended August 31, 2016 is presented below:

	Balance September 1, 2015	Adjustments	Reclassification of Completed Construction In Progress	Increase Interagency Transfers	Decrease Interagency Transfers	Additions	Deletions	Balance August 31, 2016
Non-Depreciable or Non-Amortizable Assets:								
Land and Land Improvements	$ 77,823,424.89	$ -	$ -	$ -	$ -	$ 1,230,000.00	$ -	$ 79,053,424.89
Infrastructure	-	-	-	-	-	-	-	-
Construction in Progress	123,688,911.53	-	(149,400,229.17)	666,036.10	(666,036.10)	62,671,857.99	-	36,960,540.35
Other Tangible Capital Assets	25,071,765.61	-	-	-	-	634,090.00	(298,430.00)	25,407,425.61
Land Use Rights	-	-	-	-	-	-	-	-
Other Intangible Capital Assets	-	-	-	-	-	-	-	-
Total Non-Depreciable or Non-Amortizable Assets:	**$ 226,584,102.03**	**$ -**	**$ (149,400,229.17)**	**$ 666,036.10**	**$ (666,036.10)**	**$ 64,535,947.99**	**$ (298,430.00)**	**$ 141,421,390.85**
Depreciable Assets:								
Buildings and Building Improvements	$ 968,414,303.79	$ -	$ 136,727,966.75	$ -	$ -	$ 5,344,739.02	$ (6,103,480.96)	$ 1,104,383,528.60
Infrastructure	65,219,516.61	-	-	-	-	-	-	65,219,516.61
Facilities and Other Improvements	125,805,188.42	-	374,751.84	-	-	-	(1,189,160.45)	124,990,779.81
Furniture and Equipment	144,229,026.54	-	-	202,065.36	(202,065.36)	12,251,855.30	(4,405,200.56)	152,075,681.28
Vehicles, Boats and Aircraft	12,601,801.35	-	-	22,978.75	(22,978.75)	1,467,199.09	(636,319.60)	13,432,680.84
Other Capital Assets	93,109,521.04	-	-	742,868.54	(742,868.54)	4,830,688.89	(41,693.37)	97,898,516.56
Total Depreciable Assets:	**$ 1,409,379,357.75**	**$ -**	**$ 137,102,718.59**	**$ 967,912.65**	**$ (967,912.65)**	**$ 23,894,482.30**	**$ (12,375,854.94)**	**$ 1,558,000,703.70**
Less Accumulated Depreciation for:								
Buildings and Building Improvements	$ (423,692,459.10)	$ (6,285,369.23)	$ -	$ -	$ -	$ (40,789,584.62)	$ 5,267,976.79	$ (465,499,436.16)
Infrastructure	(16,101,120.16)	-	-	-	-	(2,290,389.30)	-	(18,391,509.46)
Facilities and Other Improvements	(24,323,340.15)	-	-	-	-	(3,746,700.56)	957,853.28	(27,112,187.43)
Furniture and Equipment	(100,103,425.42)	-	-	(51,206.67)	51,206.67	(12,081,932.20)	4,013,562.07	(108,171,795.55)
Vehicles, Boats and Aircraft	(7,773,790.33)	-	-	-	-	(1,065,192.72)	568,298.33	(8,270,684.72)
Other Capital Assets	(54,330,268.84)	-	-	(71,726.82)	71,726.82	(4,322,339.35)	37,595.92	(58,615,012.27)
Total Accumulated Depreciation	**$ (626,324,404.00)**	**$ (6,285,369.23)**	**$ -**	**$ (122,933.49)**	**$ 122,933.49**	**$ (64,296,138.75)**	**$ 10,845,286.39**	**$ (686,060,625.59)**
Depreciable Assets, Net	**$ 783,054,953.75**	**$ (6,285,369.23)**	**$ 137,102,718.59**	**$ 844,979.16**	**$ (844,979.16)**	**$ (40,401,656.45)**	**$ (1,530,568.55)**	**$ 871,940,078.11**
Amortizable Assets - Intangible:								
Land Use Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Computer Software	20,566,880.76	-	12,297,510.58	3,361,538.75	(3,361,538.75)	-	(2,930,071.71)	29,934,319.63
Other Intangible Capital Assets	-	-	-	-	-	-	-	-
Total Amortizable Assets - Intangibles	**$ 20,566,880.76**	**$ -**	**$ 12,297,510.58**	**$ 3,361,538.75**	**$ (3,361,538.75)**	**$ -**	**$ (2,930,071.71)**	**$ 29,934,319.63**
Less Accumulated Amortization for:								
Land Use Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Computer Software	(19,617,312.82)	-	-	(3,361,538.75)	3,361,538.75	(1,604,130.33)	2,930,071.71	(18,291,371.44)
Other Intangible Capital Assets	-	-	-	-	-	-	-	-
Total Accumulated Amortization	**$ (19,617,312.82)**	**$ -**	**$ -**	**$ (3,361,538.75)**	**$ 3,361,538.75**	**$ (1,604,130.33)**	**$ 2,930,071.71**	**$ (18,291,371.44)**
Amortizable Assets - Intangibles, Net	**$ 949,567.94**	**$ -**	**$ 12,297,510.58**	**$ -**	**$ -**	**$ (1,604,130.33)**	**$ -**	**$ 11,642,948.19**
Total	**$ 1,010,588,623.72**	**$ (6,285,369.23)**	**$ -**	**$ 1,511,015.26**	**$ (1,511,015.26)**	**$ 22,530,161.21**	**$ (1,828,998.55)**	**$ 1,025,004,417.15**

Note 3: Cash, Cash Equivalents and Investments

Deposits of Cash in Bank

As of August 31, 2016, the carrying amount of deposits was $34,101,089.13 as presented below.

Cash In Bank- Carrying Value	$ 34,101,089.13
Cash in Bank per Statement of Net Position	**$ 34,101,089.13**
Proprietary Funds Current Assets Cash in Bank	$ 20,298,226.21
Proprietary Funds Current Assets Restricted Cash in Bank	13,802,862.92
Cash in Bank per Statement of Net Position	**$ 34,101,089.13**

The carrying amount consists of all cash in local banks and is included on the Statement of Net Position as a portion of cash and cash equivalents. Assets classified as cash and cash equivalents include $150,874,333.20 that is invested in cash equivalents. The remainder of the cash and cash equivalent balance of $18,678,922.11 is comprised of cash on hand, cash in transit or reimbursement from the Treasury, and cash in the State Treasury.

As of August 31, 2016, the total bank balance was $39,272,436.96.

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The System's policy is that all deposits are governed by a bank depository agreement between the System and the respective banking institution. This agreement provides that the System's deposits, to the extent such deposits exceed the maximum insured limit under deposit insurance provided by the Federal Deposit Insurance Corporation (the "FDIC"), shall at all times be collateralized with government securities.

As of August 31, 2016, the System had no bank balances that were exposed to custodial credit risk.

Investments

Each institution of the System adopts an endowment investment policy that must be reviewed and approved by the System Board of Regents annually. The policy authorizes the following types of investments: U.S. Government obligations, U.S. Government Agency obligations, other government obligations, corporate obligations, corporate asset-backed and mortgage-backed securities, equity, international obligations, international equity, certificates of deposit, banker's acceptances, money market mutual funds, mutual funds, repurchase agreements, private equity, hedge funds, Real Estate Investment Trusts ("REITs"), derivatives, energy and real estate.

The System's cash management objective is to retain appropriate liquidity to meet daily operating demands while seeking higher yield on cash reserves through an appropriately diversified long-term investment portfolio. The System obtained permission from the Attorney General's office for the Board of Regents of the System to invest funds under its control that are held and managed by the System's institutions under section 51.0031(c) of the Texas Education Code. Section 51.0031 of the Texas Education Code authorizes the System Board of Regents, subject to procedures and restrictions it establishes, to invest System funds in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent person standard described in Article VII, Section 11b, of the Texas Constitution. This standard provides that the System Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill and caution, would acquire or retain in light of the purposes, terms, distribution requirements and other circumstances of the fund then prevailing, taking into consideration the investment of all of the assets of the fund rather than a single investment. All System funds subject to Board of Regents control, System endowment funds, and HSC medical professional liability self-insurance plan funds shall be invested pursuant to a prudent person standard. All other System funds shall be deposited in an approved depository bank, invested pursuant to the Public Funds Investment Act in authorized investments such as FDIC insured money market funds and approved local government investment pools, or deposited in the State Treasury.

As of August 31, 2016, the System's investments are presented below. Included in this amount is $150,874,333.20 classified as cash equivalents.

Investments and Cash Equivalents	**As of August 31, 2016**
U.S. Government Agency Obligations	$ 9,217,697.50
Equity	440,384.50
Repurchase Agreement	13,155,165.99
Domestic Mutual Funds	9,846.00
Fixed Income Money Market and Bond Mutual Funds	77,524,657.57
Other Commingled Funds	84,600,562.73
Other Commingled Funds (TexPool)	19,969,728.91
Externally Managed Investments – Domestic (1)	216,866,618.12
Miscellaneous (limited partnerships, guaranteed investment contract, political subdivision, bankers' acceptance, negotiable CD)	1,027,529.63
Total Investments and Cash Equivalents	**$ 422,812,190.95**

(1) Fair values of investments that are not managed by the University of North Texas Foundation are primarily based on market valuations provided by external managers.

Credit Risk – Investments

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The System utilizes ratings assigned by Standard & Poor's for this purpose. The System's investment policy does not provide specific requirements and limitations regarding investment ratings. According to the authoritative literature from the GASB, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

As of August 31, 2016, the System's credit quality distribution for securities with credit risk exposure was as follows:

			Standard and Poor's			
Fund Type	**GAAP Fund**	**Investment Type**	**AAA**	**AA**	**Unrated**	**Total**
05	0001	U.S. Government Agency Obligations	$ -	$9,217,697.50	$ -	$ 9,217,697.50
05	0001	Equity	-	-	440,384.50	440,384.50
05	0001	Repurchase Agreement	-	-	13,155,165.99	13,155,165.99
05	0001	Domestic Mutual Funds	-	-	9,846.00	9,846.00
05	0001	Fixed Income Money Market and Bond Mutual Fund	50,758,751.64	-	26,765,905.93	77,524,657.57
05	0001	Other Commingled Funds	84,600,562.73	-	-	84,600,562.73
05	0001	Commingled Funds (TEXPOOL)	19,969,728.91	-	-	19,969,728.91
05	0001	Externally Managed Investments	-	-	216,866,618.12	216,866,618.12
05	0001	Miscellaneous	-	-	1,027,529.63	1,027,529.63
05	0001	**Total**	**$155,329,043.28**	**$9,217,697.50**	**$258,265,450.17**	**$422,812,190.95**

Concentration of Credit Risk

As of August 31, 2016, the System did not hold any direct investments in any one issuer of corporate or municipal bonds that were five percent or more of the market value of the System's fixed income investments. The System's investment regulation does not provide specific requirements and limitations regarding concentration of credit.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of its investment or collateral securities that are in the possession of another party. State statutes and the System's investment regulation does not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. As of August 31, 2016, the System did not have investments that are exposed to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As of August 31, 2016, the System investments subject to interest rate risk – commingled funds, certificates of deposit, repurchase agreements, fixed income money market and bond mutual funds – have an average maturity of less than one year. The System's investments in U.S. Government Agency Obligations have an average maturity of less than three years.

Foreign Currency Risk

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investment. As of August 31, 2016, the System's investments were all denominated in U.S. dollars. The System's investment policy does not provide specific requirements and limitations regarding investments in foreign currency.

Internal Investment Pool

Certain investments of the System are managed by the Foundation in its internal long-term investment pool (the "Pool"). The Pool is invested with external investment managers who invest in equity and fixed income funds both domestic and international. The Foundation's investment policy allows for the asset allocation to be maintained within the following tactical ranges: 50-70% growth assets (U.S. and international equities), 20-40% risk reduction assets (U.S. and global fixed income funds and cash), and 5-15% inflation protection assets (real assets). The Foundation's investment committee is responsible for monitoring and rebalancing to the strategic target allocation ranges, and within the tactical ranges, has discretionary authority for setting, monitoring, and making reallocations to the portfolio's specific underlying assets. Complete audited financial statements of the Foundation can be obtained from https://endow.unt.edu/.

As of August 31, 2016, total investments in the Pool, including the System portion, consisted of the following investment types:

Investment	**Fair Value**
Equity	$ 11,162,036.21
Domestic Mutual Funds	86,866,082.63
International Other Commingled Funds	19,736,516.30
International Mutual Funds	68,499,609.68
Other Commingled Funds	13,361,967.15
Fixed Income Money Market & Bond Mutual Fund	31,712,412.35
Externally Managed Investments	48,977,213.88
Miscellaneous	133,654.06
Total investments	**$ 280,449,492.26**

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The System's unitized portion of the Pool's investments as of August 31, 2016 is $177,704,787.68.

The Pool's investments are not rated by Standard & Poor's. As of August 31, 2016, the Pool did not hold any direct investments in any one issuer of corporate or municipal bonds that were five percent or more of the market value of the Pool's investments. The Pool did not have investments exposed to custodial credit risk. The Pool's investments subject to interest rate risk – fixed income money market and bond mutual funds – have an average maturity of less than one year.

As of August 31, 2016, the System's investments in the Pool consisted of the following investment types:

Common Stock

Common stocks are units of ownership in publicly-held corporations. Shareholders typically have rights to vote and to receive dividends. Claims of common stock holders are subordinate to claims of creditors, bond holders, and preferred stock holders.

Equity

Equity and stock mutual funds are mutual funds that invest primarily in stocks, although at times they might hold some fixed-income and money market securities.

Alternative Investments

Alternative investments consist of hedge funds, real estate, private equity, and other pooled funds that are not registered with the Securities and Exchange Commission (the "SEC").

Fixed Income and Bond Mutual Funds

Fixed income and bond mutual funds are mutual funds that, by policy, invest in the fixed-income sector.

Fixed Income Money Market Mutual Funds

Money market mutual funds are open-end mutual funds registered with the SEC that must comply with the SEC's "Rule 2a-7," which imposes certain restrictions, such as a requirement that the fund's board must attempt to maintain a stable net asset value per share or stable price per share, limits on the maximum maturity of any individual security in the fund's portfolio, and limits on the maximum weighted-average portfolio maturity and life. Money market funds typically attempt to maintain a net asset value or price of $1.00 per share.

Fair Value Measurements

The System records investments at fair value as of August 31, 2016. Fair value is defined 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. The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value on a recurring basis:

Level 1	Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date
Level 2	Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (quoted market prices for similar assets or liabilities) or indirectly (corroborated from observable market information)
Level 3	Unobservable inputs for an asset or liability

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The System has the following recurring fair value measurements as of August 31, 2016:

		Fair Value Measurements Using		
	8/31/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
U.S. Government Agency Obligations	$ 9,217,697.50	$ -	$ 9,217,697.50	$ -
Equity	440,384.50	440,384.50	-	-
Domestic Mutual Funds	9,846.00	9,846.00	-	-
Externally Managed Investments - Foundation Managed Pool	125,522,406.70	125,522,406.70	-	-
Externally Managed Investments - Other	39,161,830.44	38,814,263.00	-	347,567.44
Total Investments at Fair Value	$ 174,352,165.14	$ 164,786,900.20	$ 9,217,697.50	$ 347,567.44
Investments and Cash Equivalents Measured at NAV				
Other Commingled Funds	$ 27,999,333.30			
Externally Managed Investments - Foundation Managed Pool	52,182,380.98			
Total Investments at the NAV	$ 80,181,714.28			
Total Investments at Fair Value	$ 254,533,879.42			
Investments and Cash Equivalents not Measured at Fair Value				
Repurchase Agreements	$ 13,155,165.99			
Fixed Income Money Market and Bond Mutual Funds	77,524,657.57			
Other Commingled Funds	56,601,229.43			
Other Commingled Funds (TexPool)	19,969,728.91			
Miscellaneous	1,027,529.63			
Total Investments not Measured at Fair Value	$ 168,278,311.53			
Total Investments	$ 422,812,190.95			

Investments classified in Level 1 of the fair value hierarchy, totaling $164,786,900.20 for the year ended August 31, 2016, are valued using quoted prices in active markets.

U.S. government agency obligations totaling $9,217,697.50 classified in Level 2 of the fair value hierarchy are valued using matrix pricing techniques maintained by pricing vendors. Matrix pricing is used to value securities based on benchmark quoted prices of assets with similar attributes. These prices are obtained from pricing sources by the System's custodial bank.

$177,704,787.68 of the System's externally managed investments are managed by the Foundation in the long term pool. The Foundation pool has the following recurring fair value measurements as of August 31, 2016:

		Fair Value Measurements Using		
	8/31/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Equity	$ 11,162,036.21	$ 11,044,889.75	$ 117,146.46	$ -
Domestic Mutual Funds	86,793,450.63	86,793,450.63	-	-
International Mutual Funds	68,499,609.68	68,499,609.68	-	-
Fixed Income Money Market and Bond Mutual Fund	31,712,412.35	32,165,443.79	(453,031.44)	-
Total Investments at Fair Value	$ 198,167,508.87	$ 198,503,393.85	$ (335,884.98)	$ -
Investments Measured at NAV				
International Commingled Funds	$ 19,736,516.30			
Other Commingled Funds	13,361,967.15			
Externally Managed Investments (Hedge Funds)	48,977,213.88			
Real Estate Funds (REITs)	72,632.00			
Miscellaneous	133,654.06			
Total Investments at the NAV	$ 82,281,983.39			
Total Investments at Fair Value	$ 280,449,492.26			

Within the pool, financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Fair values for financial assets valued using net asset value ("NAV") are further discussed in the "Investments Reported at NAV" section below. See Foundation Note 11 for further information regarding the fair value of pool investments.

Other commingled funds consists of funds invested with TexPool, TexStar, and TexTERM. These commingled funds were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. They are structured somewhat like money market mutual funds and allow shareholders the ability to deposit or withdraw funds on a daily basis. In addition, interest rates are also adjusted on a daily basis and the funds seek to maintain a constant net asset value of $1.00, although this cannot be fully guaranteed. The System reports its investment with TexStar of $27,999,333.30 at fair value and reports its investment with TexPool and TexTERM of $76,570,958.34 at amortized cost in accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Please refer to the "Investments Reported at NAV" section below for further information regarding commingled funds reported at fair value. For commingled funds reported at amortized cost, there are no limitations or restrictions on withdrawals and maximum transaction amounts.

Investments Reported at NAV

Other Commingled funds

The System invests excess working capital in TexStar to maintain sufficient liquidity and increase yields. There are no unfunded commitments. No limitations or restrictions on redemptions exist. Redemptions can occur at any time.

Externally Managed Investments – Foundation managed long term investment pool

The System investments in the long term pool include some investment types that are reported at the NAV. As of August 31, 2016, total investments in the Pool measured at the NAV, including the System portion, consisted of the following investment types:

Investment Type	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice
Commingled Bond Fund (B)	$ 13,361,967.15	-	Daily	1 Day
Private Real Estate Funds (E)	72,632.00	-	N/A Liquidating	N/A Liquidating
Commingled Int'l Equity Funds (C)	8,738,676.00	-	Monthly	10-30 Days
Long/short equity hedge fund (D)	8,159,103.88	-	Monthly	45 - 60 Days
Multi-strategy hedge funds (A)	11,393,435.00	-	Quarterly	95-180 Days
Commingled Int'l Equity Funds (C)	10,997,840.30	-	Monthly	30-60 Days
Commingled U.S. Balanced Fund (F)	16,358,680.00	-	Monthly	1-30 Days
Multi-strategy hedge funds (A)	13,065,995.00	-	Quarterly	100 - 180 Days
Miscellaneous	133,654.06			
Total investments measured at NAV	**$ 82,281,983.39**			

The System's unitized portion of the Foundation's long term pool investments reported at NAV is $52,182,380.98.

(A) Multi-strategy hedge funds. Through two hedge fund of funds structures, this type invests in 60 hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The hedge funds' composite portfolio for this type includes investments in approximately 45% long/short equity strategies, 36 fixed income strategies, 1% diversifying strategies, 11% in special situations equity, and 7% in global macro strategies. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments. Investments representing approximately 28% of the value of the investments in this type cannot be redeemed because the investments include restrictions that do not allow for redemption in the first year after acquisition. The remaining restriction period for these investments ranged from one to thirteen months at August 31, 2016.

(B) Commingled bond fund. This type invests in individual fixed income securities across various domestic fixed income asset categories. The fair values of the investments in this type have been determined using the NAV per share of the investments. Investments are redeemable on demand within 3-5 business days.

(C) Commingled international equity funds. This type invests in individual international equity securities across various countries and industry sectors. The fair values of the investments in this type have been determined using the NAV per share of the investments.

(D) Long/short equity hedge fund. This type invests both long and short in U.S. and international common stocks. Management has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and domestic to international; while maintaining a net 100% long profile. The fair values of the investments in this type have been determined using the NAV per share of the investments.

(E) Private real estate funds (REITs). The fair values of the investments in this type have been determined using the NAV per share of the investments. This fund is being liquidated. The proceeds from the liquidation are estimated to be received over the next two years.

(F) Commingled U.S. balanced fund. This type invests in a mix of approximately 50% U.S. equities and 50% U.S. treasury bills, and sells U.S. stock market index options. The fair values of the investments in this type have been determined using the NAV per share of the investments.

Note 4: Short-Term Debt

Commercial Paper

According to the Master Resolution establishing the UNT System Revenue Financing System Commercial Paper Program, the issuance of commercial paper notes may not exceed, in aggregate, the principal amount of $100,000,000 of which $25,000,000 may be used as taxable notes. Outstanding commercial paper proceeds may be used for the purpose of financing project costs of eligible projects and to refinance, renew or refund commercial paper notes, prior encumbered obligations, and parity obligations, including interest. Commercial paper notes may not be issued to refinance or refund prior encumbered obligations or parity bonds without the approval of the Board of Regents. Commercial paper activity for the System for the year ended August 31, 2016 is as follows:

	September 1, 2015 (1)	Additions	Reductions	Other Adjustments	August 31, 2016
Commercial Paper	$ 1,807,000.00	$ 20,298,000.00	$ (1,955,000.00)	$ -	$ 20,150,000.00

(1) Beginning balance includes the reclassification of $74,260,000 of commercial paper to long-term liabilities.

The outstanding balance of commercial paper at August 31, 2016 was $20,150,000 at an interest rate of .64%. Interest rates are determined by the investor and broker in the arrangement, where the investor dictates the maturity. Average commercial paper maturity during the year ended August 31, 2016 was approximately 28 days. The System will provide liquidity support for $100,000,000 in commercial paper notes by utilizing available funds of the System in lieu of or in addition to bank liquidity support. The maximum maturity for commercial paper is 270 days. In practice, the System rolls, pays off, and/or issues new commercial paper at each maturity. Commercial paper will continue to be used as interim funding until long-term bonds are approved and issued or gifts or institutional funds are received to retire the commercial paper debt.

The System adheres to the requirements of the Federal Securities Act of 1933, which precludes proceeds from commercial paper issues to be used for financing fixed assets, such as plant and equipment, on a permanent basis. The System, working with bond counsel and its financial advisor, routinely determines alternative long-term funding to ensure that commercial paper is used as interim financing only and will be paid off after completion of construction or equipment acquisition.

Note 5: Long-Term Liabilities

Changes in Long-Term Liabilities

The following changes occurred in long-term liabilities during the year ended August 31, 2016:

	September 1, 2015	Additions	Reductions	August 31, 2016	Amounts Due Within One Year	Amounts Due Thereafter
Bonds Payable:						
Revenue Bonds Payable	$ 368,900,000.00	$ 224,030,000.00	$ 77,625,000.00	$ 515,305,000.00	$ 30,540,000.00	$ 484,765,000.00
Unamortized Net Premiums	20,491,949.43	17,258,428.55	5,165,618.84	32,584,759.14	3,303,393.95	$ 29,281,365.19
Total Bonds Payable	$ 389,391,949.43	$ 241,288,428.55	$ 82,790,618.84	$ 547,889,759.14	$ 33,843,393.95	$ 514,046,365.19
Loans Payable	$ 155,760,000.00	$ -	$ 155,760,000.00	$ -	$ -	$ -
Capital Lease Obligations	4,901,199.22	186,326.30	1,174,998.80	3,912,526.72	1,249,546.84	2,662,979.88
Claims and Judgments	3,578,232.00	423,960.00	2,151,268.00	1,850,924.00	890,607.00	960,317.00
Net Pension Liability	103,405,818.19	49,108,503.00	34,139,723.19	118,374,598.00		118,374,598.00
Compensable Leave	26,141,036.81	2,148,766.11	3,608,086.45	24,681,716.47	4,303,112.53	20,378,603.94
Total Long-Term Liabilities	**$ 683,178,235.65**	**$ 293,155,983.96**	**$ 279,624,695.28**	**$ 696,709,524.33**	**$ 40,286,660.32**	**$ 656,422,864.01**

Revenue Bonds Payable

Scheduled principal and interest payments for revenue bonds issued and outstanding as of August 31, 2016 are as follows:

Year(s)	Principal	Interest	Total
2017	$ 30,540,000.00	$ 22,290,002.23	$ 52,830,002.23
2018	29,400,000.00	21,163,094.46	50,563,094.46
2019	29,840,000.00	20,136,256.81	49,976,256.81
2020	28,530,000.00	19,093,919.91	47,623,919.91
2021	29,610,000.00	18,015,812.32	47,625,812.32
2022-2026	126,205,000.00	72,668,868.75	198,873,868.75
2027-2031	100,590,000.00	52,544,812.50	153,134,812.50
2032-2036	66,665,000.00	27,587,685.00	94,252,685.00
2037-2041	51,675,000.00	12,566,215.70	64,241,215.70
2042-2045	22,250,000.00	2,743,567.00	24,993,567.00
Total	**$ 515,305,000.00**	**$ 268,810,234.68**	**$ 784,115,234.68**

Total interest and fiscal charges incurred for the year ended August 31, 2016 was $20,655,646.82. Of this total, the System capitalized $729,544.22 associated with financing capital projects during the construction phase. In addition, the System recorded $2,599,147.29 as a reduction to this balance relating to the amortization of premiums and deferred outflows of resources resulting from losses on bond refundings. The remaining amount of $17,326,955.31 was reported as interest expense and fiscal charges for the year ended August 31, 2016.

Capital Lease Obligations

See Note 8, *Leases,* for more information on capital lease obligations.

Claims and Judgments

As of August 31, 2016, there was one outstanding claim for which a liability accrual has been recognized. According to authoritative GASB guidance, liabilities should be recognized when the possibility of loss is probable and the amount of loss is reasonably estimable. See Note 15, *Contingencies and Commitments*, for more information on the claims and judgments against the System.

Net Pension Liability

See Note 1, *Summary of Significant Accounting Policies*, and Note 9, *Pensions*, for more information on the Net Pension Liability.

Employees' Compensable Leave

According to the Texas Human Resources Management Statutes Inventory provided by the State Auditor's Office, state agency employees who have accrued six months of continuous state employment are entitled to be paid for the accrued balance of the employee's vacation leave as of the date of separation if the employee is not reemployed by a state agency or institution of higher education in a position which accrues vacation leave during the 30-day period immediately following the date of separation from state employment. Substantially all full-time System employees earn between eight and twenty-one hours of annual leave per month depending upon the respective employee's years of state employment. State law permits employees to carry accrued leave forward from one fiscal year to another, up to a maximum of 532 hours for those employees with 35 or more years of state service. Eligible part-time employees' annual leave accrual rate and maximum carryover are proportional to the number of hours appointed to work. Employees with at least six months of continuous State service who terminate their employment are entitled to payment for all accumulated annual leave. Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and is paid only when an employee is off due to personal or family illness or to the estate of an employee in the event of his/her death. The maximum sick leave that may be paid to an employee's estate is one-half of the employee's accumulated sick leave or 336 hours, whichever is less. Eligible part-time employees' sick leave accrual rate is proportional to the number of hours they are appointed to work. This obligation is generally paid from the same funding source as the employee's salary or wage compensation is paid. An expense and a liability are recorded as the benefits accrue to employees, and the liability is reduced as the accrued leave is taken. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Note 6: Bonded Indebtedness

At August 31, 2016, the System had principal outstanding related to revenue bonds of $515,305,000. Revenue Financing System ("RFS") debt is secured by and payable from pledged revenues as defined in the Master Resolution establishing the RFS. Pledged revenues consist of all lawfully available revenues, funds and balances, with certain exceptions, pledged to secure revenue-supported indebtedness issued under the Master Resolution as set forth by the State.

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General information related to revenue bonds outstanding as of August 31, 2016, is summarized in the following table:

Bond	Purpose	Issue Date	Interest Rates	Amount Issued	Total Principal Outstanding as of 8/31/16
RFS Bonds, Series 2009	To provide funds for the purposes of refunding commercial paper notes, constructing and equipping buildings, and paying certain costs of issuing the bonds	2/19/2009	3.0000% - 5.2500%	$ 38,650,000.00	$ 25,495,000.00
RFS Bonds, Series 2009A	To provide funds for the purposes of constructing and equipping buildings, and for paying certain costs of issuing the bonds	12/2/2009	3.0000% - 5.0000%	159,310,000.00	130,050,000.00
RFS Refunding Bonds, Series 2009B	To provide funds for the purposes of refunding outstanding Consolidated University Revenue Bonds Series 1994, Revenue Financing System Bonds Series 1999A, and Revenue Financing System Bonds Series 2001 and for paying costs of issuing the bonds	12/2/2009	3.0000% - 4.7500%	15,800,000.00	6,790,000.00
RFS Refunding Bonds, Series 2010	To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2001, Revenue Financing System Bonds Series 2002, Revenue Financing System Bonds Series 2002A, and paying certain costs of issuing the bonds	7/23/2010	3.0000% - 5.0000%	57,625,000.00	39,335,000.00
RFS Refunding and Improvement Bonds, Series 2012A	To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2003; a portion of the Board's outstanding commercial paper notes; for purchasing, constructing, improving, renovating, enlarging, and equipping property and infrastructure; and paying certain costs of issuing the bonds	6/1/2012	2.0000% - 5.0000%	75,890,000.00	57,420,000.00
RFS Refunding Bonds, Taxable Series 2012B	To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2003B and paying certain costs of issuing the bonds	6/1/2012	0.5500% - 3.2000%	4,820,000.00	4,235,000.00
RFS Refunding Bonds, Series 2015	To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2003A and 2005 Bonds and paying certain costs of issuing the bonds	4/30/2015	1.9500% - 1.9500%	38,265,000.00	31,425,000.00
RFS Refunding Bonds, Series 2015A	To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2014 Private Placement Arrangement, for refunding a portion of the Board's commericial paper notes and provide funding for constructing and equipping buildings, and paying certain costs of issuing the bonds	10/21/2015	2.0000%-5.0000%	105,130,000.00	104,105,000.00
RFS Refunding Bonds, Series 2015B	To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2014 Private Placement Arrangement, for refunding a portion of the Board's commericial paper notes, provide	10/21/2015	0.3000%-4.8380%	73,035,000.00	70,585,000.00
RFS Refunding Bonds, Series 2015C	To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2007 Bonds and and paying certain costs of issuing the bonds	3/1/2016	2.4460%-10.0000%	45,865,000.00	45,865,000.00
			Total	$614,390,000.00	$ 515,305,000.00

Early Extinguishments in 2016

A portion of RFS Refunding Bonds, Series 2012A, were defeased during 2016, reducing principal by $4,535,000.00 and unamortized premiums of $517,995.43.

- Unrestricted funds in the amount of $5,321,345.18 were used to pay related expenses of $30,057 and deposit $5,290,538.18 into an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds.
- An accounting loss of $237,542.75 resulted from the transaction which was recorded as interest expense.

RFS Refunding Bonds, Series 2015C, were issued on March 1, 2016 to refund the RFS Refunding Bonds, Series 2007 principal amount. The Series 2015C Bonds were issued at par with a face value of $45,865,000. The proceeds were used to pay the costs of issuance of $235,454.75 and to provide for debt service on the refunded bonds which were called on April 15, 2016 and are no longer outstanding. The liability for these bonds has been removed from the consolidated statement of net position.

- An economic gain from the transaction resulted in a net present value savings of $4,469,507.99 between the old and new debt service payments.
- An accounting gain of $1,035,872.52 resulted from the transaction, as the net carrying amount of $46,640,872.52 exceeded the reacquisition price of $45,865,000.00 on the refunded bonds. The carrying value of $46,640,872.52 on the refunded debt consisted of $45,605,000.00 par value, and $1,035,872.52 unamortized premiums.

Funds Available for Debt Service

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,* as amended, makes a basic distinction between sales of receivables and future revenues, on the one hand, and the pledging of receivables or future revenues to repay a borrowing (a collateralized borrowing) on the other.

Total pledged revenues consist of available pledged revenues, which include the gross revenues of the RFS, the Student Union Fee, pledged general tuition (which includes general use fees), investment income, and funds on deposit in the Interest and Sinking Fund and the Reserve Fund. In addition to current year pledged revenues, any unappropriated or reserve fund balances remaining at year-end are available for payment of the subsequent year debt service. System HEAF reserves and Health and Loan Reserves at HSC cannot be included in total pledged revenues. The following table provides the pledged revenue information for the System's revenue bonds:

Pledged Revenue Required for Future Principal and Interest on Existing Revenue Bonds	$ 784,115,234.68
Term of Commitment Year Ending 8/31	2045
Percentage of Pledged Revenue	100%
Current Year Pledged Revenue	$ 773,097,217.62
Current Year Principal and Interest Paid	$ 47,906,159.96

Note 8: Leases

Operating Leases

The System has entered into various operating leases for buildings, equipment, vehicles and land. Rental expenses for operating leases were $3,581,367.01 in 2016. The lease terms typically range from 12 to 60 months, where some lease terms contain optional renewals. Future minimum lease payments under non-cancelable operating leases having an initial term in excess of one year as of August 31, 2016 were as follows:

Fiscal Year	Lease Payments
2017	$ 3,039,163.13
2018	2,463,894.09
2019	1,778,811.50
2020	1,453,074.38
2021	996,830.64
2022 - 2026	312,499.80
2027 - 2031	312,499.80
2032 - 2036	312,499.80
2037 - 2041	312,499.80
2042 - 2046	312,499.80
2047 and beyond	124,999.92
Total Future Minimum Operating Lease Payments	**$ 11,419,272.66**

The System has also leased buildings, and other capital assets to outside parties under various operating leases. The cost, carrying value and accumulated depreciation of these leased assets as of August 31, 2016 were as follows:

Assets Leased	**2016**
Buildings:	
Cost	$ 12,493,858.73
Less: Accumulated Depreciation	(4,018,756.16)
Carrying Value of Buildings	8,475,102.57
Parking Garage:	
Cost	10,655,156.80
Less: Accumulated Depreciation	(5,616,244.41)
Carrying Value of Parking Garage	5,038,912.39
Total Carrying Value	**$ 13,514,014.96**

There were no contingent rentals for the period ended August 31, 2016. Future minimum lease income under non-cancelable operating leases as of August 31, 2016, was as follows:

Fiscal Year	**Lease Income**
2017	$ 1,525,717.77
2018	1,333,900.95
2019	316,387.80
2020	29,520.56
2021	15,580.00
2022 and beyond	-
Total Future Minimum Operating Lease Income	**$ 3,221,107.08**

Capital Leases

Leases that are purchases in substance are reported as capital lease obligations. The System has entered into long-term leases for financing the purchase of certain capital assets where lease terms contain bargain purchase options. Such leases are classified as capital leases for accounting purposes, and the asset and liability are recorded at the present value of the future minimum lease payments at the inception of the lease. Amortization of the leased assets is included in depreciation expense. A summary of original capitalized costs and accumulated depreciation of all assets under capital lease as of August 31, 2016, is presented below:

Assets Under Capital Lease	**2016**
Furniture and Equipment	
Cost	$ 6,311,696.39
Less: Accumulated Depreciation	(1,873,243.53)
	4,438,452.86
Vehicles, Boats and Aircraft	
Cost	111,858.88
Less: Accumulated Depreciation	(34,375.06)
	77,483.82
Total Carrying Value	**$ 4,515,936.68**

Capital lease obligations are due in monthly, quarterly or annual installments through 2020. Future minimum lease payments for assets under capital lease at August 31, 2016 were as follows:

Fiscal Year	Principal	Interest
2017	$ 1,249,546.84	$ 193,781.84
2018	1,312,299.31	131,022.89
2019	1,336,986.67	65,611.83
2020	13,693.90	220.34
2021	-	-
Total Future Minimum Capital Lease Payments	**$ 3,912,526.72**	**$ 390,636.90**

Note 9: Pension Plans

Teacher Retirement System

Plan Description

The State has joint contributory retirement plans for the majority of its employees. One of the primary plans in which the System participates is the Teacher Retirement System of Texas ("TRS") Plan (the "TRS Plan"). The TRS Plan is a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation administered by TRS. The TRS Plan is established and administered in accordance with the Texas Constitution, Article 16, Section 67 and Texas Government Code, Title 8, Subtitle C. The TRS Plan is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Legislature has the authority to establish and amend benefits and contribution rates within the guidelines of the Texas Constitution. The TRS Plan's Board of Trustees does not have the authority to establish or amend benefit terms.

The employers in the TRS Plan include the state of Texas, TRS, the state's public schools, education service centers, charter schools, and community and junior colleges. Employees of TRS and state of Texas colleges, universities and medical schools are members of the TRS Plan.

Detailed information about the TRS Plan's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

Benefits Provided

The TRS Plan provides retirement, disability annuities and death and survivor benefits. The pension benefit formulas are based on members' average annual compensation and years of service credit. The standard annuity is 2.3% of the average of the five highest annual salaries multiplied by years of service credit. For grandfathered members who were hired on or before August 31, 2005 and meet certain criteria, the standard annuity is based on the average of the three highest annual salaries. The plan does not provide automatic post-employment benefit changes, including automatic cost of living adjustments ("COLAs"). Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Legislature.

All System personnel employed in a TRS-eligible position on a half time or greater basis that is projected to last for 4½ months or more are eligible for membership in the TRS Plan. However, students employed in positions that require student status as a condition of employment do not participate. Members with at least five years of service have a vested right to unreduced retirement benefits at age 65 or provided they have a combination of age plus years of service totaling 80 or more. However, members who began participation in the TRS Plan on or after September 1, 2007 must be age 60 to retire and members who were not vested in the TRS Plan on August 31, 2014, must be age 62 to retire under the second option. Members are fully vested after five years of service and are entitled to any reduced benefits for which the eligibility requirements have been met prior to meeting the eligibility requirements for unreduced benefits. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule.

Contributions
Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution, which requires the Legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation paid to members of the System during the year. Texas Government Code Section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

During the measurement period of 2015 for fiscal 2016 reporting, the amount of the System's contributions recognized by the plan was $9,916,773. The contribution rates are based on a percentage of the monthly gross compensation for each member. Contributions by employees were 6.7% of gross earnings during the measurement period of 2015. Depending upon the source of funding for the employee's compensation, the State or the System contributes a percentage of participant salaries totaling 6.8% of annual compensation for during the measurement period of 2015.

Pension Liabilities, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

The pension plan's fiduciary net position is determined using economic resources measurement focus and the accrual basis of accounting, which is the same basis used by Teacher Retirement System. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. The framework for measuring fair value is based on a hierarchy that gives the highest priority to the use of observable inputs in an active market and lowest priority to the use of unobservable inputs. More detailed information on the plan's investment policy, assets, and fiduciary net position, may be obtained from TRS' fiscal 2015 Comprehensive Annual Financial Report.

At August 31, 2016, the System reported a liability of $118,374,598 for its proportionate share of the collective net pension liability of the TRS Plan. The collective net pension liability was measured as of August 31, 2015 (the "measurement date"), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The System's proportion of the collective net pension liability at the measurement date was 0.3348771%, which was a decrease of 0.0521666% from the 0.3870437% measured at the prior measurement date. The System's proportionate share was based on its contributions to the pension plan, excluding State on-behalf contributions, relative to the contributions of all employers and non-employer contributing entities to the TRS Plan for the period September 1, 2014 through August 31, 2015 (the "measurement period"). During the measurement period, the amount of the System's contributions recognized by the TRS Plan, including State on-behalf contributions, was $12,757,958.96. The State recognized $33,917,826.43 for its proportionate share of the net pension liability related to its contributions to TRS on behalf of the System. The State's proportionate share for those contributions was 0.0959522%.

For the year ended August 31, 2016, the System recognized pension expense of $9,948,627. At August 31, 2016, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 10,041,557.00	$ -
Changes of assumptions	5,588,903.00	4,223,087.00
Difference between expected and actual experience	1,329,734.00	4,549,241.00
Change in proportion and contribution difference	-	11,931,009.00
Net difference between projected and actual investment return	5,454,081.00	-
Total	$ 22,414,275.00	$ 20,703,337.00

The $10,041,557.00 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Expense
2017	$ (2,718,592.00)
2018	(2,718,592.00)
2019	(2,718,594.00)
2020	5,181,055.00
2021	(2,190,286.00)
Thereafter	(3,165,610.00)

Actuarial Assumptions

The total pension liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure the total pension liability as of the August 31, 2015 measurement date:

Actuarial Methods and Assumptions	**TRS Plan**
Actuarial Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percent, Open
Actuarial Assumptions:	
Discount Rate	8.0%
Investment Rate of Return	8.0%
Inflation	2.50%
Salary Increase	3.50% to 9.50% including inflation
Mortality:	
Active	90% of the RP 2014 Employee Mortality Tables for males and females
Post-Retirement	2015 TRS Healthy Pensioner Mortality Tables
Ad Hoc Post-Employment Benefit Changes	None

The actuarial assumptions used in valuation were primarily based on the result of an actuarial experience study for the four-year period ending August 31, 2014 and adopted September 2015. There have been changes in inflation, salary increase and mortality assumptions since the prior measurement date. The inflation assumption changed from 3.00% to 2.50%. The salary increase assumption changed from a range of 4.25% to 7.25% to a range of 3.50% to 9.50% including inflation. The mortality assumption changed from the one based on 1994 Group Annuity Mortality Table to the one based on the RP 2014 employee Mortality Tables for the active members. For the retired members, the new 2015 TRS Healthy Pensioner Mortality Tables were used for the mortality assumption.

The long-term expected rate of return on plan investments was developed using a building-block method with assumptions including asset class of investment portfolio, target allocation, real rate of return on investments, and inflation factor. Under this method, best estimate ranges of expected future real rates of return (net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of geometric real rates of return for each major asset class for the TRS Plan's investment portfolio are presented below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Global Equity		
U.S.	18.0%	4.6%
Non-U.S. Developed	13.0%	5.1%
Emerging Markets	9.0%	5.9%
Directional Hedge Funds	4.0%	3.2%
Private Equity	13.0%	7.0%
Stable Value		
U.S. Treasury	11.0%	0.7%
Absolute Return	0.0%	1.8%
Stable Value Hedge Funds	4.0%	3.0%
Cash	1.0%	-0.2%
Real Return		
Global Inflation Linked Bonds	3.0%	0.9%
Real Assets	16.0%	5.1%
Energy and Natural Resources	3.0%	6.6%
Commodities	0.0%	1.2%
Risk Parity		
Risk Parity	5.0%	6.7%
Total	**100.0%**	

There have been no changes to the benefit provisions of the TRS Plan since the prior measurement date. The discount rate used to measure the total net pension liability was 8.0%. There has been no change in the discount rate since the measurement period. The projected cash flows into and out of the TRS Plan assumed that members, employers, and non-employer contributing entities make their contributions at the statutorily required rates. Under this assumption, the TRS Plan's fiduciary net position is projected to be sufficient to make all future pension benefit payments of current active and inactive plan members. Therefore, the 8.0% long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the System's proportionate share of the net pension liability calculated using the discount rate of 8.0%, as well as what the System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0%) or 1 percentage point higher (9.0%) than the current rate:

1.0% Decrease (7.0%)	Current Discount Rate (8.0%)	1.0% Increase (9.0%)
$ 185,470,683	$ 118,374,598	$ 62,487,728

Optional Retirement Program

The State has also established the Optional Retirement Program (the "ORP"), a defined contribution plan, for institutions of higher education. Participation in the ORP is in lieu of participation in the TRS Plan and is available to certain eligible employees who hold faculty positions and other professional positions including but not limited to director-level and above, librarians and coaches. The ORP provides for the purchase of annuity contracts and mutual funds and is administered by a variety of investment firms. Employees are immediately vested in their own contributions and earnings on those contributions and become vested in the employer contributions after one year and one day of service.

The employee and employer contribution rates are established by the Legislature each biennium. Depending upon the source of funding for the employee's compensation, the System may be required to make the employer contributions in lieu of the State. Since these are individual annuity contracts, the State and the System have no additional or unfunded liability for this program. The State provides an option for a local supplement in addition to the state base rate. Each institution within the System can decide to adopt and fund a local supplement each year to provide each ORP employee the maximum employer rate. The chancellor then approves the employer rates each fiscal year. The contributions made by participants (6.65% of annual compensation) and the employer (6.60% state base rate for 2016 plus any local supplement for a maximum 8.50% of annual compensation) for the year ended August 31, 2016, is provided in the following table:

ORP Participation	
Member Contributions	$ 9,402,553.64
Employer Contributions	10,093,701.00
Total	**$ 19,496,254.64**

Note 12: Interagency Activity and Transactions

The System experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Repayment of interagency balances will occur within one year from the date of the financial statement. There were no balances in interagency receivable and payable at August 31, 2016.

Note 14: Adjustments to Net Position

A restatement of $6.3 million was recorded to adjust accumulated depreciation. This was due to improved historical data identified during the implementation of a new capital assets software system in fiscal year 2016. The restatement of beginning net position for fiscal year 2016 is as follows:

	Total
Net Position at August 31, 2015 as Previously Reported	$ 701,801,561.69
Adjustment due to componentization (useful life) corrections	(6,285,369.23)
Total Restatement	**(6,285,369.23)**
Net Position at August 31, 2015 as Restated	**$ 695,516,192.46**

Note, the Net Position at August 31, 2015 as Previously Reported per USAS was $701,742,360.05. After the adjustment due to componentization corrections of ($6,285,369.23), the Net Position at August 31, 2015 as restated is $695,456,990.82. The variance between UNT System's hard copy AFR and USAS Net Position at August 31, 2015 of $59,201.64 is due to the pension contributions subsequent to the measurement date as recorded in fiscal 2015. Due to the late arrival of the pension information in fiscal 2015, UNT System was directed to make an estimate for the FY15 contributions amount, which ended up differing from the Texas Comptroller of Public Accounts' (CPA) estimate by $59,201.64. UNT System elected to adjust for this difference between UNTS' and CPA's fiscal 2015 estimate through current year other operating expense, to ensure ending net position would be in balance between the published AFR and USAS for fiscal 2016.

Note 15: Contingencies and Commitments

The System is involved in several pending and threatened legal actions. Unless otherwise disclosed in this note, the range of potential loss from all such claims and actions, as estimated by the System's legal counsel and management, should not materially affect the System's financial position.

Amounts received or receivable from grantor agencies are subject to audit and adjustments by such agencies, principally the U.S. government. Any disallowed claims may constitute a liability of the System. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the System expects any such amounts to be immaterial.

Contingencies

Design and Construction Contract Dispute
In February 2012, the System entered into a Professional Services Agreement with Perkins + Will, under which Perkins + Will was to perform architectural and engineering services for the UNT University Union renovation and expansion project. In March 2013, the System entered into a Construction Manager-at-Risk Agreement with Beck Warrior, under which Beck Warrior was to perform pre-construction and construction management services for the Union renovation and expansion project. Beck Warrior was to achieve substantial completion of the Union by August 20, 2015; however, substantial completion was not achieved until November 5, 2015. Beck Warrior has submitted, to date, twelve claim letters against UNT System pursuant to Chapter 2260, Texas Government Code, claiming errors and omissions by Perkins + Will and interference by UNT System. Perkins + Will has submitted invoices for additional work required due to Beck Warrior's failure to perform. Incurrence of a loss is reasonably possible. The amount of loss for UNT System is within a range of $0 to $12,193,000, plus interest, and no best estimate of loss within this range can be determined at this time.

Gabrielle Dorais v. University of North Texas Health Science Center
Case No. 048-281181-15, Tarrant County District Court. Sexual harassment and retaliation claims brought pursuant to the Texas Commission on Human Rights Act in which the Plaintiff claims damages in an amount exceeding $100,000 and less than $1,000,000. Incurrence of a loss is probable. The amount of loss for UNTHSC is within a range of $80,000 to $150,000, plus attorney's fees, and no best estimate of loss within this range can be determined at this time.

Dale A. Wilkerson v. University of North Texas, Neal Smatresk, Finley Graves, Warren Burggren, Arthur Goven, and Patricia Glazebrook
Case No. 4:15-cv-00540-ALM, US District Court, Eastern District of Texas. Due process, equal protection and retaliation claims; limited discovery underway during pendency of Defendants' motion to dismiss. Plaintiff seeks an unspecified amount of actual and exemplary damages, plus attorney's fees and costs. Loss is reasonably possible.

Jessica Jimenez, Jennifer Galo, Catherine Frank, in Their Individual Capacities, and William Tyler, II, As Independent Administrator of the Estate of Pamela J. Knight, Deceased v. University of North Texas Health Science Center
Case No. 02-16-00368-CV, Fort Worth Court of Appeals. Health care liability claim; on appeal following the denial of UNTHSC's plea to the jurisdiction. Plaintiff seeks monetary relief over $1,000,000. UNTHSC's damages are statutorily capped at $250,000. Loss is reasonably possible.

Vera L. Moore, Individually and as Representative of the Estate of Clarence Lee Moore, Jr., Deceased v. University of North Texas Health Science Center
Case No. 348-287318-16, Tarrant County District Court. Health care liability claim; case is pending. Plaintiff seeks monetary relief over $200,000, but not more than $1,000,000. UNTHSC's damages are statutorily capped at $250,000. Loss is reasonably possible.

Sherry B. Skinner and Robert W. Skinner v. Robert Nathaniel Reddix, Jr., M.D. and Jonathan David Boyle, M.D.
Case No. 153-288786-16, Tarrant County District Court. Health care liability claim; filed but not served. Plaintiff seeks monetary relief over $1,000,000 for each Plaintiff. UNTHSC's damages are statutorily capped at $250,000. Loss is reasonably possible.

Anthony DeShawn Thomas v. John Mills, M.D., D. Peyton and Tarrant County Hospital District
Case No. 16-10061, U.S. Court of Appeals for the Fifth Circuit. Prisoner's civil rights claim; on appeal following summary judgment for defendants. Plaintiff seeks actual and compensatory damages of $200,000 and punitive damages of $20,000. Loss is reasonably possible.

Research Grant Repayment to National Institutes of Health
UNTHSC recently concluded a compliance review of 114 of its NIH-funded research projects over the last six years. UNTHSC determined that weaknesses exist in its reporting and certification of time and effort performed by researchers on NIH-funded projects, which weaknesses cause UNTHSC to be non-compliant with certain regulatory and/or sponsor-imposed obligations. On or before January 10, 2017, UNTHSC will notify NIH of its intent to: (i) disclose to NIH the results of its review of NIH-funded research projects; and (ii) offer to repay to NIH $8.72 million of previously received research grant funding. UNTHSC accrued a loss of $8.72 million in the current reporting period related to the repayment offer. UNTHSC believes it is reasonably possible that the government will require UNTHSC to pay an additional penalty in the amount of 50% to 100% of the repayment amount to resolve the matter.

Commitments

The System continues to implement capital improvements to upgrade facilities. Approximately $457 million in capital commitments have been entered into for the construction and renovation of various facilities across all of its campuses. These projects are in various stages of completion. The estimated breakdown of funding sources available for this commitment is as follows: 61% Tuition Revenue Bonds, 30% Revenue Financing System Bonds, 6% HEAF, 2% auxiliary revenues, and less than 1% from designated funds. Approximately $230 million of the commitment, or roughly 50%, is expected to be spent in 2017.

On May 20, 2016 the System entered into a Purchase Agreement with JP Morgan to forward refund certain maturities of the Series 2009 Bonds and close and deliver on March 14, 2018. JP Morgan agreed to purchase, at closing, the Revenue Financing System Bonds, Forward Delivery Series 2018 bearing an interest rate of 2.40% annually.

Note 16: Subsequent Events

On November 18, 2016 the Board of Regents approved an Extendible Commercial Paper program ("ECP") with a maximum authorized amount of $75,000,000. Concurrently, the Board of Regents approved a resolution which limits the amount of self-liquidity Commercial Paper ("CP") down to $75,000,000 from $100,000,000, which may be outstanding at any one time. Following the changes adopted on November 18, 2016, the CP and ECP programs have a combined capacity of $150,000,000 up from the previous capacity of $100,000,000.

Note 17: Risk Management

The System is exposed to a variety of civil claims resulting from the performance of its duties. It is System policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed.

The System assumes substantially all risks associated with torts, theft, damage or destruction of assets, business interruption, errors or omissions, and job-related illness or injuries to employees arising out of the performance of the System's mission. Financial risks are transferred through contracts, or financed through commercial insurance or self-insurance plans. Financial exposure from lawsuits for damages and injunctive relief arising from torts and contracts is mitigated by the function of sovereign, Eleventh Amendment and individual immunities and statutory limits on the amount of recovery. In addition, state law limits financial exposure for state law claims made against individual employees and officials. Currently the System does not carry System-wide commercial general liability insurance for any of the institutions; commercial general liability policies are purchased on an as needed basis to address unique exposures. The System is not involved in any risk pools with other government entities.

Liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated.

The System has various insurance and self-insurance arrangements to manage risks of loss that are within the scope of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* as amended. There are no claims pending or significant non-accrued liabilities, except as stated in Note 15, *Contingencies and Commitments.* The System did not have any losses or settlements that exceeded insurance policy limits within the last three years.

Self-Insurance Arrangements

Medical Professional Liability Self-Insurance Plan

HSC manages a medical malpractice self-insurance plan for its physicians. As of August 31, 2016, HSC had sufficient self-insurance reserves for known claims against its health care professionals. The policy limits for this plan are $500,000/$1,500,000. Medical professional liability coverage is purchased for allied health care professionals and medical students with entity coverage, which provides a maximum per incident of $1,000,000 and an aggregate limit of $3,000,000 with no deductible.

The following contingencies and Incurred But Not Reported ("IBNR") activity was determined for the year ended August 31, 2016:

	August 31, 2015	Additions	Reductions	August 31, 2016
Incurred But Not Reported Self-Insurance Claims (HSC) (1)	$ 1,667,984.00	343,960.00	241,020.00	$ 1,770,924.00
Contingent Liabilitites	$ 3,578,232.00	80,000.00	3,578,232.00	$ 80,000.00

(1) The estimated claims payable for medical malpractice IBNR includes estimates of allocated loss adjustment expenses.

Student-Athlete Accident Medical Self-Insurance Plan

The National Collegiate Athletic Association (the "NCAA") requires its member institutions to certify coverage for medical expenses resulting from injuries sustained by student-athletes and certain prospective student-athletes while participating in qualifying NCAA-sanctioned activities. UNT finances this plan to an actuarially determined attachment point and purchases commercial insurance for claims in excess of the attachment point. The attachment point for 2016 was $320,000. For the year ended August 31, 2016, claims paid out were not material.

Incurred But Not Reported Self-Insurance Claims
The System self-insures some physical injury and property damage claims that are not financed through commercial insurance, or are below the retention amounts for claims covered by commercial insurance. The System, as an agency of the State, is protected from risk of loss arising from these tort claims by sovereign immunity, except as such claims are permitted under the Texas Tort Claims Act. In addition to limiting the type of personal injury and damage claims that can be brought against the System, the Texas Tort Claims Act limits the loss that can result from claims that can be made to $250,000 for each person, $500,000 for each single occurrence of bodily injury or death, and $100,000 for each single occurrence of damage or destruction of property.

For the year ended August 31, 2016, claims against the System were below the liability limits established by the Texas Tort Claims Act, and thus immaterial.

Commercial Insurance Arrangements

Directors and Officers/Employment Practices Liability
Directors and Officers ("D&O")/Employment Practices Liability ("EPL") coverage insures all institutions in the System as well as all officers, employees and volunteers. The policy provides for a maximum limit of $10,000,000 with a zero deductible per insured individual and $50,000 deductible per insured entity for D&O; and $100,000 deductible per insured individual, $50,000 deductible for the entity, and a $25,000 deductible for volunteers for EPL.

Automobile
The Texas Motor Vehicle Safety Responsibility Act requires that vehicles operated on a state highway be insured for minimum limits of liability in the amount of $30,000/$60,000 for bodily injury and $25,000 for property damage. The System carries liability insurance on its licensed vehicles in the amount of $1,000,000 combined single limit for bodily injury and property damage.

Medical Professional Liability
UNT has medical professional liability insurance coverage for professionals at the Student Health and Wellness Center, Athletic Training and Rehabilitation Center, and the Kristin Farmer Autism Center. Under the coverage, professionals are defined as physicians, nurses, nurse practitioners, physician assistants, pharmacists, and athletic trainers. There is a maximum per incident limit of $250,000 and an aggregate limit of $1,000,000 and an aggregate of $3,000,000 with a $5,000 deductible.

Property
The System carries property insurance to finance losses arising from damage to or destruction of capital assets. The insurance also covers business interruption, which protects against losses resulting from disruption to revenue streams. At the close of the fiscal year, all premium payments had been made and an insurance policy was in effect that carried a $1,000,000,000 shared limit through the State's state-wide property insurance program.

A property claim was filed in fiscal year 2014 for hail damage to most buildings at the University of North Texas, including the Discovery Park campus. Currently, the claim is still open and the estimated loss is $7,000,000 to $9,000,000, all of which is covered under the policy. Another property claim was filed in fiscal year 2016 for hail damage to buildings at the University of North Texas, including the Discovery Park campus. Currently, the estimated loss is $733,119, all of which is covered under the policy.

Workers' Compensation
The System is required by state law to participate in the State's workers' compensation insurance program administered through the State Office of Risk Management. This program covers risks of loss resulting from job-related illness or injuries to employees while in the course and scope of their work responsibilities. Following a work-related illness or injury, employees enter into a return-to-work program, if necessary, thus reducing indemnity payments for loss compensation.

Separate workers' compensation policies are purchased to cover out-of-state employees as required by the laws of the state in which an employee works. As of August 31, 2016, the System maintains one policy for an out-of-state employee.

Unemployment Compensation
The State provides coverage for unemployment benefits from appropriations made to other state agencies for System employees. The current General Appropriations Act provides that the System must reimburse the General Revenue Fund – Consolidated one-half of the unemployment benefits for former and current employees from System appropriations. The Texas Comptroller of Public Accounts determines the proportionate amount to be reimbursed from each appropriated fund type. The System has only one appropriated fund type. The System must reimburse the General Revenue Fund 100% of the cost for unemployment compensation for any employees paid from funds held in local bank accounts and local funds held in the State Treasury.

Unemployment compensation is on a pay-as-you-go basis through the State, with the exception of locally funded enterprises that have fund expenses and set-aside amounts based on a percentage of payroll amounts. No material outstanding claims were pending at August 31, 2016.

The System maintains reserves for unemployment compensation and workers' compensation payments made for all claims and settlements not eligible for state funding. There were no material outstanding claims pending as of August 31, 2016. Health benefits are provided through the various state contracts administered by the Employee Retirement System.

Miscellaneous
Other lines of insurance purchased include: contractual bonuses, camp accident/medical, commercial crime, fine arts, inland marine, foreign liability, global medical, kidnap and extortion, specialized general liability and property insurance for the Elm Fork Education Center, and student professional liability.

Note 19: Financial Reporting Entity

The System is composed of the University of North Texas System Administration and three academic institutions as follows: the University of North Texas, the University of North Texas Health Science Center at Fort Worth, and the University of North Texas at Dallas. The System is governed by a nine-member Board of Regents appointed by the Governor of Texas and confirmed by the Texas State Senate. Three members are appointed every odd-numbered year for six-year terms. In addition, the Governor appoints a nonvoting student Regent for a one-year term.

Assets Held By Affiliated Organizations

GASB authoritative guidance provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship to the primary government, the System. This guidance states that a legally separate tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to, or has the ability to otherwise access a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The System has defined significance as 3% of its net position. As of August 31, 2016, only the University of North Texas Foundation met the criteria for inclusion in the System's financial statements.

Discretely Presented Component Unit

University of North Texas Foundation

The University of North Texas Foundation, Inc. (the "Foundation") is reported as a discrete component unit. The Foundation is a separate nonprofit organization that is organized for various purposes, including transferring or using all or any part of the corpus or income for the benefit of the University of North Texas. Such uses are made in accordance with the general or specific purposes stipulated by the donors, grantors or testators, or in the absence of such stipulations, for such uses as may be determined by the Board of Directors of the Foundation; furthermore, the Foundation promptly distributes all net income in excess of operating requirements to promote the educational advancement of UNT. The governing board is self-perpetuating, comprised of elected members separate from the System's Board of Regents. The direction and management of the affairs of the Foundation and the control and disposition of its assets are vested in the Board of Directors of the Foundation. The System has no liability with regard to the Foundation, its operations or liabilities. The majority of endowments supporting university scholarships and other System programs are owned by the Foundation; therefore, including the Foundation's financial reports is important to obtain a full understanding of the System's financial position and resources.

The Foundation is an essential component of UNT's program for university advancement and for the development of private sources of funding for capital acquisitions, operations, endowments, and other purposes relating to the mission of UNT.

In August 2003, UNT entered into an agreement with the Foundation to better define the relationship between the two entities and to comply with the statutory requirements of Chapters 2255 and 2260 of the Texas Government Code. The 2003 agreement provided that the development leadership for UNT would be provided by the Foundation's Chief Executive Officer.

An amended agreement was approved by the Foundation's Board of Directors in their June 2009 meeting, and subsequently approved by the System Board of Regents in August 2009. Under the amended agreement, UNT's Vice President for Advancement will serve as the Foundation's Director of Development and will oversee, coordinate and exercise decision making authority over the fundraising activities of both UNT and the Foundation. In this dual position, the Vice President for Advancement/Foundation's Director of Development (the "VPA/FDD") shall have no decision making authority in regard to governance of the Foundation or expenditure of funds by the Foundation. The VPA/FDD is an employee of UNT, and compensation for the position is the sole obligation of UNT. In consideration of this amended agreement, UNT has consistently reported the Foundation as a discrete component unit in the System's financial statements.

Related Parties

Through the normal course of operations, the System both receives funds from and provides funds to other state agencies in support of sponsored research programs. Funds received and provided during the year ended August 31, 2016 related to pass-through grants were $31,326,811.17 and $206,016.96 respectively.

Other related-party transactions identified in the financial statements include Due From/To Other Agencies, Legislative Appropriations, Capital Appropriations, Legislative Transfers In and Transfers From/To Other State Agencies.

Note 22: Donor Restricted Endowments

The System's spending policy for unitized endowments reflects an objective to distribute as much total return as is consistent with overall investment objectives while protecting the real value of the endowment principal. An endowment is excluded from target distribution until the endowment has been established for one year.

The target distribution of spendable income to each unit of the endowment fund will be between 3% and 6% of the moving average market value of a unit of the endowment fund for the preceding 12 quarters. Unless otherwise determined by the Finance Committee of the Board of Regents, the target annual distribution rate shall be 4% of the average unit market value. Distribution shall be made quarterly, as soon as practicable, after the last calendar day of November, February, May and August. This distribution amount shall be recalculated each quarter based on a 12-quarter rolling average. If, at any point of distribution, the fair market value of the endowment is below the corpus of the endowment, the distribution shall be determined on a sliding scale basis. The distribution is made in accordance with the Texas Uniform Prudent Management of Institutional Funds Act. The quarterly distribution is based on an endowment management model developed by the AICPA. The net appreciation (cumulative and unexpended) on donor-restricted endowments presented below is available for authorization and expenditure by the System.

Endowment Type	Amount of Cumulative Net Appreciation (1)	Reported in Net Position
True Endowments	$ 6,640,513.62	Restricted Expendable

(1) There was a positive fair value adjustment totaling $2,371,831.83 for 2016 related to true endowments. As of August 31, 2016, the System did not have any term endowments to report.

Note 28: Deferred Outflows of Resources and Deferred Inflows of Resources

A summary of the System's deferred outflows of resources and deferred inflows of resources as of August 31, 2016 is presented below:

	Total
Deferred Outflows of Resources	
Unamortized Losses on Refunding of Debt	$ 3,439,828.09
Deferred Outflows of Resources Related to Pensions (1)	22,414,275.00
Total Deferred Outflows of Resources	**$ 28,854,103.09**
Deferred Inflows of Resources	
Unamortized Gains on Refunding of Debt	$ 1,419,367.99
Deferred Inflows of Resources Related to Pensions (1)	20,703,337.00
Total Deferred Inflows of Resources	**$ 22,122,704.99**

(1) See Note 1, *Summary of Significant Accounting Policies,* and Note 9, *Pension Plans,* for more information regarding deferred outflows of resources and deferred inflows of resources related to debt refunding and pensions.

UNIVERSITY OF NORTH TEXAS SYSTEM
Required Supplementary Information
For the Year Ended August 31, 2016

Required Supplementary Information (RSI)

Schedule of the System's Proportionate Share of the Net Pension Liability

RSI - Pension Proportionate Share

	2016	2015
System's proportion of the net pension liability	0.3348771%	0.3870437%
System's proportionate share of the net pension liability	$ 118,374,598.00	$ 103,405,818.19
System's covered payroll (1)	235,537,989.10	222,501,101.49
System's proportionate share of the net pension liability as a percentage of its covered payroll	50.26%	46.47%
Plan fiduciary net position as a percentage of the total pension liability	78.43%	83.25%

(1) Covered payroll is for the year prior, because the System's net pension liability as of August 31 current year is based on a measurement date of August 31 of the previous year.

Schedule of the System's Contributions

RSI - Pension Contributions

	2016	2015	2014
Statutorily required contributions	$ 10,041,557.00	$ 9,916,773.00	$ 9,812,632.02
Contributions in relation to the statutorily required contributions	10,041,557.00	9,916,773.00	9,812,632.02
Contribution deficiency (excess)	$ -	$ -	$ -
System's covered-employee payroll	$ 248,934,340.22	$ 235,537,989.10	$ 222,501,101.49
Contributions as a percentage of covered-employee payroll	4.03%	4.21%	4.41%

NOTES TO THE

FINANCIAL STATEMENTS

of the

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

DENTON, TEXAS

For the Years Ended August 31, 2015 and 2016

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended August 31, 2016

Note 1: Purpose and Summary of Significant Accounting Policies

Purpose

The University of North Texas Foundation, Inc. ("the Foundation") is a not-for-profit organization established for the purpose of providing financial support to the University of North Texas. This purpose is accomplished by the Foundation's receipt and management of donations (cash and non-cash) from individuals and organizations.

The Foundation is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting.

Contributions

Contributions are generally temporarily or permanently restricted by the donor to support specific programs within the University of North Texas. Unconditional promises to give are recorded as received. Contributions receivable due in the next year are recorded at their net realizable value. Contributions receivable due in subsequent years are recorded at the present value of their net realizable value, using interest rates applicable to the years in which the promises are received to discount the amounts. An allowance for uncollectible promises is provided, based on management's evaluation of contributions receivable at the end of each quarter.

Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distribution are recorded in temporarily restricted net assets because of program restrictions.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid short term investments with an initial maturity of eighteen months or less.

Investments

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses for the Foundation's pro-rata share of the investments are included in the change in net assets in the accompanying Statement of Activities

Real Estate

Real estate consists of property that has been donated to the Foundation. The property is stated at the estimated fair value at the time of the donation.

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended August 31, 2016

Trust Property
Trust Property consists of property that is held in a Charitable Remainder Trust. Periodically the property is appraised and the property is carried at the most current appraised value.

Inventory
Inventory consists of paintings donated to the Foundation and held for sale. The paintings are recorded at their fair value as of the date of donation.

Agency Funds
Agency funds consist of resources held by the Foundation as an agent for resource providers and will be transferred to third-party recipients specified by the resource provider.

Note 2: Investments

Investment securities consists of the following:

	Unaudited August 31, 2016 Book Value	Unaudited August 31, 2016 Fair Value	Audited August 31, 2015 Book Value	Audited August 31, 2015 Fair Value
Equities	$ 152,948,084	$ 179,635,369	$ 134,841,162	$ 152,760,713
Bonds	42,739,108	43,222,828	56,916,305	55,425,305
Alternatives	54,016,569	55,029,329	53,987,417	48,054,200
Cash & equivalents	133,654	133,654	230,603	230,603
DFA	1,828,949	2,428,312	2,463,059	2,321,951
	$ 251,666,364	**$ 280,449,492**	**$ 248,438,546**	**$ 258,792,772**

Investment income consists of interest and dividends earned, realized gains and losses plus changes in unrealized appreciation and depreciation.

Note: 3 Contributions and Other Receivables

Contributions and other receivables were as follows:	Unaudited August 31, 2016	Audited August 31, 2015
Contributions Receivable in less than one year	$ 2,514,252	$ 23,861,550
Contributions Receivable in one to five years	2,491,412	1,924,875
Contributions Receivable in six to ten years	220,000	291,245
Contributions Receivable in over ten years	-	-
Total Contributions Receivable	5,225,664	26,077,670
Less discounts to net present value (8% discount rate)	(312,807)	(423,421)
Less Allowance for uncollectible pledges		
(10% of discounted pledge receivables – plus specific reserves)	(522,566)	(8,398,177)
Net Contributions Receivable	4,390,291	17,256,072
Other amounts receivable	2,800	2,855
Total Contributions and Other Receivables	**$ 4,393,091**	**$ 17,258,927**

A significant pledge made in 2011 had stated terms that it was to be paid by December 31, 2015. The pledge payment was not received on that date. The donor verbally renewed the pledge for a payment by March 31, 2016. This date also passed without receiving a payment. The University reached out to the donor and the response was the donor would not be able to honor the pledge at this time, but hoped to make the payment in the future.

As the pledge no longer meets the criteria of an unconditional promise to give, we took steps to systematically reduce the receivable from this pledge by 1/3 for each of the last 3 quarters of fiscal year 2016. The pledge is completely off the books of the Foundation as of the close of the current fiscal year, August 31, 2016.

We have recorded the reversal on the Statement of Financial Position by reducing Contributions Receivable, with the offset to Temporarily Restricted Net Assets. In order to not distort the current year operations. On the Statement of Activities, we have recorded the reversal in the Net Assets schedule as a Change due to Pledge Reversal.

Note 4: Temporarily Restricted Net Assets

Temporarily restricted net assets consist of contributions from donors who have specified certain programs or scholarships within the University of North Texas for use of the contributions. Temporarily restricted net assets also include income from endowment funds that is available for distribution upon satisfaction of the specific program restriction stated in the endowment agreement.

Note 5: Permanently Restricted Net Assets

Net assets were permanently restricted for the following purposes:

	Unaudited August 31, 2016	Audited August 31, 2015
Endowments and other permanently restricted funds to support various programs, scholarships, and other activities of the University of North Texas	$ 91,487,153	$ 86,324,889
Cash value of life insurance policies that will provide proceeds, upon the death of the insured, for endowments	513,979	512,137
Total	**$ 92,001,132**	**$ 86,837,026**

Note 6: Real Property

Real property donated to the Foundation is recorded at fair value at the date of the donation. Real property consists of the following at August 31, 2016:

	Fair Value Recorded	Fair Value Current
Mineral Rights	$ 12,860	Not Determined
Minahan Estate Property	29,948	29,948
Total	**$ 42,808**	

Note 7: Life Insurance Policies

Several endowments have been established which are to be funded or partially funded by life insurance policies for which the Foundation has been named owner and beneficiary. Donors of the policies reimburse premium payments made by the Foundation. As of the end of the period, there were a total of 24 such policies with death benefits totaling $3,434,842 and cash values totaling $513,979.

Note 8: Income Tax Status

The Foundation has received a letter of determination from the Internal Revenue Service advising that it qualifies as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to income tax. The Foundation is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

Note 9: Retirement Plan

The Foundation sponsors a defined contribution retirement plan covering all full time employees of the Foundation. The Foundation contributes 8.5% of eligible employees' compensation to the plan, and employees are required to contribute a minimum of 6.65% of eligible compensation to the plan. Employees may make voluntary contributions in addition to the required contribution, up to the limits prescribed by the Internal Revenue Code. The fiscal year to date employer contributions were $73,062.

Note 10: Assets Held Under Split Interest Agreements

The Foundation is the Trustee or Co-Trustee of various charitable remainder trusts and administers numerous gift annuity contracts. The agreements require annuity payments to the income beneficiaries for life, with the remaining assets of the trusts or agreements creating endowments upon the death of the income beneficiary. The Foundation has recorded the present value of the annuity payments as annuity obligations.

The annuity obligations are recorded at the present value of the expected future cash payments based on published life expectancy tables using a discount rate of six percent.

Note 11: Assets Held For Others

The Foundation holds and invests certain funds in trust on behalf of the University of North Texas System ("UNTS"). Pursuant to an investment agreement dated March 15, 2012 and amended and restated on August 16, 2012, certain UNTS long-term assets have been placed with the Foundation and invested in the Foundation's Consolidated Investment Pool. The UNTS investment funds are subject to the same investment management policy as the Foundation's investments, but receive monthly distributions of interest, dividends, and realized gains/losses. The initial term of the agreement effective November 1, 2014 ended August 31, 2015. It contains a provision to automatically renew annually thereafter, as well as a provision for early termination as agreed by the parties.

The Foundation also holds and invests certain funds in trust on behalf of the University of North Texas ("UNT"). Pursuant to an investment management agreement dated August 24, 2012, certain UNT endowment assets have been placed with the Foundation and invested in the Foundation's Consolidated Investment Pool or the Foundation's DFA Short-Term Government fund. The UNT endowment funds residing in the Foundation's Consolidated Investment Pool are subject to the same investment management and distribution policies as the Foundation's investments. The initial term of the agreement ended August 31, 2013, with a provision to automatically renew annually thereafter.

UNTS and UNT are independent of the Foundation in all respects. UNTS and UNT are not subsidiaries or affiliates of the Foundation and are not directly or indirectly controlled by the Foundation. The Board of Regents of UNTS makes all decisions regarding the business and affairs of UNTS and UNT, and their long-term assets and endowment assets managed by the Foundation are the exclusive property of UNTS and UNT respectively. Since the Foundation does not have ownership of any of the UNTS or UNT assets, neither the principal nor income generated by these assets is included in the amount of net assets of the Foundation.

Also, two trusts for which the Foundation serves as Trustee currently name the Foundation as the remainder beneficiary, however, the donors have retained the right to change the remainder beneficiary to other charitable organizations. As a result, the Foundation has recorded the assets held under these trusts as assets held for others.

	Unaudited August 31, 2016	Audited August 31, 2015
UNTS long-term assets managed by Foundation	$ 134,555,295	$ 125,423,568
UNT endowment assets managed by Foundation	43,149,493	39,676,464
Trusts for which beneficiary can be changed	2,651,998	2,696,714
Assets Held for Others	**$ 180,356,786**	**$ 167,796,746**

The assets held under these agreements are included in the Statement of Financial Position at fair value.

Note 12: Deferred Gifts

The Foundation has been advised by many donors of bequests and other deferred gifts to the Foundation and/or the University to be made in the future. The total of such deferred gifts of which the Foundation has been informed was approximately $107.5 million at August 31, 2016.

These gifts do not meet the requirements of unconditional promises to give; therefore they are not recorded in the financial statements of the Foundation.

Note 13: Concentrations of Credit Risk

The Foundation maintains cash balances in excess of $100,000 in banks, which are insured by Federal Deposit Insurance Corporation ("FDIC") up to $250,000. The total amount of checking account deposits with Wells Fargo Bank as of August 31, 2016 was $956,533, $5,252,806 in a Wells Fargo money market account, and $1,808,781 invested in CD's in a brokerage account.

The Foundation also maintains short-term cash investments in money-market mutual funds, which are not FDIC insured. The amount held in money market mutual funds was $3,079,799 at August 31, 2016.

CONSOLIDATED

SUPPLEMENTAL SCHEDULES

of the

UNIVERSITY OF NORTH TEXAS SYSTEM

DENTON, TEXAS

For the Year Ended August 31, 2016

UNIVERSITY OF NORTH TEXAS SYSTEM - CONSOLIDATED (794)
Schedule 2A - Consolidated Miscellaneous Bond Information
For the Year Ended August 31, 2016

Description of Issue	Bonds Issued to Date	Range of Interest Rates	Terms of Variable Interest Rates	Scheduled Maturities First Year	Scheduled Maturities Last Year	First Call Date
RFS Bonds, Series 2009	38,650,000.00	3.0000% - 5.2500%	N/A	2009	2028	4/15/2018
RFS Bonds, Series 2009A	159,310,000.00	3.0000% - 5.0000%	N/A	2010	2040	4/15/2019
RFS Refunding Bonds, Series 2009B	15,800,000.00	3.0000% - 4.7500%	N/A	2010	2019	N/A
RFS Refunding Bonds, Series 2010	57,625,000.00	3.0000% - 5.0000%	N/A	2011	2024	4/15/2020
RFS Refunding and Improvement Bonds, Series 2012A	75,890,000.00	2.0000% - 5.0000%	N/A	2013	2034	4/15/2022
RFS Refunding Bonds, Taxable Series 2012B	4,820,000.00	0.5500% - 3.2000%	N/A	2013	2034	4/15/2022
RFS Refunding Bonds, Series 2015	38,265,000.00	1.9500% - 1.9500%	N/A	2016	2025	4/15/2020
RFS Refunding Bonds, Series 2015A	105,130,000.00	2.0000% - 5.0000%	N/A	2016	2045	4/15/2025
RFS Refunding Bonds, Series 2015B	73,035,000.00	0.3000% - 4.8380%	N/A	2016	2045	4/15/2025
RFS Refunding Bonds, Series 2015C	45,865,000.00	2.4460% - 10.0000%	N/A	2016	2033	12/1/2018
Total	**$ 614,390,000.00**					

UNIVERSITY OF NORTH TEXAS SYSTEM - CONSOLIDATED (794)
Schedule 2B - Combined Changes in Bonded Indebtedness
For the Year Ended August 31, 2016

Description of Issue	Bonds Outstanding 09/01/15	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/16	Unamortized Premium	Net Bonds Outstanding 08/31/16	Amounts Due Within One Year	Bonds Outstanding 08/31/16
RFS Bonds, Series 2007	$ 46,960,000.00	$ -	$ 1,355,000.00	$ 45,605,000.00	$ -	$ -	$ -	$ -	$ -
RFS Bonds, Series 2009	27,050,000.00	-	1,555,000.00	-	25,495,000.00	-	25,495,000.00	1,635,000.00	$ 23,860,000.00
RFS Bonds, Series 2009A	134,425,000.00	-	4,375,000.00	-	130,050,000.00	6,241,010.77	136,291,010.77	5,188,497.90	$ 131,102,512.87
RFS Refunding Bonds, Series 2009B	8,880,000.00	-	2,090,000.00	-	6,790,000.00	159,075.51	6,949,075.51	2,253,528.79	$ 4,695,546.72
RFS Refunding Bonds, Series 2010	43,190,000.00	-	3,855,000.00	-	39,335,000.00	2,657,015.31	41,992,015.31	4,657,171.38	$ 37,334,843.93
RFS Refunding and Improvement Bonds, Series 2012A	65,720,000.00	-	3,765,000.00	4,535,000.00	57,420,000.00	7,323,607.82	64,743,607.82	4,902,745.95	$ 59,840,861.87
RFS Refunding Bonds, Taxable Series 2012B	4,410,000.00	-	175,000.00	-	4,235,000.00	-	4,235,000.00	180,000.00	$ 4,055,000.00
RFS Refunding Bonds, Series 2015	38,265,000.00	-	6,840,000.00	-	31,425,000.00	-	31,425,000.00	6,930,000.00	$ 24,495,000.00
RFS Refunding Bonds, Series 2015A	-	105,130,000.00	1,025,000.00	-	104,105,000.00	16,204,049.73	120,309,049.73	1,551,449.93	$ 118,757,599.80
RFS Refunding Bonds, Series 2015B	-	73,035,000.00	2,450,000.00	-	70,585,000.00	-	70,585,000.00	4,465,000.00	$ 66,120,000.00
RFS Refunding Bonds, Series 2015C	-	45,865,000.00	-	-	45,865,000.00	-	45,865,000.00	2,080,000.00	$ 43,785,000.00
Total	$ 368,900,000.00	$ 224,030,000.00	$ 27,485,000.00	$ 50,140,000.00	$ 515,305,000.00	$ 32,584,759.14	$ 547,889,759.14	$ 33,843,393.95	$ 514,046,365.19

UNIVERSITY OF NORTH TEXAS SYSTEM (794)
Schedule 2C - Consolidated Debt Service Requirements
For the Fiscal Year Ended August 31, 2016

Description of Issue	Year	Principal	Interest*
Revenue Bonds			
RFS Bonds, Series 2009	2017	$ 1,635,000.00	$ 1,256,637.50
	2018	1,685,000.00	1,203,500.00
	2019	1,745,000.00	1,144,525.00
	2020	1,835,000.00	1,052,912.50
	2021	1,930,000.00	956,575.00
	2022-2026	11,295,000.00	3,150,650.00
	2027-2028	5,370,000.00	406,000.00
		$ 25,495,000.00	$ 9,170,800.00
RFS Bonds, Series 2009A	2017	$ 4,585,000.00	$ 6,502,500.00
	2018	4,815,000.00	6,273,250.00
	2019	5,055,000.00	6,032,500.00
	2020	5,305,000.00	5,779,750.00
	2021	5,570,000.00	5,514,500.00
	2022-2026	32,340,000.00	23,103,500.00
	2027-2031	30,610,000.00	14,426,750.00
	2032-2036	20,935,000.00	8,451,750.00
	2037-2040	20,835,000.00	2,667,750.00
		$ 130,050,000.00	$ 78,752,250.00
RFS Refunding Bonds, Series 2009B	2017	$ 2,175,000.00	$ 289,225.00
	2018	2,265,000.00	202,225.00
	2019	2,350,000.00	111,625.00
		$ 6,790,000.00	$ 603,075.00
RFS Refunding Bonds, Series 2010	2017	$ 4,045,000.00	$ 1,813,300.00
	2018	4,200,000.00	1,651,500.00
	2019	4,420,000.00	1,441,500.00
	2020	6,880,000.00	1,264,700.00
	2021-2024	19,790,000.00	2,007,500.00
		$ 39,335,000.00	$ 8,178,500.00

Continued on Next Page

UNAUDITED

Description of Issue	Year	Principal	Interest*
Revenue Bonds			
RFS Refunding and Improvement Bonds, Series 2012A	2017	$ 3,940,000.00	$ 2,800,825.00
	2018	4,015,000.00	2,603,825.00
	2019	3,460,000.00	2,420,475.00
	2020	3,920,000.00	2,282,075.00
	2021	4,115,000.00	2,086,075.00
	2022-2026	15,325,000.00	7,774,850.00
	2027-2031	17,095,000.00	4,035,250.00
	2032-2034	5,550,000.00	357,750.00
		$ 57,420,000.00	$ 24,361,125.00
RFS Refunding Bonds, Taxable Series 2012B	2017	$ 180,000.00	$ 145,335.00
	2018	185,000.00	142,635.00
	2019	190,000.00	139,120.00
	2020	195,000.00	134,940.00
	2021	200,000.00	130,065.00
	2022-2026	1,085,000.00	553,657.50
	2027-2031	1,295,000.00	341,695.00
	2032-2034	905,000.00	74,317.50
		$ 4,235,000.00	$ 1,661,765.00
RFS Refunding Bonds, Series 2015	2017	$ 6,930,000.00	$ 612,787.50
	2018	4,795,000.00	477,652.50
	2019	4,885,000.00	384,150.00
	2020	2,350,000.00	288,892.50
	2021	2,390,000.00	243,067.50
	2022-2025	10,075,000.00	495,885.00
		$ 31,425,000.00	$ 2,502,435.00
RFS Refunding Bonds, Series 2015A	2017	$ 505,000.00	$ 5,205,250.00
	2018	530,000.00	5,180,000.00
	2019	560,000.00	5,153,500.00
	2020	585,000.00	5,125,500.00
	2021	665,000.00	5,096,250.00
	2022-2026	16,760,000.00	24,310,500.00
	2027-2031	31,405,000.00	18,025,750.00
	2032-2036	32,830,000.00	9,954,250.00
	2037-2041	12,875,000.00	3,342,250.00
	2042-2045	7,390,000.00	946,250.00
		$ 104,105,000.00	$ 82,339,500.00

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UNAUDITED

Description of Issue	Year	Principal	Interest*
Revenue Bonds			
RFS Refunding Bonds, Series 2015B	2017	$ 4,465,000.00	$ 2,417,826.42
	2018	4,650,000.00	2,371,345.76
	2019	4,850,000.00	2,307,408.26
	2020	5,075,000.00	2,220,932.76
	2021	5,140,000.00	2,114,205.52
	2022-2026	13,580,000.00	8,763,740.50
	2027-2031	-	7,940,367.50
	2032-2036	-	7,940,367.50
	2037-2041	17,965,000.00	6,556,215.70
	2042-2045	14,860,000.00	1,797,317.00
		$ 70,585,000.00	$ 44,429,726.92
RFS Refunding Bonds, Series 2015C	2017	$ 2,080,000.00	$ 1,246,315.81
	2018	2,260,000.00	1,057,161.20
	2019	2,325,000.00	1,001,453.55
	2020	2,385,000.00	944,217.15
	2021	2,440,000.00	885,574.30
	2022-2026	13,115,000.00	3,498,085.75
	2027-2031	14,815,000.00	7,369,000.00
	2032-2033	6,445,000.00	809,250.00
		$ 45,865,000.00	$ 16,811,057.76
Total		**$ 515,305,000.00**	**$ 268,810,234.68**

Concluded

* In accordance with the State Comptroller's reporting requirements, the interest amounts on this schedule represent interest expense per the bond amortization schedules rather than interest on a full accural basis.

UNAUDITED

UNIVERSITY OF NORTH TEXAS SYSTEM - CONSOLIDATED (794)
Schedule 2D - Analysis of Funds Available for Debt Service
For the Year Ended August 31, 2016

	Pledged and Other Sources and Related Expenditures			
	Total Pledged and Other Sources	Operating Expenses/ Expenditures & Capital Outlay	Debt Service	
Description of Issue			**Principal**	**Interest ***
RFS Bonds Series '09A, '09B, '10, '12A, '12B, '15, '15A, '15B & '15C	$ 773,097,217.61	$ 8,812,543.82	$ 27,485,000.00	$ 20,421,159.96
Total	**$ 773,097,217.61**	**$ 8,812,543.82**	**$ 27,485,000.00**	**$ 20,421,159.96**

* In accordance with State Comptroller reporting requirements, the interest amounts on this schedule represent interest expense per the bond amortization schedules rather than interest on a full accrual basis.

UNIVERSITY OF NORTH TEXAS SYSTEM (794)
Schedule 2E - Defeased Bonds Outstanding
For the Fiscal Year Ended August 31, 2016

Description of Issue	Category	Year Defeased	Par Value Outstanding
Revenue Bonds			
RFS Refunding and Improvement Bonds, Series 2012A	Cash Defeasance	2016	$ 4,535,000.00
Total			$ 4,535,000.00

UNIVERSITY OF NORTH TEXAS SYSTEM - CONSOLIDATED (794)
Schedule 2F - Early Extinguishment and Refunding
For the Year Ended August 31, 2016

Description of Issue	Category	Amount Extinguished or Refunded	For Refundings Only: Refunding Issued Par Value	For Refundings Only: Cash Flow Increase (Decrease)	For Refundings Only: Economic Gain/ (Loss)
Revenue Bonds					
RFS Bonds, Series 2007	Current Refunding	$ 45,605,000.00	$ 45,865,000.00	$ 8,902,792.24	$ 4,469,507.99
RFS Refunding and Improvement Bonds, Series 2012A	Cash Defeasance	4,535,000.00			
Total		**$ 50,140,000.00**	**$ 45,865,000.00**	**$ 8,902,792.24**	**$ 4,469,507.99**

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UNAUDITED

UNIVERSITY OF NORTH TEXAS SYSTEM - CONSOLIDATED (794)
Schedule 3 - Reconciliation of Cash in State Treasury
For the Year Ended August 31, 2016

Cash in State Treasury	Unrestricted	Current Year Total
Local Revenue Fund 0258	$ 4,106,855.72	$ 4,106,855.72
Local Revenue Fund 0280	4,189,136.68	4,189,136.68
Local Revenue Fund 0292	3,589,590.92	3,589,590.92
State Reimbursement- GRD	4,978,881.53	4,978,881.53
Total Cash in State Treasury (Statement of Net Position)	$ 16,864,464.85	$ 16,864,464.85

APPENDIX D

FORMS OF BOND COUNSEL OPINIONS

January 27, 2017

BOARD OF REGENTS OF THE UNIVERSITY OF NORTH TEXAS SYSTEM REVENUE FINANCING SYSTEM COMMERCIAL PAPER NOTES, SERIES B, TAX-EXEMPT SUB-SERIES

AS BOND COUNSEL for the Board of Regents of The University of North Texas System (the "Board"), we have reviewed a record of proceedings relating to the issuance from time to time of up to an aggregate principal amount of One Hundred Million Dollars ($75,000,000) of Commercial Paper Notes, Series B, Tax-Exempt Sub-series (the "Commercial Paper Notes"), all in accordance with the resolutions of the Board of Regents of the System authorizing the issuance of such Commercial Paper Notes (collectively, the "Resolution"). Terms used herein and not otherwise defined shall have the meaning given in the Resolution.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Board relating to the authorization, issuance, sale, and delivery of the Commercial Paper Notes, including the Resolution, certificates and opinions of officials of the Board, and other pertinent instruments relating to the issuance of the Commercial Paper Notes.

WE ARE FURTHER OF THE OPINION THAT, under existing laws, upon due execution, authentication and payment and upon compliance by the Board with conditions and covenants of the Resolution, the Commercial Paper Notes, together with the other Parity Obligations (as defined in the Resolution), are payable from and equally secured by the Pledged Revenues (as defined in the Resolution); provided, however, that the lien on and pledge of the Pledged Revenues is junior and subordinate to the lien and pledge securing the payment of the Prior Encumbered Obligations, all as further defined and described in the Resolution. The Commercial Paper Notes do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the Board, except with respect to the Pledged Revenues as described in the Resolution, and the holders thereof shall never have the right to demand payment of the Commercial Paper Notes from any sources or properties of the Board except as described in the Resolution.

THE AGREEMENTS, COVENANTS AND OBLIGATIONS described in the foregoing paragraph, however, may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally.

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

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Commercial Paper Notes.

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

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Commercial Paper Notes is as Bond Counsel for the Board, and, in that capacity, we have been engaged by the Board for the sole purpose of rendering an opinion with respect to the legality and validity of the Commercial Paper Notes under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Commercial Paper Notes 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 Board, or the disclosure thereof in connection with the sale of the Commercial Paper Notes, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Commercial Paper Notes. Under the terms of the Resolution, the Board has reserved the right to issue a sub-series of commercial paper notes, which are not obligations described in section 103(a) of the Code (the "Taxable Commercial Paper Notes"). The aggregate principal amount of the Commercial Paper Notes and the Taxable Commercial Paper Notes that may be issued and at any one time be Outstanding shall not result in the aggregate principal amount of Commercial Paper Notes then Outstanding, after taking into account the aggregate principal amount of Taxable Commercial Paper Notes then Outstanding, being in excess of $75,000,000.

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 federal income tax law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Commercial Paper Notes. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Board as the taxpayer. We observe that the Board 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 Commercial Paper Notes as includable in gross income for federal income tax purposes.

YOU MAY CONTINUE to rely on this opinion to the extent (i) there is no change in existing law subsequent to the date of this opinion and (ii) the representatives, warranties and covenants contained in the Resolution, and certificates dated the date of this opinion and executed and delivered by authorized officials of the Board remain true and accurate.

Respectfully,

January 27, 2017

BOARD OF REGENTS OF THE UNIVERSITY OF NORTH TEXAS SYSTEM REVENUE FINANCING SYSTEM COMMERCIAL PAPER NOTES, SERIES B, TAXABLE SUB-SERIES

AS BOND COUNSEL for the Board of Regents of The University of North Texas System (the "Board"), we have reviewed a record of proceedings relating to the issuance from time to time of up to an aggregate principal amount of One Hundred Million Dollars ($75,000,000) of Commercial Paper Notes, Series B, Taxable Sub-series (the "Commercial Paper Notes"), all in accordance with the resolutions of the Board of Regents of the System authorizing the issuance of such Commercial Paper Notes (collectively, the "Resolution"). Terms used herein and not otherwise defined shall have the meaning given in the Resolution.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Board relating to the authorization, issuance, sale, and delivery of the Commercial Paper Notes, including the Resolution, certificates and opinions of officials of the Board, and other pertinent instruments relating to the issuance of the Commercial Paper Notes.

WE ARE FURTHER OF THE OPINION THAT, under existing laws, upon due execution, authentication and payment and upon compliance by the Board with conditions and covenants of the Resolution, the Commercial Paper Notes, together with the other Parity Obligations (as defined in the Resolution), are payable from and equally secured by the Pledged Revenues (as defined in the Resolution); provided, however, that the lien on and pledge of the Pledged Revenues is junior and subordinate to the lien and pledge securing the payment of the Prior Encumbered Obligations, all as further defined and described in the Resolution. The Commercial Paper Notes do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the Board, except with respect to the Pledged Revenues as described in the Resolution, and the holders thereof shall never have the right to demand payment of the Commercial Paper Notes from any sources or properties of the Board except as described in the Resolution.

THE AGREEMENTS, COVENANTS AND OBLIGATIONS described in the foregoing paragraph, however, may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally.

IT IS OUR OPINION THAT THE COMMERCIAL PAPER NOTES ARE NOT OBLIGATIONS DESCRIBED IN SECTION 103(a) OF THE INTERNAL REVENUE CODE OF 1986.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Commercial Paper Notes.

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Commercial Paper Notes is as Bond Counsel for the Board, and, in that capacity, we have been engaged by the Board for the sole purpose of rendering an opinion with respect to the legality and validity of the Commercial Paper Notes under the Constitution and laws of the State of Texas, 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 Board, or the disclosure thereof in connection with the sale of the Commercial Paper Notes, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Commercial Paper Notes. Under the terms of the Resolution, the Board has reserved the right to issue a series of commercial paper notes, which are obligations described in section 103(a) of the Code (the "Tax-Exempt Commercial Paper Notes"). The aggregate principal amount of the Commercial Paper Notes and the Tax-Exempt Commercial Paper Notes that may be issued and at any one time be Outstanding shall not result in the aggregate principal amount of Commercial Paper Notes and Tax-Exempt Commercial Paper Notes then Outstanding, after taking into account the aggregate principal amount of Commercial Paper Notes then Outstanding, being in excess of $75,000,000.

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 federal income tax law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Commercial Paper Notes. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Board as the taxpayer.

YOU MAY CONTINUE to rely on this opinion to the extent (i) there is no change in existing law subsequent to the date of this opinion and (ii) the representatives, warranties and covenants contained in the Resolution, and certificates dated the date of this opinion and executed and delivered by authorized officials of the Board remain true and accurate.

Respectfully,