OFFICIAL STATEMENT DATED AUGUST 8, 2013

NEW ISSUE — BOOK-ENTRY ONLY | **RATINGS: Standard & Poor's Ratings Services (BAM Insured)"AA/Stable"**

Underlying Ratings - Moody's: "Baa1"

CUSIP Prefix: 882756 | **Fitch: "BBB+"**

See "BOND INSURANCE" and "RATINGS" herein

In the opinion of Bond Counsel, under existing law interest on the Bonds is excludable from gross income for federal income tax purposes and the Bonds are not "private activity bonds". See "TAX MATTERS" for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.

$62,355,000
TEXAS PUBLIC FINANCE AUTHORITY
TEXAS SOUTHERN UNIVERSITY REVENUE FINANCING SYSTEM REFUNDING BONDS, SERIES 2013

Interest Accrual Date: Date of Delivery | Due: November 1, see inside cover page

The Texas Public Finance Authority Texas Southern University Revenue Financing System Refunding Bonds, Series 2013 (the "Bonds") are issued by the Texas Public Finance Authority (the "Authority" or the "Issuer") on behalf of the Board of Regents (the "Board") of Texas Southern University (the "University") for the purposes described below. The Bonds are payable from and secured solely by a lien on "Pledged Revenues" (as defined herein) of the University's Revenue Financing System on a parity with the University's outstanding "Parity Obligations" (as defined herein). The Bonds are issued pursuant to a master resolution and a ninth supplemental resolution, each adopted by the Authority and the Board, which provide for the issuance of the Bonds (collectively the "Resolution"). **NEITHER THE STATE OF TEXAS, THE AUTHORITY, NOR ANY OTHER AGENCY, POLITICAL CORPORATION, OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE BONDS, OTHER THAN AS PROVIDED IN THE RESOLUTION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE AUTHORITY, NOR ANY AGENCY, POLITICAL CORPORATION OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.** *See* "SECURITY FOR THE BONDS" and "SELECTED FINANCIAL INFORMATION."

The proceeds from the sale of the Bonds, together with other lawfully available moneys of the University, will be used for the purpose of (i) refunding the Texas Public Finance Authority Texas Southern University Revenue Financing System Refunding Bonds, Series 1998A-1, Texas Public Finance Authority Texas Southern University Revenue Financing System Improvement Bonds, Series 1998A-2, Texas Public Finance Authority Texas Southern University Revenue Financing System Improvement Bonds, (Recreational Facility Project), Series 1998B, Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2002; and Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2003, (together, the "Refunded Bonds") and (ii) paying the costs of issuance of the Bonds. *See* "PLAN OF FINANCING."

Interest on the Bonds will accrue from the date of delivery, and is payable initially on November 1, 2013 and each November 1 and May 1 thereafter until the earlier of maturity or redemption, calculated on the basis of a 360-day year comprised of twelve 30-day months. The Bonds are initially issuable only to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the purchasers thereof. Interest on and principal of the Bonds will be payable by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, the initial Paying Agent/Registrar, to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds.

The Bonds are not subject to redemption prior to stated maturity.

The Scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a bond insurance policy to be issued concurrently with the delivery of the bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY** ("BAM" or the "Insurer"). See "BOND INSURANCE" herein.

SEE INSIDE COVER PAGE FOR MATURITY SCHEDULE

The Bonds are offered for delivery when, as, and if issued and accepted by the Underwriters, and subject to approval of legality by the Attorney General of the State of Texas and approval of certain legal matters by Bracewell & Giuliani LLP, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Bates and Coleman, PC. The Bonds are expected to be available for delivery through the facilities of DTC on or about August 28, 2013.

RBC Capital Markets

Loop Capital Markets | **Mesirow Financial, Inc.**

MATURITY SCHEDULE

$62,355,000
TEXAS PUBLIC FINANCE AUTHORITY
TEXAS SOUTHERN UNIVERSITY REVENUE FINANCING SYSTEM
REFUNDING BONDS, SERIES 2013

Maturity Date November 1	Principal Amount	Interest Rate	Yield[1]	CUSIP[2]
2013	$7,545,000	2.00%	0.400%	882756Y78
2014	6,880,000	4.00	0.710	882756Y86
2015	7,160,000	4.00	1.160	882756Y94
2016	7,080,000	5.00	1.700	882756Z28
2017	6,615,000	5.00	2.140	882756Z36
2018	5,395,000	5.00	2.660	882756Z44
2019	5,675,000	5.00	3.040	882756Z51
2020	5,965,000	5.00	3.550	882756Z69
2021	6,275,000	5.00	3.970	882756Z77
2022	2,905,000	4.00	4.100	882756Z85
2023	860,000	4.00	4.200	882756Z93

[1] Yield represents the initial offering yield to the public which has been established by the Underwriters for public offerings and may subsequently be changed from time to time at the sole discretion of the Underwriters.

[2] CUSIP numbers have been assigned to the Bonds by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are included solely for the convenience of the owners of the Bonds. Neither the Issuer, the University, nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein. CUSIP is a registered trademark of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Services.

SALE AND DISTRIBUTION OF THE BONDS

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds identified on the cover hereof. No person has been authorized to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, and there shall not be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information and descriptions in this Official Statement do not purport to be comprehensive or definitive. Statements regarding specific documents, including the Bonds, are summaries of, and subject to the detailed provisions of, such documents and are qualified in their entirety by reference to each such document, copies of which will be on file during the initial offering period at the principal office of RBC Capital Markets (the "Representative") at 200 Crescent Court, Suite 1500, Dallas, Texas 75201, (214) 989-1750 (telephone) and (214) 989-1650 (facsimile), and thereafter at the corporate trust office of the Paying Agent/Registrar at The Bank of New York Mellon Trust Company, National Association, Attn: Global Corporate Trust, 2001 Bryan St., 11th Floor Dallas, Texas 75201. The information and expression of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor the sale of any of the Bonds shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof.

The Bank of New York Mellon Trust Company, National Association, in each of its capacities, including but not limited to Paying Agent and Bond Registrar, has not participated in the preparation of this Official Statement and assumes no responsibility for its content.

The Underwriters have provided the following sentence for inclusion in this Official Statement. Information herein as pertains to the University has been obtained from the University and other sources believed to be reliable on the matter stated. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information, and such information is not to be construed as a representation by the Issuer or the Underwriters.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT. ANY REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS MAY HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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

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

The Underwriters are under no obligation to make a secondary market for the Bonds and no assurance can be given that a secondary market for the Bonds will develop.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "APPENDIX E - FORM OF BOND INSURANCE POLICY."

TEXAS PUBLIC FINANCE AUTHORITY

BOARD OF DIRECTORS

Billy M. Atkinson, Jr.	Chair	Mark W. Eidman	Member
Ruth C. Schiermeyer	Vice Chair	Rodney K. Moore	Member
Gerald Alley	Secretary	Robert T. Roddy, Jr	Member
		Walker N. Moody	Member

APPOINTED OFFICIALS

Robert "Bob" P. Coalter	Executive Director
Susan K. Durso	General Counsel

TEXAS SOUTHERN UNIVERSITY

BOARD OF REGENTS

NAME	PLACE OF RESIDENCE	TERM
Glenn O. Lewis, Chairman	Fort Worth, Texas	April 26, 2013 through February 2, 2019
Dionicio Flores, Vice Chair	El Paso, Texas	March 13, 2009 through February 1, 2015
Curtistene McCowan, 2nd Vice Chair	De Soto, Texas	March 13, 2009 through February 1, 2015
Sarah Monty-Arnoni	Houston, Texas	April 26, 2013 through February 2, 2019
Gary Bledsoe	Austin, Texas	March 7, 2011 through February 1, 2017
Samuel Bryant	Austin, Texas	March 7, 2011 through February 1, 2017
Richard Knight, Jr.	Dallas, Texas	March 7, 2011 through February 1, 2017
Marilyn Rose	Houston, Texas	March 7, 2011 through February 1, 2015
Erik D. Salwen	Houston, Texas	April 26, 2013 through February 2, 2019
Faran Foy[1]	Houston, Texas	June 1, 2013 through May 31, 2014

APPOINTED OFFICIALS

Dr. John M. Rudley	President
Dr. Sunny E. Ohia	Provost/Vice President for Academic Affairs & Research
Jim C. McShan	CFO/Vice President for Administration & Finance
Louis W. Edwards	Treasurer/Associate Vice President of Treasury & Budget
Wendy H. Adair	Vice President for University Advancement
Andrew C. Hughey	General Counsel
Janis J. Newman	Chief of Staff
Dr. William T. Saunders	Vice President for Student Services & Dean of Students

CONSULTANTS AND ADVISORS

Financial Advisors	First Southwest Company
Bond Counsel	Bracewell & Giuliani LLP
Underwriter's Counsel	Bates & Coleman, P.C.

[1] Student Regent. State law does not allow a Student Regent to vote on any matter before the Board.

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OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement, reference to which is made for all purposes. No person is authorized to detach this Official Statement Summary from this Official Statement or to otherwise use it without this entire Official Statement (including the appendices).

The Issuer	The Texas Public Finance Authority (the "Authority" or the "Issuer') is authorized to issue bonds on behalf of the University pursuant to Section 1232.101, Texas Government Code, as amended, and Sections 55.13 and 55.19, Texas Education Code, as amended. *See* "THE AUTHORITY."
The University	Texas Southern University (the "University"), located within Houston, Texas, was established in 1947 by the Texas Legislature as an institution of higher education. *See* "THE UNIVERSITY."
The Bonds	The Bonds mature on November 1 in the years and in the principal amounts set forth on the inside cover page hereof. Interest on the Bonds accrues from the date of delivery and is payable initially on November 1, 2013, and on each May 1 and November 1 thereafter until the earlier of maturity or redemption.
Authority for Issuance	The Bonds are being issued pursuant to Chapter 55 of the Texas Education Code, as amended and Chapter 1207 of the Texas Government Code, a master resolution, as amended, adopted by the Board of Regents of the University (the "Board") on October 19, 1998 and approved by the Authority on October 21, 1998 (the "Master Resolution") and a ninth supplemental resolution, which was approved and adopted by the Authority on May 30, 2013 and by the Board on June 21, 2013 (the "Ninth Supplement," and collectively with the Master Resolution, the "Resolution"). Pursuant to section 1231.041(6), Texas Government Code, the Texas Bond Review Board approval is not required.
Source of Payment	The Bonds constitute additional parity obligations of the Authority and the Board payable solely from the Pledged Revenues (as defined herein) pledged thereto pursuant to the Resolution. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE AUTHORITY, NOR ANY AGENCY, POLITICAL CORPORATION OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.
Redemption	The Bonds are not subject to redemption prior to maturity. *See* "DESCRIPTION OF THE BONDS - Redemption."
Use of Proceeds	Proceeds from the sale of the Bonds, together with other lawfully available moneys of the University, will be used for the purpose of (i) refunding a portion of the University's outstanding debt, and (ii) paying the costs of issuance of the Bonds. *See* "PLAN OF FINANCING - Purpose."

Ratings and Bond Insurance	The Bonds have been rated “AA/Stable” by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") by virtue of a bond insurance policy to be issued by Build America Mutual Assurance Company. Moody’s and Fitch have assigned underlying ratings of “Baa1” and “BBB+” respectively. *See* “RATINGS” and “BOND INSURANCE.”
Tax Exemption	In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under “TAX EXEMPTION" herein, and is not includable in the alternative minimum taxable income of individuals. See “TAX EXEMPTION” for a discussion of the opinion of Bond Counsel, including the alternative minimum tax on corporations.

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OFFICIAL STATEMENT

relating to

$62,355,000
TEXAS PUBLIC FINANCE AUTHORITY
TEXAS SOUTHERN UNIVERSITY REVENUE FINANCING SYSTEM
REFUNDING BONDS, SERIES 2013

INTRODUCTION

This Official Statement, including the cover page and the Appendices hereto, provides certain information regarding the issuance by the Texas Public Finance Authority (the "Authority" or the "Issuer"), on behalf of the Board of Regents (the "Board") of Texas Southern University (the "University"), of the bonds titled above (the "Bonds"). The Authority is authorized to issue the Bonds on behalf of the University pursuant to the Authorizing Law (as defined below). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in Appendix A, except as otherwise defined herein.

The University was established under the provisions of the Constitution and the laws of the State of Texas (the "State") as an institution of higher education. For the Fall 2012 Semester, the University had a total enrollment of approximately 9,646 students. The Board is the governing body of the University and its members are officers of the State, appointed by the Governor with the advice and consent of the State Senate. For a general description of the University and its financial condition, *See* "THE UNIVERSITY" and "SELECTED FINANCIAL INFORMATION."

This Official Statement contains summaries and descriptions of the plan of financing, the Bonds, the University, the Authority, and other related matters. All references to and descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of documents related to the University may be obtained from the Vice President for Finance/Chief Financial Officer, Texas Southern University, 3100 Cleburne Avenue, Hannah Hall, Room 116, Houston, Texas 77004, (713) 313-1382. Copies of documents relating to the Authority may be obtained from the Executive Director, Texas Public Finance Authority, 300 West 15th Street, Suite 411, Austin, Texas 78701, (512) 463-5544.

PLAN OF FINANCING

Authority for Issuance of the Bonds

The Bonds are being issued in accordance with the general laws of the State of Texas, specifically Chapter 55, the Texas Education Code, as amended, including particularly sections 55.13(c) and 55.19, and Chapter 1207, Texas Government Code, as amended (collectively, the "Authorizing Law"), and additionally pursuant to a master resolution, as amended, adopted by the Board on October 19, 1998 and approved by the Authority on October 21, 1998 (the "Master Resolution"), and a ninth supplemental resolution approved and adopted by the Authority on May 30, 2013, and by the Board on June 21, 2013 and a pricing certificate executed pursuant thereto (the "Ninth Supplement" and collectively with the Master Resolution, the "Resolution").

Pursuant to the Authorizing Law, the Authority has the exclusive authority to issue bonds on behalf of the University and to exercise the authority of the Board to issue bonds on behalf of the University. The Authority has all the rights and duties granted or assigned to and is subject to the same conditions as the Board under the Authorizing Law. The Board submitted and the Authority approved a request for financing relating to the issuance of the Bonds pursuant to the authority granted under the Authorizing Law.

In connection with the issuance of the Bonds, the Authority purchased a Policy (as defined below) from Build America Mutual Assurance Company ("BAM" or the "Insurer") to guarantee the scheduled payment of principal and interest on the Bonds when due. *See* "BOND INSURANCE" herein. The Authority additionally purchased a reserve fund surety policy (also referred to herein as the Credit Facility) to satisfy the Required Reserve Amount. *See* "SECURITY FOR THE BONDS - 2013 Reserve Fund." See APPENDIX B - EXCEERPTS OF CERTAIN

PROVISIONS OF THE RESOLUTION - CERTAIN PROVISIONS OF THE NINTH SUPPLEMENT TO THE MASTER RESOLUTION" for additional provisions related to the Policy.)

Purpose

The proceeds from the sale of the Bonds, together with other lawfully available moneys of the University, will be used for the purpose of (i) refunding the Texas Public Finance Authority Texas Southern University Revenue Financing System Improvement Bonds, Series 1998A-1 (the "Series 1998A-1 Bonds"), Texas Public Finance Authority Texas Southern University Revenue Financing System Refunding Bonds, Series 1998A-2 (the "Series 1998A-2 Bonds"), Texas Public Finance Authority Texas Southern University Revenue Financing System Improvement Bonds, (Recreational Facility Project), Series 1998B (the "Series 1998B Bonds"), Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2002 (the "Series 2002 Bonds"); and Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2003 (the "Series 2003 Bonds"), (together the "Refunded Bonds") (as further detailed in Schedule 1) and (ii) paying the costs of issuance of the Bonds.

Sources and Uses of Funds

The following are the estimated sources and uses of funds, as provided by the University:

Sources:	
Par Amount	$62,355,000.00
Net Premium	$4,373,380.80
Total	$66,728,380.80
Uses:	
Deposit with Paying Agent for Refunded Bonds	$65,675,050.25
Costs of Issuance[(1)]	$1,053,330.55
Total	$66,728,380.80

[(1)] Includes Underwriter's Discount, Bond Insurance Premium, Reserve Fund Surety Policy Premium and other costs of issuance.

DESCRIPTION OF THE BONDS

General

The Bonds will be issued only as fully registered bonds, without coupons, in any integral multiple of $5,000 principal amount within a stated maturity, will accrue interest from their date of delivery, and will bear interest at the per annum rates shown on the inside cover page hereof. Interest on the Bonds is payable on May 1 and November 1 of each year, commencing November 1, 2013, and is calculated on the basis of a 360-day year comprised of twelve 30-day months. The Bonds mature on November 1 in the years and in the principal amounts set forth on the inside cover page hereof.

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

Transfer, Exchange, and Registration

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

Record Date for Interest Payment

The regular record date ("Regular Record Date") for the interest payable on any interest payment date means the close of business on the 15th calendar day of the month next preceding each interest payment date.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the University. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Redemption

The Bonds are not subject to redemption prior to maturity.

Paying Agent/Registrar

The Board has covenanted with the registered owners of the Bonds that at all times while the Bonds are outstanding the Board will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of Paying Agent/Registrar for the Bonds under the Resolution. The Board reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 60 days written notice to the Paying Agent/Registrar, to be effective in accordance with the requirements of the Resolution. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Board has covenanted that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under the Resolution. However, no such resignation or substitution shall be effective until the named successor has accepted the duties of the Paying Agent Registrar. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the pertinent Bonds, to the new Paying Agent/Registrar designated and appointed by the Board.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by the Depository Trust Company ("DTC"), New York, New York while the Bonds are registered in the name of Cede & Co., its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Authority believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Authority, the University, the Paying Agent, the Trustee and the Underwriter will have no responsibility or obligation to any Securities Depository, any Participants in the book-entry only system, or the Beneficial Owners with respect to (i) the accuracy of any records maintained by the Securities Depository or any Participant; (ii) the payment by the Securities Depository or by any Participant of any amount due to any Participant or Beneficial Owner, respectively, in respect of the principal amount or redemption price of, or interest on, any of the Bonds; (iii) the delivery of any notice by the Securities Depository or any Participant; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (v) any other action taken by the Securities Depository or any Participant.

Initially, DTC will act as Securities Depository for the Bonds. The Bonds will be issued as fully-registered securities, registered in the name of Cede & Co. (DTC's Partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of the Bonds of such maturity, and will be deposited with DTC.

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

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

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

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

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

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

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the University or the Trustee, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, University, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the University or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority, University and the Trustee. In addition, the Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor Securities Depository). Under either of such circumstances, in the event that a successor Securities Depository is not obtained, Bond certificates are required to be printed and delivered.

Notices

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

Effect of Termination of Book-Entry-Only System

In the event that the book-entry-only system is discontinued by DTC or use of that system is discontinued, by the Authority, the following provisions will be applicable to the Bonds: Bonds may be exchanged for an equal aggregate principal amount of Bonds in authorized denominations and of the same maturity upon surrender thereof at the Principal Office for Payment of the Paying Agent/Registrar. The transfer of any Bond may be registered on the books maintained by the Paying Agent/Registrar for such purpose only upon the surrender of such Bond to the Paying Agent/Registrar with a duly executed assignment in a form satisfactory to the Paying Agent/Registrar. For every exchange or transfer of registration of Bonds, the Paying Agent/Registrar and the Authority on behalf of the University may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. The University shall pay the fee, if any, charged by the Paying Agent/Registrar for the transfer or exchange. The Paying Agent/Registrar will not be required to transfer or exchange any Bond after its selection for redemption. The Authority and the Paying Agent/Registrar may treat the person in whose name a Bond is registered as the absolute owner thereof for all purposes, whether such Bond is overdue or not, including for the purpose of receiving payment of, or on account of, the principal of, and interest on, such Bond.

Defeasance

The Ninth Supplement provides for defeasance of the Bonds under certain circumstances. *See* "Appendix B - EXCERPTS OF CERTAIN PROVISIONS OF THE RESOLUTION — CERTAIN PROVISIONS OF THE NINTH SUPPLEMENT TO THE MASTER RESOLUTION."

SECURITY FOR THE BONDS

The Revenue Financing System

The Master Resolution created the Texas Southern University Revenue Financing System (the "Revenue Financing System') to provide a financing structure for revenue supported indebtedness of the University and any research and service agencies or other components of the University, if any, which may thereunder be included, by Board action, as participants in the Revenue Financing System (collectively, the "Participants" and each, a "Participant"). The Revenue Financing System is intended to facilitate the assembling of all of the University's revenue-supported debt capacity into a single financing program in order to provide a cost-effective debt program to Participants and to maximize the financing options available to the Board. Currently, the University is the only Participant. The Resolution provides that once a university or agency becomes a Participant, its Revenue Funds become part of the Pledged Revenues; provided, however, that, if at the time an entity becomes a Participant it has outstanding obligations secured by any or all of its Revenue Funds, such obligations will constitute Prior Encumbered Obligations under the Resolution and the pledge of such sources as Pledged Revenues will be subject and subordinate to such outstanding Prior Encumbered Obligations. Thereafter, the Board (or the Authority on behalf of the Board) may issue bonds, notes, commercial paper, contracts, or other evidences of indebtedness, including credit agreements on behalf of such institution on a parity, as to payment and security, with the Outstanding Parity Obligations, subject only to the outstanding Prior Encumbered Obligations, if any, with respect to such Participant.

Upon becoming a Participant, an entity may no longer issue obligations having a lien on Pledged Revenues prior to the lien on the Outstanding Parity Obligations (except that the Board has reserved the right to refund any Prior Encumbered Obligations with the proceeds of refunding bonds issued as Prior Encumbered Obligations secured by the same sources as the sources securing the refunded Prior Encumbered Obligations). Generally, Prior Encumbered Obligations are those bonds or other obligations issued on behalf of a Participant that were outstanding on the date such entity became a Participant in the Revenue Financing System. Presently, there are no Prior Encumbered Obligations outstanding.

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

See “Appendix A – DEFINITIONS” and “Appendix B — EXCERPTS OF CERTAIN PROVISIONS OF THE RESOLUTION.”

Pledge Under Resolution

The Outstanding Parity Obligations and any additional obligations issued on a parity with the Bonds and the Outstanding Parity Obligations (referred to herein collectively as "Parity Obligations") are special obligations of the Board equally and ratably secured solely by and payable solely from a pledge of and lien on the Pledged Revenues. Pledged Revenues consist of 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 that are lawfully available to the Board for the payment of Parity Obligations, subject to the provisions of the Prior Encumbered Obligations, if any.

In addition certain payments to BAM under the Policy are secured by a pledge of the Pledged Revenues on parity with the Parity Obligations. Certain payments to BAM under the Credit Facility will also be secured by the Pledged Revenues. See "APPENDIX B - EXCERPTS OF CERTAIN PROVISIONS OF THE RESOLUTION - CERTAIN PROVISIONS OF THE NINTH SUPPLEMENT TO THE MASTER RESOLUTION" and "2013 RESERVE FUND."

Revenue Funds include the revenues, incomes, receipts, rentals, rates, charges, fees, grants, and tuition levied or collected from any public or private source by the Participants, including interest or other income from those funds, derived by the Board from the operations of each of the Participants. Revenue Funds do not include, with respect to each series or issue of Parity Obligations, any tuition, rentals, fees, or other charges attributable to any student in a category that, at the time of the adoption by the Board of a resolution relating to such Parity Obligations, is exempt by law or by the Board from paying such tuition, rentals, fees, or other charges.

Further, the following will not be included in Pledged Revenues unless and to the extent set forth in a supplement to the Resolution: (a) amounts received under Article VII, Section 17 of the Constitution of the State of Texas, including the income therefrom and any fund balances relating thereto *(See* “SELECTED FINANCIAL INFORMATION - Financing Programs - *Higher Education Assistance Fund Bonds*”*),* and (b) except to the extent so specifically appropriated, General Revenue Funds appropriated to the Board by the Legislature of the State of Texas (the “Texas Legislature”).

THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE BOARD, THE AUTHORITY, THE UNIVERSITY OR ANY PART THEREOF, THE STATE OF TEXAS, OR ANY POLITICAL SUBDIVISION OF THE STATE. NEITHER THE BOARD NOR THE AUTHORITY HAS ANY TAXING POWER, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OR ANY OTHER AGENCY, POLITICAL CORPORATION OR POLITICAL SUBDIVISION OF THE STATE IS PLEDGED AS SECURITY FOR THE BONDS. THE BREACH OF ANY COVENANT, AGREEMENT, OR OBLIGATION CONTAINED IN THE RESOLUTION WILL NOT IMPOSE OR RESULT IN GENERAL LIABILITY ON OR A CHARGE AGAINST THE GENERAL CREDIT OF THE STATE, THE AUTHORITY, OR THE UNIVERSITY. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THE BONDS FROM ANY SOURCE OTHER THAN PLEDGED REVENUES. *See* “Appendix B - EXCERPTS OF CERTAIN PROVISIONS OF THE RESOLUTION.”

Pledged Revenues

The following table contains the historical aggregate amount of Pledged Revenues collected at all System Participants during the fiscal years indicated and the Fund Balances for each year, including pledged unappropriated fund balances available at the beginning of each year. The Pledged Revenues include certain unrestricted current funds but do not include: remissions, gifts, grants and contracts within the Educational and General Fund Group; Higher Education Assistance Funds; and private gifts in the Auxiliary Fund Group, as such terms are used in "Appendix C - FINANCIAL REPORT OF TEXAS SOUTHERN UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2012." *See* “SELECTED FINANCIAL INFORMATION.”

TABLE 1 - Pledged Revenues and Debt Service Coverage Calculations

	Pledged Revenues and Debt Service Coverage				
	2008	**2009**	**2010**	**2011**	**2012**
Tuition & Fees	$54,008	$59,420	$76,139	$82,996	$82,526
Discount on tuition and fees	(15,465)	(18,770)	(22,069)	(25,028)	(20,716)
Auxiliary enterprises, pledged	6,384	7,782	12,118	8,997	11,919
Other sales of goods and services pledged	40	94	82	19	226
Other operating contract and grants, pledged	2,356	1,828	1.866	909	894
State Appropriations(1)	6,005	6,010	6,010	7,480	7,986
Annual Pledged Revenues	53,328	56,364	74,146	75,373	82,835
Annual Pledged Revenues excluding State Appropriations	47,323	50,354	68,136	67,893	74,849
Pledged Fund Balances(2)	18,338	26,374	29,136	29,572	28,756
Annual Pledged Revenues and Pledged Fund Balances	71,666	82,738	103,282	104,945	111,591
Annual Debt Service(3)	10,620	10,308	10,369	13,113	14,995
Annual Pledged Revenues Coverage of Annual Debt Service	5.02	5.47	7.15	5.75	5.52
Annual Pledged Revenues Excluding State Appropropriations Coverage of Annual Debt Service	4.46	4.88	6.57	5.18	4.99
Annual Pledged Revenues and Pledged Fund Balances Coverage of Annual Debt Service	6.75	8.03	9.96	8.00	7.44
Maximum Annual Debt Service(4)	19,379	19,379	19,379	19,379	19,379
Annual Pledged Revenues Coverage of Maximum Annual Debt Service	2.75	2.91	3.83	3.89	4.27
Annual Pledged Revenues Excluding State Appropriations Coverage of Maximum Annual Debt Service	2.44	2.60	3.52	3.50	3.86
Annual Pledged Revenues and Pledged Fund Balances Coverage of Maximum Annual Debt Service	3.70	4.27	5.33	5.42	5.76

(1) State Appropriations for the reimbursement of debt service on certain Tuition Revenue Bonds appropriated by the State. See “Table 5” Excludes Higher Education Assistance Fund and general revenue funds appropriated by the State.
(2) Pledged Unappropriated Fund and Reserve Balances
(3) Historical annual debt service on Parity Obligations. Excludes Constitutional Appropriation Bonds.
(4) Parity Obligations only. Excludes Constitutional Appropriation Bonds. See Debt Service Schedule herein.

TABLE 1B – Special Revenues

	Fiscal Year Ended August 31,				
	2008	2009	2010	2011	2012
Recreational Facilities Fee(1)	$1,083,735	$1,011,177	$1,133,742	$1,116,082	$1,045,149
Medical Services Fee(2)	704,168	706,541	-(3)	711,016(3)	679,741(3)
Total	$1,787,903	$1,717,718	$1,133,742	$1,827,098	$1,724,890

(1) Revenues available for debt service for the Series 1998B Bonds only.
(2) Revenues available for debt service for the Series 1998C Bonds only.
(3) The Series 1998C Bonds were fully redeemed in Fiscal Year 2009.

Certain Covenants

Rate Covenant

The Board has covenanted in the Resolution that in each Fiscal Year it will establish, charge, and use its reasonable efforts to collect Pledged Revenues, which if collected, would be sufficient to meet all financial obligations of the Board relating to the Revenue Financing System including all deposits or payments due on or with respect to Outstanding Parity Obligations for such Fiscal Year. The Board has also covenanted in the Resolution that it will not incur any debt secured by Pledged Revenues unless such debt constitutes a Parity Obligation or is junior and subordinate to the Parity Obligations.

Tuition

The Board has covenanted and agreed in the Resolution to fix, levy, charge, and collect student tuition charges required or authorized by law to be imposed on students enrolled at each Participant at each regular fall and spring semester and at each term of each summer session, for the use and availability of such institution or branch thereof, respectively, in such amounts, without any limitation whatsoever, as will be at least 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. Provided, however, that students exempt by law or by the Board may be excluded from the requirement to pay student tuition.

Tuition and the other rentals, rates, fees, and charges included in Pledged Revenues will be adjusted, if and when permitted or required by the Resolution, to provide Pledged Revenues sufficient to make when due all payments and deposits in connection with the Parity Obligations then outstanding. The Board may fix, levy, charge, and collect the Pledged Revenues in any manner it may determine within its discretion, and in different amounts from students enrolled in different Participants, respectively, and in addition it may totally suspend the collection of any item included in Pledged Revenues from the students enrolled in any Participant, so long as total Pledged Revenues are sufficient, together with other legally available funds, to meet all financial obligations of the Board relating to the Revenue Financing System including all payments and deposits in connection with the Parity Obligations then outstanding.

Waiver of Covenants

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

See "Appendix B - EXCERPTS OF CERTAIN PROVISIONS OF THE RESOLUTION."

2013 Reserve Fund

The Resolution requires the establishment of a reserve fund for the Bonds (the "2013 Reserve Fund") in an amount not less than the Required Reserve Amount (as defined below).

"Required Reserve Amount" means an amount equal to the lesser of (a) 1.25 times the average principal and interest requirements of the Bonds, or (b) 1.00 times the annual principal and interest requirements of the Bonds to be Outstanding in the Fiscal Year during which such annual principal and interest requirements are scheduled to be the greatest; provided, however, that the Required Reserve Amount shall not exceed ten percent (10%) of the aggregate proceeds (within the meaning of Section 148(d)(2) of the Code) of the Bonds.

As of the date of issuance the required Reserve Amount for the Bonds is $6,672,838.08. The 2013 Reserve Fund is funded by a surety policy issued by BAM on the date of issuance. *See* "BOND INSURANCE - The Reserve Fund Insurance Policy."

The Resolution permits the University to substitute cash, if any, on deposit in the 2013 Reserve Fund with an insurance policy, surety bond or a letter or line of credit issued by a financial institution under certain circumstances.

The Resolution requires the University to maintain a balance in the 2013 Reserve Fund equal to the Required Reserve Amount while the Bonds are Outstanding. In the event of any subsequent deficiency in the 2013 Reserve Fund after the issuance of the Bonds, the Resolution requires the University to satisfy the Required Reserve Amount by depositing cash (or an eligible insurance policy, surety bond or letter or line of credit issued by a financial institution) into the 2013 Reserve Fund in monthly installments of not less than 1/12 of such deficiency on or before the last Business Day of each month following such deficiency until such deficiency is eliminated.

See "Appendix B - EXCERPTS OF CERTAIN PROVISIONS OF THE RESOLUTION - CERTAIN PROVISIONS OF THE NINTH SUPPLEMENT TO THE MASTER RESOLUTION."

The provisions of the Master Resolution and the Ninth Supplement authorizing the use of a reserve fund surety policy to satisfy, in whole or in part, the reserve fund requirements for the Bonds does not impose any ongoing credit, financial or ratings requirements on the providers of such reserve fund surety policies.

The 2013 Reserve Fund is the only debt service reserve fund that secures the payment of the Bonds and no other debt service reserve funds created for any other Parity Obligations are available for the payment of the Bonds. *See* "SECURITY FOR THE BONDS - Reserve Funds - Parity Obligations."

Additional Parity Obligations

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

The Authority, upon approval and consent of the Board, may execute and deliver one or more Credit Agreements to additionally secure Parity Obligations. Credit Agreements may also be secured by a pledge of Pledged Revenues on parity with or subordinate to Parity Obligations.

The Board has reserved the right to issue without limit debt secured by a lien other than a lien on Pledged Revenues and debt that expressly provides that all payments thereon will be subordinated to the timely payment of all Parity Obligations. *See* "Appendix B - EXCERPTS OF CERTAIN PROVISIONS OF THE RESOLUTION."

Reserve Funds - Parity Obligations

In addition to the 2013 Reserve Fund created with respect to the Bonds, the Master Resolution and the applicable supplements thereto create separate reserve funds for certain series of Parity Obligations currently outstanding.

The Parity Obligations have separate reserve funds securing only the payment of that particular series of Parity Obligations and not the payment of any other series of Parity Obligations issued under the Master Resolution. **Thus, the reserve funds for each such respective series of Outstanding Parity Obligations are not available for payment of the Bonds.** The 2013 Reserve Fund created under the Ninth Supplement is only available for payment of the Bonds. *See* "SECURITY FOR THE BONDS - Pledge Under Resolution" and "SECURITY FOR THE BONDS - 2013 Reserve Fund."

At the time of issuance of each series of Parity Obligations, other than the Bonds, the Authority and the Board funded the reserve fund requirements for applicable series of such Parity Obligations, in whole or in part, with surety bonds provided by certain surety bond providers. Since the issuance of such Parity Obligations, such surety bond providers have experienced significant financial distress as a result of the financial crisis of the last few years and have received ratings downgrades and/or ratings withdrawals from the rating agencies as a result thereof. The Master Resolution and certain of the applicable supplements authorizing such surety bonds to be used to satisfy, in whole or in part, the reserve fund requirements for such Parity Obligations do not impose any ongoing credit, financial or ratings requirements on the providers of such surety bonds.

After the refunding of the Refunded Bonds, the Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2004, (the "Series 2004 Bonds") and the Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2011 (the "Series 2011 Bonds") will remain as outstanding Parity Obligations with Reserve Fund Requirements as described below.

With respect to the Series 2004 Bonds, Ambac Assurance Corporation provided a surety bond in an amount which is the lesser of (i) $3,325,000 or (ii) the reserve fund requirement for the Series 2004 Bonds. Such surety bond policy expires on the earlier of (i) November 1, 2013 or (ii) the date on which all payments have been made on the Series 2004 Bonds.

With respect to the Series 2011 Bonds the University deposited $2,743,940.07 to satisfy its Required Reserve Amount for the Series 2011 Bonds.

The Series A 2011-4 and Series A 2012-10 Note are Parity Obligations that do not have traditional reserve funds. In connection with the issuance of both the Series A 2011-4 Note and the Series A 2012-10 Note, a Participation Fee was paid into a common fund pool that provides a level of protection to all participants in the Department of Education's Historically Black Colleges and Universities Capital Access Loan Program.

As noted above, such surety bond providers have experienced significant financial distress as a result of the financial crisis of the last few years. In the event that the financial condition of the remaining surety bond providers discussed above were to result in the termination of any of the existing surety bond policies described above, the University would be required to contribute cash in such amounts to each such reserve fund in order to fully fund such reserve funds as required by the Master Resolution and the applicable supplements thereto authorizing such Parity Obligations. The University makes no assurances as to the financial condition or ongoing credit worthiness of any such surety bond provider.

Nonrecourse Debt and Subordinated Debt

Nonrecourse Debt and Subordinated Debt may be incurred by the University, or the Authority on behalf of the University.

Remedies

Any owner of Parity Obligations in the event of default in connection with any covenant contained in the Resolution or in any resolution adopted hereafter authorizing the issuance of Parity Obligations, or default in the payment of said obligations, or of any interest due thereon, or other costs and expenses related thereto, may require the Board, the Authority, their respective officials and employees, and any appropriate official of the State of Texas, to carry out, respect, or enforce the covenants and obligations of the Resolution by all legal and equitable means, including the use and filing of mandamus proceedings in any court of competent jurisdiction against the Board, the Authority, their respective officials and employees, or any appropriate official of the State of Texas. The principal of the Bonds cannot be accelerated in the event of default, and the Board has not granted a lien on any physical property that may be levied or foreclosed against. The Resolution does not establish other remedies or specifically enumerate the events of default with respect to the Bonds. The Resolution does not provide for a trustee to enforce the covenants and obligations of the Authority or the Board. The enforcement of the remedy of mandamus may be difficult and time consuming. No assurance can be given that a mandamus or other legal action to enforce a default under the Resolution would be successful. *See* “Appendix B - EXCERPTS OF CERTAIN PROVISIONS OF THE RESOLUTION.”

Under current State law, the Authority and the Board are prohibited from waiving sovereign immunity from suit or liability with respect to the Bonds, and the owners thereof are prevented by operation of such sovereign immunity from bringing a suit against the Authority or the Board in a court of law to adjudicate a claim to enforce the Bonds or for damages for breach of the Bonds. However, State courts have held that mandamus proceedings against a governmental unit, such as the Authority or the Board, as discussed in the preceding paragraph, are not prohibited by sovereign immunity.

Debt Service Schedule

			The Bonds					
Fiscal Year (August 31)	Outstanding Parity Debt Service [1]	Less: Refunded Debt Service	Principal	Interest	Total	Total Parity Debt Service	Constitutional Appropriation Debt Service[2]	Total Debt Service
2013	$16,829,810					$16,829,810	$5,451,400	$22,281,210
2014	17,410,316	($9,907,458)	$7,545,000	$ 1,756,061	$9,301,061	16,803,919	5,455,000	22,258,919
2015	17,627,914	(9,912,634)	6,880,000	2,424,850	9,304,850	17,020,131	4,095,300	21,115,431
2016	20,023,724	(9,912,944)	7,160,000	2,144,050	9,304,050	19,414,830		19,414,830
2017	19,649,606	(9,520,094)	7,080,000	1,823,850	8,903,850	19,033,363		19,033,363
2018	18,782,277	(8,656,344)	6,615,000	1,481,475	8,096,475	18,222,408		18,222,408
2019	17,186,463	(7,068,988)	5,395,000	1,181,225	6,576,225	16,693,701		16,693,701
2020	17,172,550	(7,068,838)	5,675,000	904,475	6,579,475	16,683,188		16,683,188
2021	17,163,658	(7,070,175)	5,965,000	613,475	6,578,475	16,671,958		16,671,958
2022	17,152,836	(7,071,944)	6,275,000	307,475	6,582,475	16,663,367		16,663,367
2023	13,280,336	(3,208,763)	2,905,000	92,500	2,997,500	13,069,073		13,069,073
2024	10,973,330	(915,138)	860,000	17,200	877,200	10,935,392		10,935,392
2025	10,045,861					10,045,861		10,045,861
2026	10,030,945					10,030,945		10,030,945
2027	10,017,552					10,017,552		10,017,552
2028	10,005,395					10,005,395		10,005,395
2029	9,992,832					9,992,832		9,992,832
2030	9,975,132					9,975,132		9,975,132
2031	7,286,627					7,286,627		7,286,627
2032	7,272,030					7,272,030		7,272,030
2033	7,256,780					7,256,780		7,256,780
2034	7,241,264					7,241,264		7,241,264
2035	3,571,799					3,571,799		3,571,799
Total	$295,949,037	($80,313,320)	$62,355,000	$12,746,636	$75,101,636	$290,737,357	$15,001,700	$305,739,057

(1) Includes actual payments for the first draw under the Series A 2012-10 Note, and estimated payments for projected future draws under such loan. Assumes interest at 2.50% and financing fees of 0.225% for future draws.

(2) Represents debt service on the University’s Constitutional Appropriation Bonds, Series 2004 and Constitutional Appropriation Bonds, Series 2005.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 1 World Financial Center, 27th Floor, 200 Liberty Street, New York, New York 10281; its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2013 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $486.0 million, $6.2 million and $479.8 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

The Reserve Fund Insurance Policy

BAM has made a commitment to issue a municipal bond debt service reserve insurance policy for the reserve fund/account with respect to the Bonds (the "Reserve Fund Policy"), effective as of the date of issuance of such Bonds. Under the terms of the Reserve Fund Policy, BAM will, subject to the Policy Limits described below, unconditionally and irrevocably guarantee to pay that portion of the scheduled principal of and interest on the Bonds that becomes due for payment but shall be unpaid by reason of nonpayment by the Issuer (the "Insured Payments"). BAM will pay each portion of an Insured Payment that is due for payment and unpaid by reason of nonpayment by the Issuer to the Trustee or Paying Agent, as beneficiary of the Reserve Fund Policy on behalf of the holders of the Bonds on the later to occur of (i) the date such scheduled principal or interest becomes due for payment or (ii) the business day next following the day on which BAM receives a demand for payment therefor in accordance with the terms of the Reserve Fund Policy.

No payment shall be made under the Reserve Fund Policy in excess of the $6,672,838.08, the reserve fund requirement established for the Bonds (the "Reserve Fund Policy Limit"). Pursuant to the terms of the Reserve Fund Policy, the amount available at any particular time to be paid to the Trustee or Paying Agent shall automatically be reduced to the extent of any payment made by BAM under the Reserve Fund Policy, provided that, to the extent of the reimbursement of such payment by the Issuer to BAM, the amount available under the Reserve Fund Policy shall be reinstated in full or in part, in an amount not to exceed the Reserve Fund Policy Limit.

The Reserve Fund Policy does not insure against nonpayment caused by the insolvency or negligence of the Trustee or Paying Agent.

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

BOND INSURANCE RISK FACTORS

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the Issuer unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. *See* "BOND INSURANCE" and "RATINGS" herein.

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the Issuer, the University or Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Issuer to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. *See* "BOND INSURANCE" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

THE AUTHORITY

General

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

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

Name	Position	Term Expires (February 1)
Billy M. Atkinson, Jr.	Chair	2017
Ruth C. Schiermeyer	Vice Chair	2019
Gerald Alley	Secretary	2019
Mark W. Eidman	Member	2015
Rodney K. Moore	Member	2015
Robert T. Roddy, Jr.	Member	2017
Walker N. Moody	Member	2019

The Authority employs an Executive Director (the "Executive Director") who is charged with managing the affairs of the Authority, subject to and under the direction of the Authority Board. The Executive Director is Robert "Bob" P. Coalter, who has been employed in that position since March 19, 2012.

Susan K. Durso, General Counsel. Susan Durso has served as the General Counsel for the Authority since September 2009.

Pursuant to the Texas Public Finance Authority Act, Chapter 1232, Texas Government Code, as amended (the "TPFA Enabling Act") and Chapters 1401 and 1403, Texas Government Code, as amended, the Authority issues general obligation bonds and revenue bonds for designated State agencies (including certain institutions of higher education). In addition, the Authority currently administers five commercial paper programs, namely: the Master Lease Purchase Program, which is primarily for financing equipment acquisitions; two general obligation commercial paper programs for certain general State government construction projects; a general obligation commercial paper program for the Colonia Roadway program; and a general obligation commercial paper program for the Cancer Prevention and Research Institute of Texas (the "CPRIT"). In addition, in 2003, the Authority created a nonprofit corporation to finance projects for eligible charter schools pursuant to Chapter 53, Texas Education Code, as amended. The Authority has issued revenue bonds on behalf of the Texas Parks & Wildlife Department, the Texas Facilities Commission, the State Preservation Board, the Texas Department of Criminal Justice, the Texas Health & Human Services Commission, the Texas Department of Agriculture, the Texas Department of State Health Services, the Texas Workforce Commission, the Texas State Technical College System, the Texas Military Facilities Commission, the Texas Historical Commission, Midwestern State University, Stephen F. Austin State University and the University. It has also issued general obligation bonds for the Texas Parks & Wildlife Department, the Texas Facilities Commission, the Texas Department of State Health Services, the Texas Department of Criminal Justice, the Texas Department of Aging and Disability Services, the Texas Department of Public Safety, the Texas Youth Commission, the Texas National Research Laboratory Commission, the Texas Historical Commission, the Texas School for the Blind and Visually Impaired, the Texas School for the Deaf, the Texas Department of Agriculture, the Adjutant General's Department, the Texas Department of Transportation, the Texas Juvenile Probation Commission, and the CPRIT.

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

Sunset Review

In 1977, the Texas Legislature enacted the Texas Sunset Act (Chapter 325, Texas Government Code, as amended) which provides that virtually all agencies of the State, including the Authority, are subject to periodic review of the Texas Legislature and that each agency subject to sunset review will be abolished unless the Texas Legislature specifically determines to continue its existence. The Authority was reviewed during the Texas legislative session in 2011 and the final report of the Sunset Advisory Committee was issued in July of 2011.

Pursuant to the Sunset Act, the Texas Legislature specifically recognizes the State's continuing obligation to pay bonded indebtedness and all other obligations incurred by various State agencies, including the Authority. Accordingly, in the event that a future sunset review were to result in the Authority being abolished, the Governor would be required by law to designate an appropriate State agency that would continue to carry out all covenants contained in the Bonds and in all other obligations, including lease, contract and other written obligations of the Authority. The designated State agency would provide payment from the sources of payment of the Bonds in accordance with the terms of the Bonds and would provide payment from the sources of payment of all other obligations in accordance with their terms, whether from a State general obligation pledge, revenues or otherwise, until the principal of and interest on the Bonds are paid in full and all other obligations, including lease, contract and other written obligations, are performed and paid in full.

In connection with the 2011 Sunset review of the Authority, the Sunset Advisory Commission, which is comprised of members of the Texas Senate and the Texas House of Representatives as well as public members, by a report dated as of July 2011 recommended that the Authority be continued as an independent agency for 12 years.

The continuation of the operations of the Authority was accomplished through legislation filed and enacted by the 82nd Texas Legislature. Information about the Sunset process can be found at www.sunset.state.tx.us.

Relationship with other State Agencies

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

Payments on the Bonds are expected to be made solely from the Pledged Revenues. *See* "SECURITY FOR THE BONDS." Any default in payments on the Bonds will not affect the payment of any other obligations of the Authority.

With certain exceptions, bonds issued by State agencies and institutions of higher education, including bonds issued by the Authority, must be approved by the Texas Bond Review Board prior to their issuance. The Texas Bond Review Board is comprised of the Governor, the Lieutenant Governor, the Speaker of the House of Representatives and the Comptroller of Public Accounts. The Governor is the Chairman of the Texas Bond Review Board. Each member of the Texas Bond Review Board may, and frequently does, act through a designee. Pursuant to 34 Texas Administrative Code § 181.9(c)(6), the Bonds are exempt from formal approval by the Bond Review Board.

THE UNIVERSITY

General

Texas Southern University (the "University") was established by the Texas Legislature in 1947 as Houston's first state-supported university for the purpose, among others, to serve the African-American population of Texas. The University's involvement with programs and services was especially suited to the needs and requirements of people in urban areas and caused the Texas Legislature in 1973 to designate the University as a "special purpose institution for urban programming." The University offers a wide array of diverse programs to complement its diverse student body and faculty. Various opportunities exist for internships, cooperative education, teacher training, and research.

The University's single campus is located on 145 acres approximately 3 miles from downtown Houston, Texas. It is one of the largest historically black institutions in the nation with an enrollment of approximately 9,646 students for the Fall 2012 semester. The University has eight schools and colleges: the College of Arts and Sciences, the College of Pharmacy and Health Sciences, the Jesse H. Jones School of Business, the College of Education, the College of Continuing Education, the School of Technology, the Thurgood Marshall School of Law, and the Graduate School. These programs offer baccalaureate degrees in 78 areas and master's degrees in more than 30 areas. At the professional and graduate level, post baccalaureate degrees are available in various areas, including law, pharmacy, and education.

The University administers approximately $8 million in research funding from agencies such as the National Science Foundation, NASA, the Department of Education, the National Institute of Health, the Department of Energy, and private foundations and corporations. Major research centers and activities include the Center for the Study of Ethnic Diseases, Minority Biomedical Research Support Program, Mickey Leland Center on World Hunger and Peace, the Center for Transportation, the Economic Development Center, the Center for Excellence in Urban Education and the Center for the Family: Black Male Initiative. The University's Library collection exceeds 800,000 volumes and includes the Barbara Jordan and Mickey Leland archives, in addition to a significant art collection.

Accreditation

The University is a member of the following professional associations and is fully accredited by those that apply accreditation standards: Commission on Colleges of the Southern Association of Colleges and Schools; Association of Texas Colleges and Universities; American Council on Education; American Association of State Colleges and Universities; and the Association of Advanced Collegiate Schools of Business. The University's College of Education is accredited by the Texas Education Agency, the Texas Workforce Commission and the Texas Association of Colleges and holds memberships in the National Council for Accreditation of Teacher Education and the Association of Colleges for Teacher Education. The College of Pharmacy and Health Sciences is accredited by the American Council of Pharmaceutical Education and is a member of the American Association of Colleges of Pharmacy. The College of Liberal Arts and Behavioral Sciences' Social Work Program is accredited by the Council on Social Work Education and the Dietetics Program is accredited by the American Dietetic Association. The College of Science and Technology holds certifications and/or accreditations from the American Chemical Society, the Technology Accreditation Commission of the Accreditation Board for Engineering and Technology and the National Association of Industrial Technology.

On June 24, 2010, the Commission on Colleges of the Southern Association of Colleges and Schools (the "SACS") restored full accreditation to the University. The University's accreditation was first placed on probation in December 2007 for financial and management issues related to its former president. The probation was lifted in June 2009 after an outside auditing firm completed its report on the University's finances, although the SACS continued to monitor the University's financial aid and sponsored research programs. The probation was re-instated in December 2009 because the SACS had not received copies of the State audit of the University's finances or its financial aid and research programs. The University's external auditor had completed its review of the University's finances by such time, but the State's review was not completed until January 2010. The University's current ten year accreditation with SACS is scheduled for renewal again in 2021. Such accreditation is required for the University's students to be eligible for federal financial aid. On average approximately 90% of the University's students receive some form of federal financial aid.

Administration of the University

The University is governed by a governing board of regents (the "Board") consisting of nine members who are appointed by the Governor of the State with the advice and consent of the State Senate. Texas Education Code § 106.13 requires the Governor to make appointments from different geographical locations in the State. Each member holds office for a term of six years, with the terms of three members expiring on February 1 of each odd numbered year. Each member holds office until a successor is appointed and has qualified. Each member is eligible for reappointment. Members serve without compensation, but are entitled to reimbursement for actual reasonable expenses incurred in performing their duties of office.

The members of the Board elect one of the members to serve as Chair of the Board. The Chair presides at all meetings and performs such other duties as may be prescribed from time to time by the Board and by State law. In addition, the members of the Board elect one of the members to serve as Vice Chair to perform the duties of the Chair when the Chair is not present or is incapable of performing such duties. The Board also appoints a Secretary from its members to perform the duties prescribed by the Board.

The current members of the Board, their occupations and their terms of office are as follows:

GLENN O. LEWIS, *Chairman and Board Member.* Partner, law firm of Linebarger Goggan Blair and Sampson. Mr. Lewis is a resident of Fort Worth, Texas. He was initially appointed on May 11, 2007 and reappointed on April 26, 2013. His current term on the Board expires on February 2, 2019.

DIONICIO FLORES, *Vice Chair and Board Member.* Media consultant. Mr. Flores is a resident of El Paso, Texas. He was appointed on March 13, 2009. His current term on the Board expires on February 1, 2015.

CURTISTENE McCOWAN, *2nd Vice Chair and Board Member.* Retired Senior Investigator, Federal Trade Commission. Ms. McCowan is a resident of De Soto, Texas. She was initially appointed on October 26, 2007 and reappointed on March 13, 2009. Her current term on the Board expires on February 1, 2015.

SARAH MONTY-ARNONI, *Board Member.* Immigration Attorney, Monty & Ramirez LLP. Ms. Monty-Arnoni is a resident of Houston, Texas. She was appointed on April 26, 2013. Her current term on the Board expires on February 2, 2019.

GARY BLEDSOE, *Board Member.* President of the Texas NAACP. Mr. Bledsoe is a resident of Austin, Texas. He was initially appointed on May 11, 2007 and reappointed on March 7, 2011. His current term on the Board expires on February 1, 2017.

SAMUEL BRYANT, *Board Member.* President, Bryant Wealth Investment Group, LLC. Mr. Bryant is a resident of Austin, Texas. He was initially appointed on October 26, 2007 and reappointed on March 7, 2011. His current term on the Board expires on February 1, 2017.

RICHARD KNIGHT, JR., *Board Member.* Owner and Managing Partner, Pegasus Texas Holdings LLC. Mr. Knight is a resident of Dallas, Texas. He was initially appointed on December 6, 2007 and reappointed on March 7, 2011. His current term on the Board expires on February 1, 2017.

MARILYN A. ROSE, *Board Member.* Certified Public Accountant and a Registered Texas Assessor Collector. Ms. Rose is a resident of Houston, Texas. She was appointed on March 7, 2011. Her current term on the Board expires on February 1, 2015.

ERIK D. SALWEN, *Board Member.* Associate Director of Spiritual Formation & Leadership, Dallas Theological Seminary. Mr. Salwen is a resident of Houston, Texas. He was initially appointed in 2012 to fill the unexpired term of another Regent and reappointed on April 26, 2013. His current term on the Board expires on February 2, 2019.

FARAN FOY, *Board Member.* Student Regent. Mr. Foy is a resident of Houston, Texas. He was appointed on June 1, 2013. His current term on the Board expires on May 31, 2014.

The University's enabling statute, Chapter 106 of the Texas Education Code, provides that the University is to be administered by a President who is appointed by the Board and who holds office for such term as the Board may decide. The President of the University serves as its chief executive officer and is responsible for the administration and leadership of the University. Among other duties and powers the President is responsible for directing financial management of the University in conformity with all laws and regulations and to provide uniformity in data collection and financial reporting procedures.

The University experienced a financial crisis as a result of mismanagement by prior administrations, therefore it was necessary to overhaul the University's management team. Under the new and current administration new systems have been implemented to mitigate the risks of mismanagement. There has been thorough reorganization and staffing changes and “best practices” policies and procedures were implemented for all University departments. As a result of the new systems that were implemented by the administration, the university has received an external clean audit for the past (4) years.

The following is a biographical summary of certain of the University's key administrative personnel:

DR. JOHN M. RUDLEY, President. Dr. John Rudley is the eleventh president of the University. He previously served as the Vice Chancellor for Administration and Finance for the University of Houston System and Vice President for Administration and Finance for the University of Houston. From June 2007 to January 2008, he served in the interim dual position of UH System chancellor and UH president. Dr. Rudley has held numerous leadership positions in higher education including Vice President for Business and Finance at the Tennessee Board of Regents, which is the sixth largest system of postsecondary education in the nation with six universities, thirteen community colleges and twenty-six vocational schools serving more than 187,000 students. He also served with distinction at the highest level of education as a senior technical advisor with the U.S. Department of Education. Dr. Rudley has held administrative and finance positions in Tennessee and in Texas. He acquired his public accounting experience from Coopers & Lybrand in Los Angeles and in Seattle. He is a licensed certified public accountant in Tennessee. Dr. Rudley serves on the boards of the Houston Forum Board of Governors, BioHouston, Inc., and the Houston Technology Center, the Texas Council of Presidents and Chancellors, the Texas Medical Center CEO

Group, the Greater Houston Partnership, and the Texas International Education Consortium. He also is chairman of the board of the Houston Chapter of 100 Black Men. He earned his Bachelor of Business Administration from the University of Toledo and his Master of Education in Administration and Supervision and his Ed.D. in Administration from Tennessee State University. He is a member of the National Association of State College and University Business Officers.

DR. SUNNY E. OHIA, Provost / Vice President for Academic Affairs and Research. Dr. Sunny E. Ohia formerly served as the dean of the College of Pharmacy at the University of Houston with 16 years of academic leadership experience. He served the last five and a half years at UH. During Dr. Ohia's tenure, the UH Pharmacy College has experienced increases in total research expenditures by more than 400 percent. The number of endowed scholarships has increased by more than 120 percent to a total of more than $15 million, graduate student enrollment is up approximately 70 percent, and total expenditures from State government and local sources are up more than 100 percent. Since Dr. Ohia took the helm as dean, and spearheaded the initiative to recruit high quality faculty, the college has achieved a 50% net increase in growth in faculty FTE's. Dr. Ohia received his Bachelor of Science degree in pharmacology and his Master of Science degree in pharmacology and therapeutics from the University of Ibadan, Nigeria. He received his Ph.D. in pharmacology from the University of Glasgow, in Scotland, United Kingdom. Prior to his tenure at the University of Houston, he served in a number of leadership positions at the Creighton University School of Pharmacy and Health Professions, including associate dean. He holds an adjunct professor appointment in ophthalmology at the University of Nebraska Medical Center, and in integrative biology and pharmacology at the University of Texas Health Sciences Center in Houston.

JIM C. MCSHAN, Vice President for Finance/Chief Financial Officer. Mr. Jim C. McShan served as Associate Vice Chancellor/Associate Vice President for Finance at the University of Houston and has twice served as Interim Vice Chancellor President for Administration and Finance at UH. Mr. McShan's expertise includes Student Financial Accounting, Tax Compliance, and Treasury Operations as well as the development and preparation of Operating Budgets, Legislative Appropriation Requests, and Annual Financial Reports. Mr. McShan received his Bachelor of Business Administration degree in May 1982 in Accounting with honors from Texas State University, San Marcos, Texas. He is a Certified Public Accountant in the State of Texas. Mr. McShan continues to further his knowledge by maintaining a minimum of 40 hours annually of continuing education training. He is member of a number of professional organizations including American Institute of Certified Public Accountants, Texas Institute of Certified Public Accountants, as well as The National Association of College and University Business Officers (NACUBO), Texas Association of College and University Business Officers (TASSCUBO), Institute of Internal Auditors, Association of College and University Officers, and the Texas Association of College and University Officers.

LOUIS W. EDWARDS, Treasurer/Associate Vice President of Treasury & Budget. Mr. Edwards served as Vice President at Wells Fargo Bank and has extensive corporate and commercial banking experience. Mr. Edwards' expertise includes Financial and Cash Flow Analysis, Debt Structuring, Treasury Operations, Budget Development and Relationship Management. Mr. Edwards continues to further his industry knowledge as a member of the Association of Financial Professionals and is a candidate for Certified Treasury Professional designation. He earned his Bachelor of Business Administration in Finance from Texas Southern University.

ANDREW C. HUGHEY, General Counsel. Mr. Andrew Clayton Hughey has extensive experience in higher education law. Prior to his arrival at Texas Southern University, he served 12 years as General Counsel at Central State University, a state historically black university in Wilberforce, Ohio. He also has broad experience at national research universities, serving 12 years as Associate General Counsel at the University of Pittsburgh. He holds a B.A. in Speech Communication from the University of Pittsburgh and received his Juris Doctorate from Duquesne University Law School.

Financial Support

As a State institution, the University receives approximately fifty three percent (53%) of its operating funds from State appropriations. Other operating funds are derived from student tuition and fees and auxiliary enterprises such as dormitories and dining halls.

Future Capital Improvements

The University currently has plans to construct a new 800 bed freshman dormitory. Total project cost is $55 million dollars and will consist of 215,000 square feet. Construction is scheduled to begin in the fall of 2013 and open for occupancy in the fall of 2015. Long term fixed rate financing for the project was obtained through Department of Education (DOE) capital access program for historically black colleges and universities (the "HBCU Program"). The Series A 2012-10 Note issued under the Loan Agreement under the HBCU Program constitutes a Parity Obligation pursuant to the terms of the Master Resolution and the Ninth Supplement.

Future Additional Debt

Although there are several projects that are under consideration, the University does not anticipate issuing additional debt within the next twelve (12) months.

Student Enrollment

The University has experienced a slight but steady increase in enrollment over the past 5 years. However, due to changes to the federal student aid programs that became effective as of July 1, 2012, the amount of Federal Pell Grant funds students may receive over their lifetime was limited to the equivalent of six years. As a result of those changes, the University experienced a loss of 400 students in the fall of 2012.

Selected academic information for the University is presented in the following tables.

TABLE 2 - University Enrollment Data

Certain student enrollment data for the University is presented in the following tables.

Total Student Enrollment

2008	2009	2010	2011	2012
9,102	9,394	9,557	9,730	9,646

Source: The University.

2012 Enrollment by State of Residence (Top 5)

Texas	8,298
California	230
Louisiana	111
Georgia	62
Florida	57

Source: The University.

Enrollment by Classification 2012

	Part-Time Students	Full-Time Students
Freshman	298	2,178
Sophomore	183	1,358
Junior	234	1,136
Senior	401	1,233
Post Baccalaureate	51	64
Graduate	694	825
Professional	87	904
Total Enrollment by Classification	1,948	7,698

Source: The University.

First-time Undergraduate Applicant, Acceptance and Enrollment Information

	Fall and Summer Semester				
	2008	2009	2010	2011	2012
Total Applicants	8,415	4,809	7,351	5,265	8,341
Total Applicants Accepted	8,347	4,808	5,269	4,542	7,281
Total Applicants Enrolled	1,395	1,191	1,204	1,216	1,387
Total Accepted Top 10%	131	207	236	279	463
Total Enrolled Top 10%	55	63	68	64	74
Total Accepted Top 25% not included in top 10%	269	366	422	449	969
Total Enrolled Top 25% not included in top 10%	145	129	154	126	222

Source: THECB First-time Undergraduate Applicant, Acceptance, and Enrollment Information 2009-2012.

TABLE 2A - Freshman to Sophomore Retention Rates

The following table reflects the freshmen to sophomore retention rates 2008 - 2012:

Persistence Rate of First-Time Entering Undergraduates (1 year) - Total

Fall 2008	Fall 2009	Fall 2010	Fall 2011	Fall 2012
73.20%	68.80%	69.30%	69.20%	No Data Available

Source: THECB Accountability Report 2007-2011.

TABLE 2B - University Graduation Rates 2008-2011*

The following table includes 4, 5 and 6 year graduation rates in total (not cumulative):

Undergraduate Graduation Rate - Total Cohort

	2008	2009	2010	2011
4-year	3.70%	3.00%	3.60%	3.30%
5-year	6.80%	9.90%	9.50%	9.60%
6-year	14.80%	11.80%	14.90%	14.10%

Source: THECB accountability report. IPEDS data feedback report. TSU Institutional Effectiveness report.

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* The Data for 2012 has not been released.

Student Housing

The University provides several student housing facilities located on or near the University that have the capacity to house approximately 1,560 total students. These facilities have been designed to meet the University's objectives of increasing the ratio of students living on campus and attracting and retaining students. For the fall 2012 semester, such housing facilities had a cumulative occupancy rate of approximately 96%.

Retirement Systems

The State of Texas has joint contributory retirement plans for substantially all its employees. One of the primary plans in which the University participates is administered by the Teachers Retirement System of Texas (the "TRS"). The TRS plan is a traditional defined benefit state retirement program in which investment risks are generally absorbed by the State. As of May 1, 2013, the contributory percentages of participant salaries currently provided by the State and by each participant are 6.44% and 6.4%, respectively, of annual compensation. The TRS does not separately account for each of its component government agencies, because the TRS itself bears sole responsibility for retirement commitments beyond contributions fixed by the Texas Legislature.

The State has also established an optional retirement program (the "ORP") for institutions of higher education. Participation in the ORP is in lieu of participation in the TRS. The ORP is an individualized defined contribution plan in which each participant selects from a variety of investments offered by several companies (authorized by the employing institution) through annuity contracts or mutual fund investments. The contributory percentages on salaries for participants entering the program prior to September 1995 are 8.5% and 6.65% by the State and each participant, respectively. The State's contribution of such percentage is comprised of 6.00% from the ORP's appropriation, 1.31% from a special appropriation to the University, and 1.19% directly by the University. The 6.00% contribution is mandatory with the other two state contributions being at the discretion of the Board. The Board has approved the additional contributions for employees of the University. The contributory percentages on salaries for participants entering the program is 6.0% by the State and each participant, respectively. Since these are individual annuity contracts, the State has no additional or unfunded liability for the OPR.

NASA Research Grant Investigations

The National Aeronautics and Space Administration ("NASA") culminated an investigation into the misapplication of certain research grant funds provided to the University by NASA in FY 2012/2013. Specifically, NASA investigated two (2) projects awarded to the University in the amounts of $6 million and $5 million. The investigations were concluded in Q4 FY 2012 and additional controls were implemented to administrative processes to deter any further misapplication of funding. The resolution of the project entails the University's funding of the engagement for the final 1-2 years, and the University's maximum liability in this scenario will not exceed $2,500,000.

Hurricane Ike

On September 13, 2008, Hurricane Ike hit Houston, Texas resulting in approximately $30 million in damage to University facilities. The University has secured the funding necessary to replace, restore and renovate all damaged facilities through a combination of the State, the Federal Emergency Management Agency ("FEMA") and insurance. The University has received all such funds with the exception of approximately $8 million of reimbursements due from FEMA for its final ongoing projects for which reimbursement from FEMA is currently expected to be received by the University prior to December 31, 2013. With the exception of the ongoing projects noted in the foregoing sentence, all other Hurricane Ike related damage to University facilities has been repaired.

SELECTED FINANCIAL INFORMATION

Audits and Financial Reports

The State of Texas 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 Texas 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 University. 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.

Annually, not later than November 20, an unaudited financial report dated as of August 31, prepared from the books of the University, 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 University, and in so doing examines the financial records of the University. No outside audit in support of this detailed review is required to be obtained by the University.

Beginning in Fiscal Year 2008, the Board commissioned Belt Harris Pechacek, LLP (formerly Belt Harris & Associates, LLLP) to audit the statement of net assets and the related statements of revenues, expenses and changes in net assets and cash flow of the University. Such firm has audited such financial statements of the University for the fiscal years ended August 31, 2008 through August 31, 2012. Belt Harris Pechacek, LLP has not undertaken any procedures in connection with this Official Statement. Although the Board and the University's staff currently anticipate that they will continue to commission such audits for future years, the Board is not legally or contractually required to do so and no assurances can be given as to whether the Board will commission audits with respect to any future fiscal years after the fiscal year ending August 31, 2012.

The Fiscal Year of the State and the University begins on September 1 of each year. The University is an agency of the State of Texas and its financial records reflect compliance with applicable State statutes and regulations. The significant accounting policies followed by the University in maintaining accounts and in the preparation of the combined primary financial reports are in accordance with "Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements."

The financial records of the University, reported as a business-type activity in the State of Texas' Comprehensive Annual Financial Report, reflect compliance with applicable State statutes and Governmental Accounting Standards Board (GASB) pronouncements. The significant accounting policies followed by the University in maintaining accounts and in the preparation of the consolidated financial statements are in accordance with the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements.

The financial reports of the University have been prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. The financial reports for the University have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB. The University applies all GASB pronouncements and applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Attached to this Official Statement as "Appendix C - FINANCIAL REPORT OF TEXAS SOUTHERN UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2012" are the most recent primary statements of the audited combined annual financial reports of the University for the Fiscal Year ended August 31, 2012. The University's audited combined primary financial statements consist of the Statement of Net Assets as of August 31, 2012, the Combined Statement of Revenues, Expenses and Changes in Net Assets for the Year Ended August 31, 2012, and the Combined Statement of Cash Flows for the Year Ended August 31, 2012. See "Appendix C - FINANCIAL REPORT OF TEXAS SOUTHERN UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2012."

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

The table below presents the Statement of Revenues, Expenses and Changes in Net Assets for Fiscal Years 2008 through 2012:

	Audited 2008	Audited 2009	Audited 2010	Audited 2011	Audited 2012
Operating Revenues:					
Tuition and fees, pledged	$54,007,726	$59,420,131	$76,139,146	$82,995,832	$82,526,345
Discount on tuition and fees	(15,465,404)	(18,769,655)	(22,068,813)	(25,028,288)	(20,716,408)
Auxiliary enterprises, pledged	6,383,743	7,782,380	12,118,191	8,996,962	11,919,227
Other sales of goods and services, pledged	40,341	94,409	82,349	18,956	226,208
Interest and investment income					
Federal revenue	37,805,947	41,063,512	50,586,841	44,945,212	40,089,681
Federal pass through revenue	263,056	4,212,004	10,553,849	2,472,982	3,363,800
State revenue	548,697	1,461,145	1,498,412	4,246,178	1,233,370
State pass through revenue	3,325,052	1,833,134	5,587,697	6,566,174	7,705,766
Other operating contract and grants, pledged	2,356,305	1,828,192	1,866,264	909,196	894,336
Other operating revenue	5,513,042	4,481,213	2,658,292	4,837,181	4,783,423
Total Operating Revenues	99,575,163	103,406,468	139,022,232	130,960,388	132,025,748
Operating Expenses:					
Salaries and wages	69,817,411	80,048,211	86,118,451	89,549,622	89,577,893
Payroll related costs	20,915,995	19,180,344	21,536,320	20,689,214	21,188,259
Professional fees and services	13,850,294	15,099,642	9,031,176	9,204,598	6,818,234
Travel	1,825,163	2,129,694	3,124,377	2,977,531	3,438,617
Materials and supplies	8,082,970	11,411,396	14,854,426	11,149,178	11,768,529
Communication and utilities	5,708,275	5,802,965	5,553,340	6,861,485	6,213,945
Repairs and maintenance	4,215,296	16,747,215	6,624,311	5,258,097	4,488,255
Rentals and leases	1,292,139	2,618,562	2,078,025	2,543,898	2,457,482
Printing and reproductions	572,316	399,244	578,284	554,257	716,404
Federal pass through expense	-	-	-	31,473	125,864
Bad debt expense	1,798,060	1,980,042	3,261,993	2,175,971	2,175,211
Interest			-		
Scholarships	16,541,425	13,155,559	25,157,274	28,029,175	26,616,255
Claims and judgments			-		
Other operating expenses	5,641,933	4,913,067	11,571,739	13,972,910	10,682,430
Depreciation	12,466,286	13,175,232	12,497,322	13,501,068	17,327,229
Total Operating Expenses	162,727,562	186,661,177	201,987,043	206,498,478	203,594,607
Operating Income (Loss)	($63,152,399)	($83,254,709)	($62,964,811)	($75,538,089)	($71,568,859)

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

	Audited 2008	Audited 2009	Audited 2010	Audited 2011	Audited 2012
Nonoperating Revenues (Expenses):					
State appropriations	$54,692,131	$73,569,970	$57,082,216	$54,863,698	$52,541,654
Additional appropriations	21,798,278	9,498,333	10,987,734	10,302,617	9,512,275
Gifts received	495,001	4,542,730	1,305,397	666,559	2,112,120
Interest income	2,618,123	1,304,201	1,136,362	1,633,697	1,681,054
Extinguishment of debt	-	11,264,101	-	0	0
Investing expenses	(208,157)	(200,195)	(208,543)	(242,810)	(277,319)
Interest expense	(6,633,250)	(5,819,245)	(5,454,612)	(5,815,479)	(7,630,160)
Net increase (decrease) in fair value of investments	(3,078,470)	(2,840,665)	1,265,277	3,146,802	3,283,766
Other non-operating expense	-	14,979	3,317,849	(4,218,168)	10,208,611
Total Nonoperating Revenues (Expenses)	69,683,656	91,334,210	62,795,932	60,336,917	71,432,000
Income (Loss) before Other Revenues, Expenses, Gains and Transfers	6,531,257	8,079,501	168,879	15,201,171	136,859
Other Revenues, Expenses, Gains and Transfers					
Capital appropriations, HEAF	$11,156,463	$11,283,387	$11,283,387	$8,894,700	$8,894,700
Additions to endowments	659,528	124,807	30,631	64,058	151,337
Returned lapsed appropriations	12,295,120	(2,017,500)	(154,500)	(558)	(52,072)
Transfer to state	(29,551)	(623,137)	(687,353)	(676,015)	(705,031)
Total Other Revenues, Expenses, Gains and Transfers	$24,081,560	$8,767,556	$10,472,164	$8,282,184	$8,288,933
Change in Net Assets	$30,612,817	$16,847,058	$10,303,285	$(6,918,988)	$8,152,074
Beginning Net Assets	$95,848,541	$124,145,724	$136,570,572	$146,873,857	$139,954,870
Ending Net Assets	$126,461,359	$140,992,782	$146,873,857	$139,954,870	$148,106,943

*Table continued from prior page

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TABLE 4 - Condensed Statement of Net Assets

The table below presents the Condensed Statement of Net Assets as of August 31 in the years 2008 through 2012.

	Audited 2008	Audited 2009	Audited 2010	Audited 2011	Audited 2012
Assets:					
Current and other assets	$101,243,436	$107,823,167	$107,249,675	$99,706,057	$83,608,154
Restricted assets	46,907,489	35,251,944	37,176,942	77,918,312	83,696,651
Capital assets, net	192,266,241	185,594,495	184,244,541	179,697,085	244,004,781
Total Assets	340,417,166	328,669,606	328,671,159	357,321,454	411,309,586
Liabilities:					
Current Liabilities	81,180,738	73,610,977	78,808,653	97,577,051	96,362,406
Non-Current Liabilities	135,090,704	114,065,847	102,988,648	119,789,533	166,840,236
Total Liabilities	216,271,442	187,676,824	181,797,301	217,366,584	263,202,642
Net Assets:					
Invested in capital, net of related debt	55,913,422	64,348,006	73,458,437	50,524,453	65,279,253
Restricted for:					
Capital projects	5,938,868	5,748,033	1,756,419	9,827,017	-
Debt service	143,159	362,919	449,337	2,212,772	2,817,866
Other	32,950,153	32,009,715	31,494,538	33,998,968	36,623,671
Unrestricted	31,515,757	38,524,109	39,715,124	43,391,658	43,386,153
Total Net Assets	$126,461,358	$140,992,782	$146,873,857	$139,954,870	$148,106,943

Funding for the University

Funding for the University for the Fiscal Year ended August 31, 2012, consisted of government appropriations; tuition and student fees; gifts, grants, and scholarships; sales, services, and other sources; designated funds; and auxiliary enterprises. The amounts and the sources of such funding vary from year to year; there is no guarantee that the source or amounts of such funding will remain the same in future years. As a State institution, the University receives approximately 53% of its operating funds from State appropriations. The Texas Legislature adopted a budget for the State for the 2014-2015 biennium beginning September 1, 2013, which appropriated approximately $76,623,411 for the University from the general revenue fund for Fiscal Year 2014 and $76,393,071 for Fiscal Year 2015.

The University has no assurance that the Texas Legislature will continue to appropriate to it the General Revenue Funds of the State at the same levels as in previous years. Future levels of State support are dependent upon the ability and willingness of the Texas Legislature to make appropriations to the University taking into consideration the availability of financial resources and other potential uses of such resources.

Tuition and Fees

The University charges tuition and fees as determined by the Texas Legislature and the Board under Chapters 54 and 55 of the Texas Education Code. Prior to a change in law effective for the Fall 2003 semester, the amount charged by the University for tuition and fees was subject to a per-semester-credit-hour cap set by the Texas Legislature. Total tuition charges are now comprised of "State Mandated Tuition" and "Designated Tuition," as further described below. Under current law, as more fully set forth below, the total tuition (including both the State Mandated Tuition and the Designated Tuition) to be charged to the University's students for the 2014-2015 academic year is (i) $207 per semester hour for resident undergraduate students and (ii) $548 per semester hour for non-resident undergraduate students.

The University tuition and fees for full-time (15 hours) undergraduate Students Fall 2009-Fall 2013:

	Fall 2009	Fall 2010	Fall 2011	Fall 2012	Fall 2013
Resident	$7,080	$7,312	$7,462	$7,646	$7,946
Non-Resident	$15,390	$7,312	$16,762	$16,946	$18,566

Both the State Mandated Tuition and the Board Designated Tuition are included in Revenue Funds and are pledged for the benefit of Parity Obligations.

State Mandated Tuition. Section 54.051, Texas Education Code requires (i) undergraduate tuition applicable to state residents to be charged at $50 per semester credit hour; and (ii) tuition of a nonresident student at a general academic teaching institution or medical and dental unit to be an amount per semester credit hour equal to the average of the nonresident undergraduate tuition charged to a resident of the State at a public state university in each of the five most populous states other than the State (the amount of which would be computed by the Coordinating Board for each academic year). For the 2014-15 academic year, the Coordinating Board has computed $401 per semester credit hour for nonresident undergraduate tuition. The tuition rates described above are referred to in this document as "State Mandated Tuition."

Designated Tuition. In 2003, the Texas Legislature approved and the Governor signed into law House Bill 3015, which provided for the deregulation of a portion of tuition that a governing board of an institution of higher education, such as the Board, has the authority to charge under Section 54.0513 of the Texas Education Code. Prior to the amendment to Section 54.0513, Texas Education Code, the amount of tuition that a board of regents could independently charge students was capped at the levels described above with respect to State Mandated Tuition. Effective with the tuition that was charged for the Fall 2003 semester, a governing board may charge any student an amount (referred to in this document as "Board Designated Tuition") that it considers necessary for the effective operation of the institution. The legislation also provides authority to the governing board to set a different tuition rate for each program and course level offered by the institution.

No less than 20% of the Board Designated Tuition charged in excess of $46 per semester hour is required to be set aside to provide financial assistance to resident undergraduate students, consistent with the provisions of Subchapter B, Chapter 56, Texas Education Code, which were contained in House Bill 3015.

The University has no assurance that the Texas Legislature will not place future limits on the Board's ability to charge Board Designated Tuition in an amount that the Board considers necessary for the effective operation of the University. However, the Texas Education Code also permits the Board to set the tuition and any other necessary fees, rentals, rates, or other Revenue Funds of the Board at the level necessary, without limit, to enable the Board to meet its obligations with respect to the payment of debt service on the Parity Obligations. Thus, the rate of the tuition pledged as a Revenue Fund actually imposed to secure the Parity Obligations is not limited by law or the Resolution, to the extent necessary to raise such rates if there were insufficient Pledged Revenues to pay debt service on Parity Obligations.

Current Funds

Current funds are funds expendable for current operating purposes. Within the current funds group, funds are segregated between unrestricted and restricted. The current funds revenues and expenditures described below are derived from the Combined Statement of Current Funds Revenues and Expenditures included in the University's audited combined primary financial report for each of the Fiscal Years indicated. *See* "Appendix C."

Unrestricted Current Funds Revenues

Unrestricted funds are funds over which the Board retains full control in achieving institutional purposes. Not all unrestricted funds constitute Pledged Revenues. *See* "SECURITY FOR THE BONDS - Pledge Under Resolution."

Financing Programs

The University has one financing program in addition to the Revenue Financing System. Article VII, Section 17 of the Texas Constitution provides that, except for cases of demonstrated need and upon a vote of two-thirds of each house of the Texas Legislature, and except in cases of fire or natural disaster, the University may not receive any funds from the general revenues of the State for acquiring, constructing, or equipping permanent improvements, or for major repairs or rehabilitations of permanent improvements.

Higher Education Assistance Fund Bonds

Pursuant to the Higher Education Assistance Fund ("HEAF") program, the University is qualified to receive an annual allocation from amounts constitutionally appropriated to institutions of higher education that are not entitled to participate in Permanent University Fund bond financing in order to fund permanent improvements (except those for auxiliary enterprises). Under the constitutional provision authorizing HEAF, the Board is authorized to issue bonds and notes to finance permanent improvements at the University and to pledge up to 50% of its allocation to secure the payment of principal of and interest on the bonds and notes. As of August 31, 2013, the University had $6,720,000 outstanding under this program.

TABLE 5 - Outstanding Indebtedness

The following described indebtedness represents the Refunded Bonds:

Revenue Financing System		Par Amount Originally Issued	Principal Amount Outstanding
Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 1998A-1		$20,305,000	$7,040,000
Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 1998A-2		18,000,000	4,220,000(1)
Texas Public Finance Authority Texas Southern University Revenue Financing System Improvement Bonds (Recreational Facility Project), Series 1998B		12,920,000	7,885,000
Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2002		48,065,000	27,630,000(1)
Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2003		27,240,000	17,710,000(1)
	TOTAL	$126,530,000	$64,485,000

After delivery of the Bonds the University will have the following described indebtedness:

Texas Public Finance Authority Texas Southern University Financing System Bonds, Series 2004		$3,500,000	$440,000(1)
Texas Public Finance Authority Texas Southern University Financing System Bonds, Series 2011		31,500,000	27,365,000(1)
Texas Public Finance Authority Texas Southern University Revenue Financing Note, Series A 2011-4		64,180,000	61,043,716
Texas Public Finance Authority Texas Southern University Revenue System Note, Series A 2012-10		55,000,000(4)	774,437(2)
Texas Public Finance Authority Texas Southern University Revenue Financing System Refunding Bonds, Series 2013		62,355,000(3)	62,355,000 (3)
	TOTAL	$216,535,000	$151,978,153

(1) Tuition revenue bonds subject to state appropriation, which is not guaranteed.
(2) Represents amount drawn down on note to date. The University expects to draw down the full amount of the loan to complete the project financed by such loan.
(3) $47,830,000 of the Bonds are subject to state appropriation.
(4) The Series A 2012-10 Note was issued to finance residential facilities for the University. To fund this project, it is expected that the University will draw the entire $55 million amount. *See* the Debt Service Schedule on page 12, which reflects the total outstanding debt on the Parity Obligations, which includes the entire $55 million amount for the Series A 2012-10 Note.

Investment Policy and Procedures

Management of Investments

The Board approved the University's Investment Policy on June 21, 2013. As provided in State law and University policy, each member of the Board has the legal responsibilities of a fiduciary in the management of funds under the control of the University. All investments are made in accordance with applicable State and federal regulations. The Board has contracted with Gray & Company to provide investment management consulting with respect to the University's endowment funds and the Board relies on the University's administrative staff to manage its operating funds internally. Cash on hand is invested in overnight collateralized repurchase agreements. The Board receives quarterly reports regarding asset allocation, investment returns, and comparative investment results of other indices.

Authorized Investments

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

Investment Programs

Specific investment ranges and investment policy limitations are as follows:

	Operating Funds		Endowment Funds	
	Minimum	Maximum	Minimum	Maximum
U.S. Treasury Obligations	50%	100%	25%	75%
Federal Agency Obligations	20%	80%	20%	80%
Commercial Paper	0%	20%	25%	75%
Certificates of Deposit	0%	100%	25%	75%
Collateral Repurchase Agreements	0%	70%	0%	70%
Corporate Bonds	0%	0%	25%	75%
Corporate Stocks	0%	0%	25%	75%
Cash Equivalents	0%	0%	5%	20%

The University's pooled investment fund is comprised primarily of operating funds and fund balance equity that carries forward from year to year. As noted in the table below, the University's investments in Federal Agency Obligations in its pooled investment fund have exceed the University's stated policy maximums of 80% for such obligations. The University's finance staff intends to bring the asset allocation in the University's pooled investment fund into compliance with its investment policy by recommencing that the Board increase the policy limits for Federal Agency Obligations from 80% to 100%. As of August 31, 2012, the asset allocation of the pool was as follows:

	Percentage Allocation	Book Value	Market Value
Federal Agency Obligations	43%	$19,390,114	$19,380,003
Cash Equivalents	57%	$25,550,956	$25,583,270

Endowment funds are invested separately from the University's investment pool. The book value of Endowment Funds at August 31, 2012, was $38,179,164 and the market value was $38,290,574.

Debt Management

Debt management of the University is the responsibility of the Vice President for Finance/Chief Financial Officer. Debt is issued by the Authority pursuant to the University's debt capacity analyses and annual funding requirements in accordance with the capital budget. Issuance of debt requires approval of the Board and the Texas Bond Review Board. The Authority's approval is required for the issuance of revenue bonds.

RISK FACTORS

Each prospective purchaser of the Bonds should review and evaluate the risks of making such an investment. The following is a summary, which does not purport to be comprehensive or definitive, of certain of the risk factors an investor should consider before purchasing the Bonds.

Risk Factors Regarding the University

Accreditation. Federal funding is reliant upon the University maintaining its SACS accreditation. The University's failure to maintain its accreditation could impact its eligibility to administer federal programs for the benefit of its students. Although the University's SACS accreditation has never permanently been revoked, it was placed on probation in 2007, which was lifted and re-instated in 2009. The University is currently SACS accredited and scheduled for renewal in 2021 (*See* "THE UNIVERSITY - Accreditation").

Dependence on Federal Education Funding. Federal government programs fund a substantial portion of the University's tuition and fee revenues. On average, approximately 90% of the University's students receive some form of federal financial aid. Such student aid support could be reduced in the future, which could negatively impact student enrollment and thus the financial position of the University (*See* "THE UNIVERSITY - Table 2 - University Enrollment Data").

Tuition and Fee Revenue. Gross tuition and fee revenues represent over 62% of the total operating revenues for fiscal year 2012 total operating revenues. Economic viability of the University depends on a steady student enrollment. Future enrollment levels will depend on the number of students continuing to decide to enroll at the University.

Enrollment vs. Acceptances. In Fiscal Year 2012, approximately 19% of the total students that were accepted into the University actually enrolled (*See* "THE UNIVERSITY - Table 2 - University Enrollment Data"). There are no assurances that the University will be able to improve upon the number of students deciding to attend TSU.

Competition from other Educational Institutions. The University is located near downtown Houston, the medical center and competes with several key educational alternatives, including the University of Houston Downtown. Certain of these education institutions compete for the same students as the University, and as such, are competitors of the University for students. Such competitors have increased their student enrollment by constructing new facilities and expanding their marketing campaigns to attract potential students. Moreover, some of the University's competitors may offer lower student tuition and fee options to potential students. It is unknown how the University's strategic position and resulting student demand will be impacted by the evolving competitive landscape. Like its urban competitors, the University has a large percentage of commuter students. However, the University draws students not only from the region but also nationally as one of the nations' largest historically black colleges and universities. (*See* "THE UNIVERSITY - Table 2 - University Enrollment Data – Enrollment by State (Top 5)") Furthermore, the University plans to implement a requirement that freshman students live on campus, which is designed to attract a greater percentage of full-time students and increase graduation rates within four years.

Historic Graduation Rates. From 2008 through 2011 the University's four year graduation rate averaged 3.4% (*See* "THE UNIVERSITY - Table 2B - University Graduation Rates 2008-2011"). Under a new administration the University has introduced more stringent admission standards moving away from an open enrollment plan which allowed almost any student who applied to gain entry to a plan which requires minimum entry standards including a higher Grade Point Average requirement and higher SAT and ACT scores. As a part of the plan to increase the six year graduation rate to between 28 and 35 percent, the University has instituted a new academic village that houses approximately 35% of the entering freshman class and provides the students with around the clock support from live in TSU staff members with the explicit intention of graduating the entire group in four years.

Changes to the Federal Pell Grant Program. In 2012 the amount of Federal Pell Grant funds that students may receive over their lifetime was limited to the equivalent of six years. Seventy percent (70%) of the University's students receive Pell Grant funding. From 2008 through 2011 the University's six year graduation rate averaged 13.9% *(See* "Table 2B - University Graduation Rates 2008-2012"). Students who do not graduate within six years may have to find an alternate source of funding to continue to pursue their education or withdraw from the University, thus negatively impacting the University's retention and graduation rates (*See* "THE UNIVERSITY - Student Enrollment").

Prior Financial Mismanagement. The University experienced an administrative accounting mismanagement in 2006 that led to the ouster and indictment of the prior President, and the removal of the entire board of regents.

Management. The University hired Dr. John Rudley to serve as President, following findings of mismanagement in 2006. Dr. Rudley previously served as Vice Chancellor for Administration and Finance for the University of Houston System and Vice President for Administration and Finance for the University of Houston. There has been thorough reorganization and staffing changes and "best practices" policies and procedures that were implemented for all departments. As a result of the new systems that were implemented by the current administration, the University has received an external clean audit for the past four years (*See* "THE UNIVERSITY – Administration of the University").

State of Texas Appropriation Risk. The State of Texas provides debt service reimbursement for about 45% of the University's outstanding debt through the Tuition Revenue Bond Revenue Financing System (TRB) program and the Higher Education Assistance Fund (HEAF) program. Historically, Texas Legislature has provided 100% funding to the University. Therefore, there can be no assurances that past assistance will continue in the future.

The 2013 Texas Legislature reduced the University's General State Appropriations by a total of $2 million. The University plans to off-set such cuts by reducing its budget by 5% and increasing tuition, fees, and auxiliary revenue. Future State cuts could occur and no assurances can be given that the University will be able to off-set such cuts.

Market Factors Regarding the Bonds

The relative buying and selling interest of market participants in securities such as the Bonds will vary over time, and such variations may be affected by, among other things, news relating to the University, the attractiveness of alternative investments, the perceived risk of owning the Bonds (whether related to credit, liquidity or any other risk), the tax treatment accorded the Bonds, the accounting treatment accorded the Bonds, reactions to regulatory actions or press reports, financial reporting cycles and market sentiment generally.

Bond Rating

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will be in effect for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in the judgment of such agency, circumstances so warrant. Neither the Issuer, the University nor the Underwriters have agreed to take any action with respect to any proposed rating change or to bring such change, if any, to the attention of the registered owners of the Series 2013 Bonds, except that the University has agreed to provide certain information discussed under the heading "CONTINUING DISCLOSURE OF INFORMATION."

University's Ability to Satisfy Required Debt Service

The University faces competition from other colleges and universities to attract students. No representation or assurance can be given that the University will generate sufficient revenues to make payments under the Loan Agreement sufficient to pay principal of, redemption premium, if any, and interest on the Bonds.

Other Risk Factors Regarding the University

In the future, the following factors, among many others, may adversely affect the operations of the University to an extent that cannot be determined at this time: (1) changes in the demand for higher education in general or for programs offered by the University in particular; (2) a decline in the demographic pool of candidates who may elect to attend the University; (3) cost and availability of energy; (4) a decrease in student loan funds, Pell Grants or other aid that permits many students the opportunity to pursue higher education; (5) an increase in the costs of health care benefits, retirement plan, or other benefit packages offered by the University to its employees; (6) a significant decrease in the value of the University's investments caused by market or other external factors; (7) significant reduction in funding support from donors or other external sources; or (8) significant reduction of external funding for research.

LEGAL MATTERS

Legal Opinion

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to approval of legality by the Attorney General of the State and of certain legal matters by Bracewell & Giuliani, LLP, Bond Counsel to the Authority. Attached hereto as Appendix D is the form of opinion that Bond Counsel will render in connection with the issuance of the Bonds.

Bond Counsel has reviewed the information under the captions “PLAN OF FINANCING” (except for the information under “Sources and Uses of Funds” as to which no opinion is expressed), "DESCRIPTION OF THE BONDS” (except for the information under “Book-Entry-Only System” as to which no opinion is expressed), “SECURITY FOR THE BONDS,” “LEGAL MATTERS,” “TAX EXEMPTION,” “ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS,” “LEGAL INVESTMENTS IN TEXAS,” “CONTINUING DISCLOSURE OF INFORMATION” (except for the information under “Compliance with Prior Undertakings” and "Delinquent Debt Service Payments" as to which no opinion is expressed), “APPENDIX A - DEFINITIONS,” and “APPENDIX B - EXCERPTS OF CERTAIN PROVISIONS OF THE RESOLUTION,” in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the Resolution contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. The payment of legal fees to Bond Counsel in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Bates and Coleman, PC. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the Authority.

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

Registration and Qualification of Bonds for Sale

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The Bonds have not been approved or disapproved by the United States Securities and Exchange Commission, nor has the United States Securities and Exchange Commission passed upon the accuracy or adequacy of the Official Statement. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; and have not been registered or qualified under the securities acts of any other jurisdiction. The Authority does not assume any responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

Forward Looking Statements

The statements contained in this Official Statement, and in any other information provided to the reader by the Board or the Authority that are not purely historical, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding the Board's or the Authority's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Board and/or the Authority on the date hereof, and the Board and the Authority assume no obligation to update any such forward-looking statements. It is important to note that the Board's and the Authority's actual results could differ materially from those in such forward-looking statements.

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

TAX EXEMPTION

In the opinion of Bracewell & Giuliani LLP, Bond Counsel, under existing law (i) interest on the Bonds is excludable from gross income for federal income tax purposes and (ii) the Bonds are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and, as such, interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The Authority and the Board have covenanted in the Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Resolution pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the Authority, the Board, the Financial Advisor and the Underwriters with respect to matters solely within the knowledge of the Authority, the Board, the Financial Advisor and the Underwriters, respectively, which Bond Counsel has not independently verified. If the Authority or the Board fail to comply with the covenants in the Resolution or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, or REMIC), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems 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 as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Authority as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

Collateral Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

The issue price of a portion of the Bonds exceeds the stated redemption price payable at maturity of such Bonds. Such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

Tax Accounting Treatment of Original Issue Discount

The issue price of a portion of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the "Original Issue Discount Bonds"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions "TAX MATTERS - TAX EXEMPTION" and "ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS - Collateral Tax Consequences" and "- Tax Legislative Changes" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. None of the Authority, the Board, or Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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

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

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

LEGAL INVESTMENTS IN TEXAS

Pursuant to the Bond Procedures Act of 1981, Texas Government Code section 1201.041, as amended, the Bonds are legal and authorized investments for insurance companies, fiduciaries and trustees, and for the sinking funds of a municipality or other political subdivisions or public agencies of the State. The Bonds are eligible to secure deposits of public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. The Texas Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, provides that a city, county, or school district may invest in the Bonds provided that Bonds have received a rating of not less than "A" from a nationally recognized investment rating firm. No investigation has been made of other laws, regulations, or investment criteria that might limit the ability of such institutions or entities to invest in the Bonds, or that might limit the suitability of the Bonds to secure the funds of such entities. No review by the Board has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

RATINGS

The Bonds have been rated "AA/Stable" by S&P by virtue of a bond insurance policy to be issued by Build America Mutual Assurance Company. The underlying ratings assigned by Moody's and Fitch respectively are "Baa1" and "BBB+". An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and neither the Authority, the Board nor the Underwriters make any representation as to the appropriateness of the ratings. There is no assurance that the ratings of the Bonds will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of any one or more of these companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The Board will provide certain updated financial information and operating data to the Authority and the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the University of the general type included in this Official Statement under the heading(s) "SECURITY FOR THE BONDS - TABLE 1 - Pledged Revenues," "THE UNIVERSITY - TABLE 2 - University Enrollment Data," "SELECTED FINANCIAL INFORMATION - TABLE 3 - Statement of Revenues, Expenses, and Changes in Net Assets; - TABLE 4 - Condensed Statement of Net Assets; - TABLE 5 - Outstanding Indebtedness," and in Appendix C. The Board will update and provide this information within 180 days after the end of each Fiscal Year ending in or after Fiscal Year 2013.

The Board may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information provided by the Board will be provided on a cash basis, or such other basis as the Board may be required to employ from time to time pursuant to State law or regulation, and is not required to be audited.

The updated information will also include audited financial statements of the University, if the Board commissions an audit and it is completed by the time required. If audited financial statements of the University are not available by the required time, the Board will provide such statements when and if they become available. Any such financial statements are to be prepared in accordance with accounting principles generally accepted in the United States of America. *No outside audit of the University's financial statements is currently required to be obtained by the Board under State law.*

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

Material Event Notices

The Board will also provide timely notice (not in excess of ten (10) business days after the occurrence of the event) of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) nonpayment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Board; (13) the consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) the appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the Board will provide timely notice of any failure by the Board to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

The Board has agreed to provide the foregoing updated information to the MSRB and the Authority. All documents provided by the Board to the MSRB described above under “Annual Reports” and “Material Event Notices” will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

The address of the MSRB is 1900 Duke Street Suite 600, Alexandria, VA 22314, and its telephone number is (703) 797-6600.

Limitations and Amendments

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

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

Compliance with Prior Agreements

During the past five years, the University has complied in all material respects with its continuing disclosure agreements in accordance with the Rule, except as set forth in the following paragraphs.

The University initially became obligated to make annual disclosure of certain financial information by filing with each nationally recognized municipal securities information repository (“NRMSIR”) and the state information depository (the “SID”) in an offering that took place in 1998 for its revenue financing system debt and in 2004 for its constitutional appropriation debt. Due to an administrative oversight, certain required financial information was not timely filed with the SID and each NRMSIR for fiscal years ending 2005 through 2009. Additionally, the audited financial statements were not timely filed for Fiscal Year 2009. All required information has since been filed, including a notice of late filing. The University has implemented procedures to ensure timely filing of all future financial information.

With respect to the Series 2011 Bonds, while the University made timely filings in accordance with its Continuing Disclosure obligations, certain software issues caused the CUSIP numbers for the Series 2011 Bonds to be inadvertently excluded from such filings. The software issues adversely impacting access to the correct Series 2011 Bond CUSIP information have been resolved, and all the continuing disclosure filings made since the discovery of the software issue have included associated CUSIP numbers and will continue to do so going forward.

Delinquent Debt Service Payments

Due to an administrative oversight in processing payments to the Paying Agent, the University was untimely in making its November 1, 2005 principal and interest payment on the Refunded Bonds and the Series 2004 Bonds. However, the untimely payment was disclosed as a material event, and corrective measures have been implemented by the University to ensure timely payment of debt service since that time.

Due to a change in Trustee, inadequate notification of said change from Trustee, and the timing of the University’s notification to the State Comptroller’s office to re-address the payment, the University was untimely in making its January 1, 2007 interest payment on the Texas Southern University Constitutional Appropriation Bonds, Series 2004. However, the untimely payment was disclosed as a material event, and corrective measures have been implemented by the University to ensure timely payment of debt service since that time.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the Authority. The purchase price for the Bonds is $66,377,503.55 (which represents the par amount of the Bonds, plus a net original issue premium of $4,373,380.80, less an underwriter's discount of $350,877.25). The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than the initial public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

FINANCIAL ADVISOR

First Southwest Company has acted as Financial Advisor to the Authority in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds.

Although the Financial Advisor has read and participated in the preparation of this Official Statement, such firm has not independently verified any of the information set forth herein. The information contained in this Official Statement has been obtained primarily from the Authority's and the University's records and from other sources that are believed to be reliable. No guarantee is made as to the accuracy or completeness of any such information. No person, therefore, is entitled to rely upon the participation of the Financial Advisor as an implicit or explicit expression of opinion as to the completeness and accuracy of the information contained in this Official Statement.

LITIGATION

The University

As of August 31, 2012, various lawsuits and claims involving the University were pending. While the ultimate liability with respect to such litigation and claims asserted against the University cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the University or the Pledged Revenues.

The Authority

There is no litigation, proceeding, inquiry, or investigation pending by or before any court or other governmental authority or entity (or, to the best knowledge of the Authority, threatened) that affects the obligation of the Authority to deliver the Bonds or the validity of the Bonds. At the time of payment for and delivery of the Bonds, the Attorney General of Texas will render an opinion to the effect that there is no litigation, proceeding, inquiry, or investigation pending by or before any court or other governmental authority or entity (or, to the best knowledge of the Attorney General of the State, threatened) against or affecting the State or any of its agencies or instrumentalities (nor to the best of his knowledge is there any basis therefor) that (1) affects the existence of the Authority, or the right of the present directors and officers of the Authority to hold their offices, (2) affects the validity or enforceability of the provisions pursuant to which the Bonds are being issued, and (3) would have a material adverse effect upon the power of the Authority to issue the Bonds.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

/s/ Robert P. Coalter	/s/ Jim C. McShan
Robert P. Coalter, Executive Director	Jim C. McShan, Vice President for Finance/ Chief Financial Officer
Texas Public Finance Authority	Texas Southern University

Schedule of Refunded Bonds
Texas Southern University

Revenue Financing System Refunding Bonds, Series 1998A-1
Dated Date – 12/1/1998

Original Maturity November 1	Principal Amount Outstanding	Principal Amount to be Refunded	Call Date	Call Price	CUSIP
2013	$1,275,000	$1,275,000	9/11/2013	100%	882696LP0
2014	1,340,000	1,340,000	9/11/2013	100%	882696LQ8
2015	1,405,000	1,405,000	9/11/2013	100%	882696LR6
2016	1,475,000	1,475,000	9/11/2013	100%	882696LS4
2017	1,545,000	1,545,000	9/11/2013	100%	882696LT2

Revenue Financing System Improvement Bonds, Series 1998A-2
Dated Date – 12/1/1998

Original Maturity November 1	Principal Amount Outstanding	Principal Amount to be Refunded	Call Date	Call Price	CUSIP
2013	$1,070,000	$1,070,000	9/11/2013	100%	882696MJ3
2015	2,310,000	2,310,000	9/11/2013	100%	882696ML8
2018	840,000	840,000	9/11/2013	100%	882696PM3

Revenue Financing System Improvement Bonds, Series 1998B
Dated Date – 12/1/1998

Original Maturity November 1	Principal Amount Outstanding	Principal Amount to be Refunded	Call Date	Call Price	CUSIP
2015	$1,755,000	$1,755,000	9/11/2013	100%	882696NF0
2018	2,040,000	2,040,000	9/11/2013	100%	882696NJ2
2023	4,090,000	4,090,000	9/11/2013	100%	882696NP8

Revenue Financing System Bonds, Series 2002
Dated Date – 4/1/2002

Original Maturity November 1	Principal Amount Outstanding	Principal Amount to be Refunded	Call Date	Call Price	CUSIP
2013	$2,440,000	$2,440,000	9/11/2013	100%	882756KD0
2014	2,580,000	2,580,000	9/11/2013	100%	882756KE8
2015	2,725,000	2,725,000	9/11/2013	100%	882756KF5
2016	2,880,000	2,880,000	9/11/2013	100%	882756KG3
2017	3,045,000	3,045,000	9/11/2013	100%	882756KH1
2018	3,215,000	3,215,000	9/11/2013	100%	882756KJ7
2019	3,395,000	3,395,000	9/11/2013	100%	882756KK4
2020	3,580,000	3,580,000	9/11/2013	100%	882756KL2
2021	3,770,000	3,770,000	9/11/2013	100%	882756KM0

Revenue Financing System Bonds, Series 2003
Dated Date – 6/15/2003

Original Maturity November 1	Principal Amount Outstanding	Principal Amount to be Refunded	Call Date	Call Price	CUSIP
2014	$1,410,000	$1,410,000	9/11/2013	100%	882756NH8
2015	1,480,000	1,480,000	9/11/2013	100%	882756NJ4
2016	1,555,000	1,555,000	9/11/2013	100%	882756NK1
2017	1,630,000	1,630,000	9/11/2013	100%	882756NL9
2018	1,710,000	1,710,000	9/11/2013	100%	882756NM7
2019	1,795,000	1,795,000	9/11/2013	100%	882756NN5
2020	1,885,000	1,885,000	9/11/2013	100%	882756NP0
2021	1,980,000	1,980,000	9/11/2013	100%	882756NQ8
2022	2,080,000	2,080,000	9/11/2013	100%	882756NR6
2023	2,185,000	2,185,000	9/11/2013	100%	882756NS4

APPENDIX A

DEFINITIONS

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

"2013 Costs of Issuance Account" means the *Texas Southern University Revenue Financing System Refunding Bonds, Series 2013 Costs of Issuance Account* created within the 2013 Project Fund pursuant to the Ninth Supplement.

"2013 Fund(s)" means collectively or individually the Interest and Sinking Fund, the 2013 Project Fund, the 2013 Costs of Issuance Account and the 2013 Reserve Fund.

"2013 Reserve Fund" means the *Texas Southern University Revenue Financing System Refunding Bonds, Series 2013 Reserve Fund* created pursuant to the Ninth Supplement.

"Additional Parity Obligations" means the additional Parity Obligations permitted to be issued pursuant to the Resolution payable from and secured by the Pledged Revenues subject only to the lien securing Prior Encumbered Obligations.

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

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

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

(3) Consent Sinking Fund. In the case of Balloon Debt (as defined in clause (2) above), if the Designated Financial Officer shall deliver to the Board and the Authority an Officer's Certificate providing for the retirement of (and the instrument creating such Balloon Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Debt shall permit the accumulation of a sinking fund for), such Balloon Debt according to a fixed schedule stated in such Officer's Certificate ending on or before the

Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other debt service charges on) such Balloon Debt shall be computed as if the same were due in accordance with such schedule, provided that this clause (3) shall apply only to Balloon Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such Debt on or before the times required by such schedule; and provided further that this clause (3) shall not apply if 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 that 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 no such Parity Obligation has 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 that is published in a newspaper or journal with national circulation may be used for this purpose. If two Series of Parity Obligations that bear interest at variable interest rates, or one or more Stated Maturities within a Series, of equal par amounts, are issued simultaneously with inverse floating interest rates providing a composite fixed interest rate for such Parity Obligations taken as a whole, such composite fixed rate shall be used in determining the Annual Debt Service Requirement with respect to such Parity Obligations;

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

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

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

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

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

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

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

"Authorized Denomination" shall have the meaning ascribed to said term in the Resolution.

"Board" means the Board of Regents of Texas Southern University, acting as the governing body of the University, or any successor thereto.

"Bond Counsel" means Bracewell & Giuliani LLP, or such other firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the Authority.

"Bond Purchase Contract" means the contract executed by the duly acting representative of the Pricing Committee and the duly acting representative of the Underwriters, establishing the price, terms and conditions relating to the issuance and sale of the Bonds.

"Bond Insurance Policy" means the Credit Facility or bond insurance policy entered into in connection with the Series 2013 Bonds as further described in Sections 4(d) and 15 hereof and the Pricing Certificate.

"*Bond Insurance Reimbursement Amount*" means the amounts due to the Bond Insurer in connection with payments made by the Bond Insurer under the Bond Insurance Policy approved under Sections 4(d) and 15 hereof and as more specifically described in the agreement authorizing such Bond Insurance Policy and/or the additional provisions related to the Bond Insurance Policy.

"Bonds" or *"Series 2013 Bonds"* means the Texas Public Finance Authority Texas Southern University Revenue Financing System Refunding Bonds, Series 2013, and all substitute bonds exchanged therefor, and all other substitute and replacement bonds issued pursuant to the Resolution; and the term "Bond" means any of the Bonds.

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

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

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

"Credit Facility" means (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations or the satisfaction of the Reserve Requirement Amount or (ii) a letter or line of credit issued by any financial institution.

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

"Designated Payment Office" shall have the meaning ascribed to said term in the Resolution.

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

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

"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.

"Funds" means collectively or individually the Interest and Sinking Fund, the Project Fund and the Reserve Fund for the Bonds.

"General Revenue Funds" means the general revenue funds appropriated biennially to the Board by the Legislature of the State of Texas, excluding those funds appropriated to the Board that are attributable to and derived from tuition, local funds and fees levied and collected by the University and as included in the definition of "revenue funds" in Section 55.01(3) of the Texas Education Code.

"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.

"Interest and Sinking Fund" means the *Texas Southern University Revenue Financing System Bonds, Series 1998A Interest and Sinking Fund* created pursuant to the Master Resolution.

"Master Resolution" means the resolution establishing the Financing System and authorizing the sale of the Series 1998A Bonds.

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

"MSRB" means the Municipal Securities Rulemaking Board.

"Ninth Supplement" means the Ninth Supplement to the Master Resolution authorizing the issuance and sale of the Bonds and any amendments and supplements thereto.

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

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

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

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

(1) Parity Obligations theretofore canceled 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 21 of the Master Resolution or any comparable section of any resolution hereafter adopted authorizing the issuance of Pariity Obligations.

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

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

"Parity Obligations" means all Debt of the Board that may be issued or assumed in accordance with the terms of the Resolution and any resolution authorizing the issuance of Debt on a parity with the Bonds, secured by a pledge of the Pledged Revenues subject only to the liens securing Prior Encumbered Obligations, which include the following:

Texas Public Finance Authority Texas Southern University Revenue Financing System Refunding Bonds, Series 1998A-1 (the "Series 1998A-1 Bonds");
Texas Public Finance Authority Texas Southern University Revenue Financing System Improvement Bonds, Series 1998A-2 (the "Series 1998A-2 Bonds");
Texas Public Finance Authority Texas Southern University Revenue Financing System Improvement Bonds (Recreational Facility Project), Series 1998B (the "Series 1998B Bonds");
Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2002 (the "Series 2002 Bonds");
Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2003 (the "Series 2003 Bonds"); and
Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2004 (the "Series 2004 Bonds"); and
Texas Public Finance Authority Texas Southern University Revenue Financing System Note, Series A 2011-4 (the "Series A 2011-4 Note"); and
Texas Public Finance Authority Texas Southern University Revenue Financing System Note, Series A 2012-10 (the "Series A 2012-10 Note")

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

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

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

"Pricing Certificate" means the certificate or respective certificates executed by the Pricing Committee setting forth the final terms of the Bonds.

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

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

"Record Date" means, with respect to the Bonds, the last business day of each month preceding an interest payment date.

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

"Required Reserve Amount" means an amount equal to the lesser of (a) 1.25 times the average principal and interest requirements of the Bonds, or (b) 1.00 times the annual principal and interest requirements of the Bonds to be Outstanding in the Fiscal Year during which such annual principal and interest requirements are scheduled to be the greatest; provided, however, that the Required Reserve Amount shall not exceed ten percent (10%) of the aggregate proceeds (within the meaning of Section 148(d)(2) of the Code) of the Bonds.

"Reserve Policy Costs" means the amounts due to the Bond Insurer in connection with the repayment of any draws under the Credit Facility for the 2013 Reserve Fund approved under Sections 4(d) and 15 hereof and as more specifically described in the agreement authorizing such Credit Facility and/or any additional provisions related to such Credit Facility.

"Resolution" means the Master Resolution and all supplements thereto.

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

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

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

"Series 2013 Obligations" means, together, the Bond Insurance Reimbursement Amounts and the Reserve Policy Costs.

"Stated Maturity" when used with respect to any Debt or any installment of interest thereon means any date specified in the instrument evidencing or authorizing such Debt or such installment of interest as a fixed date on

which the principal of such Debt or any installment thereof or the fixed date on which such installment of interest is due and payable.

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

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

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

"Underwriters" means the investment banking firm or firms named in the Bond Purchase Contract relating to the Bonds.

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APPENDIX B

EXCERPTS OF CERTAIN PROVISIONS OF THE RESOLUTION

This Appendix contains excerpts of certain provisions of the Master Resolution and the Ninth Supplement thereto, and is qualified in its entirety by reference to the complete Resolution, which may be examined at the offices of the Authority or copies of which may be obtained from the Authority, at 300 W. 15th Street, Suite 411, Austin, Texas 78701.

CERTAIN PROVISIONS OF THE MASTER RESOLUTION

Section 1. **ESTABLISHMENT OF A REVENUE FINANCING SYSTEM AND ISSUANCE OF PARITY OBLIGATIONS.** The Board does hereby establish the Texas Southern University Revenue Financing System (the "Financing System"), for the purpose of providing a financing structure for revenue supported indebtedness to provide funds to acquire, purchase, construct, improve, renovate, enlarge or equip property, buildings, structures, facilities, roads or related infrastructure at the University, as well as at any institution, branch or entity hereafter placed under the control and governance of the Board, under authority of the pertinent provisions of the Texas Education Code.

Section 2. **SECURITY AND PLEDGE.** (a) ***Pledge.*** Subject to the provisions of the resolutions authorizing Prior Encumbered Obligations, Parity Obligations shall be secured by and payable from a lien on the Pledged Revenues, and the Board hereby assigns and pledges the Pledged Revenues to the payment of the principal of, premium, if any, and interest on Parity Obligations, and the Pledged Revenues are further pledged to the establishment and maintenance of any funds which may be provided to secure the repayment of Parity Obligations in accordance with this Resolution. The Authority, upon approval and consent of the Board, may execute and deliver one or more Credit Agreements to additionally secure Parity Obligations. Credit Agreements may also be secured by a pledge of Pledged Revenues on a parity with or subordinate to Parity Obligations.

(b) Additional Participants. As provided in Section 7 of this Resolution, institutions which may hereafter come under the control and governance of the Board may become Participants in the Financing System and such institutions may, at such time, have outstanding obligations secured by the Prior Encumbered Revenues and that, therefore, the lien on and pledge of the Pledged Revenues established pursuant to this Resolution and effective when such institutions become Participants in the Financing System will be subject and subordinate only to such institutions' outstanding Prior Encumbered Obligations.

(c) Restriction on Issuance of Additional Debt on a Parity with Prior Encumbered Obligations. Except as provided in Section 4(g) and for so long as any Parity Obligations are Outstanding, no additional bonds, notes, or other obligations may be issued or incurred by the Board or the Authority on a parity with any Prior Encumbered Obligations.

(d) Parity Obligations are Special Obligations. All Parity Obligations and the premium, if any, and the interest thereon shall constitute special obligations of the Board and the Authority payable from the Pledged Revenues, and the owners thereof shall never have the right to demand payment out of funds raised or to be raised by taxation, or from any source other than the source specified in this Resolution. The obligation of the Board and the Authority to pay or cause to be paid the amounts payable under this Resolution out of the Pledged Revenues shall be absolute, irrevocable, complete, and unconditional, and the amount, manner, and time of payment of such amounts shall not be decreased, abated, rebated, set-off, reduced, abrogated, waived, diminished, or otherwise modified in any manner or to any extent whatsoever, regardless of any right of setoff, recoupment, or counterclaim that the Board or the Authority might otherwise have against any owner or any other party and regardless of any contingency, *force majeure,* event, or cause whatsoever and notwithstanding any circumstance or occurrence that may arise or take place before, during, or after the issuance of Parity Obligations while any Parity Obligations are Outstanding.

Section 3. **COVENANTS RELATING TO PLEDGED REVENUES.** (a) ***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 for such Fiscal Year relating to the Financing System including all deposits or payments due on or with respect to (i) the Prior Encumbered Obligations and (ii) all Outstanding Parity Obligations.

(b) Tuition. Subject to the provisions of the resolutions authorizing Prior Encumbered Obligations and to the other provisions of this Resolution, the Board covenants and agrees to fix, levy, charge and collect at each Participant student tuition charges required or authorized by law to be imposed on students enrolled at each Participant (excepting, with respect to each series or issue of Parity Obligations, any student in a category which, at the time of adoption of a resolution relating to such Parity Obligations, is exempt by law or by the Board from paying such tuition charges). Each student (excluding those exempt from payment as provided above), enrolled at each Participant, respectively, at each regular fall and spring semester and at each term of each summer session, shall be required to pay tuition charges in such amounts, subject to limitations imposed by law, 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 this Resolution, but merely the carrying out of the provisions and requirements hereof.

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

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

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

(f) Additional Participants. The Board hereby agrees to apply the covenants hereinabove made to any institution, branch or entity hereinafter placed under the control and governance of the Board and added as a Participant in the Financing System in accordance with the provisions of Section 7 hereof.

Section **4. GENERAL COVENANTS.** The Board further represents, covenants, and agrees that while any Parity Obligations or interest thereon is Outstanding:

(a) Payment of Parity Obligations. On or before each payment date it shall make available to the Paying Agent for such Parity Obligations or to such other party as required by the resolution authorizing the issuance of such Parity Obligations, money sufficient to pay the interest on, principal of, and premium, if any, on the Parity Obligations as will accrue or otherwise come due or mature, or be subject to mandatory redemption prior to maturity, on such date and the fees and expenses related to the Parity Obligations, including the fees and expenses of the Paying Agent and any Registrar, trustee, remarketing agent, tender agent, or Credit Provider.

(b) Performance. It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Resolution, and in each and every Parity Obligation or evidence thereof.

(c) Redemption. It will duly cause to be called for redemption prior to maturity, and will cause to be redeemed prior to maturity, all Parity Obligations which by their terms are mandatorily required to be redeemed prior to maturity, when and as so required.

(d) Lawful Tide. It lawfully owns, has title to, or is lawfully possessed of the lands, buildings, and facilities now constituting the University, and it will defend said title and title to any lands, buildings, and facilities which may hereafter become part of the Financing System, for the benefit of the owners of Parity Obligations against the claims and demands of all persons whomsoever.

(e) Lawful Authority. It is lawfully qualified to pledge the Pledged Revenues herein pledged in the manner prescribed herein and has lawfully exercised such right.

(f) Preservation of Lien. Subject to the conditions set forth in Sections 5, 6, and 7 of this Resolution, it will not do or suffer any act or thing whereby the Financing System might or could be impaired, and that it will at all times maintain, preserve, and keep the real and tangible property of the Participants in the Financing System and every part thereof in good condition, repair, and working order and operate, maintain, preserve, and keep the facilities, buildings, structures, and equipment pertaining thereto in good condition, repair, and working order.

(g) No Additional Encumbrance. It shall not incur additional Debt secured by the Pledged Revenues in any manner, except as permitted by this Resolution in connection with Parity Obligations, unless said Debt is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of this Resolution. Notwithstanding anything to the contrary contained herein, and in addition to the right hereunder to refund the 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 either with (i) the Pledged Revenues or (2) with the same source or sources securing the Prior Encumbered Obligations being refunded or with both (1) and (2). 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 for all purposes.

(h) Investments and Security. It will invest and secure money in the funds established pursuant to this Resolution under its control in the manner prescribed by law for such funds, including, but not by way of limitation, the Public Funds Investment Act of 1987, (Chapter 2256, Texas Government Code), Chapter 163, Texas Property Code, and Section 51.0031, Texas Education Code, and in accordance with written policies adopted by the Board and to comply with any requirements of any Bond Insurance Policy.

(i) Records. It will keep proper books of record and account in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to the University. Each year while Parity Obligations are Outstanding, the Board will cause to be prepared from such books of record and account an annual financial report of the University and shall furnish such report to the Authority, to the principal municipal bond rating agencies, and to any owner of Parity Obligations who shall request same in writing. In addition, the Board shall submit such financial report and other information required by law for examination in connection with financial compliance and other audits required to be conducted by the office of the Auditor of the State of Texas.

(j) Inspection of Books. It will permit the Authority and any owner or owners of twenty-five percent (25%) or more of the then Outstanding Principal Amount of Parity Obligations at all reasonable times to inspect all records, accounts, and data of the Board relating to the University and the Financing System.

(k) Annual and Direct Obligations. In establishing the annual budget for each Participant in the Financing System, it shall provide for the satisfaction by each Participant in the Financing System of its Annual Obligation. The Direct Obligation shall represent the financial responsibility of each Participant in the Financing System with respect to Outstanding Parity Obligations. Each such Participant's Direct Obligation and Annual Obligation shall be evidenced by a financing agreement between the Board and each Participant.

(l) Determination of Outstanding Parity Obligations. For all purposes of this Resolution, the judgment of the Designated Financial Officer shall be deemed final in the determination of which obligations of the Board constitute Parity Obligations; provided, however, such judgment is subject to confirmation by the Auditor of the State of Texas in connection with the annual audit of the records of the University.

(m) Execution of Credit Agreements. (i) For so long as the Authority possesses the exclusive authority to issue bonds on behalf of the University, should the Board or the Authority determine that it is in the best interests of the University to obtain a Credit Agreement to enhance the security for or provide for the payment, redemption, or remarketing of Parity Obligations, the Authority, upon approval and consent of the Board, may from time to time and at any time execute and deliver a Credit Agreement to which the Pledged Revenues are to be pledged. The Authority agrees that it shall use reasonable efforts to negotiate and deliver, on behalf of the University, a Credit Agreement containing terms and conditions mutually acceptable to the Authority and the Board; provided, however, that prior to the Authority adopting any resolution authorizing the execution and delivery of any such Credit Agreement, it shall receive from the University an Officer's Certificate to the effect that (a) the Board has determined that the Participant for whom the Credit Agreement is to be executed and delivered possesses the financial capability to satisfy its Direct Obligation after taking into account the payment obligations under the proposed Credit Agreement, and (b) to the best of his or her knowledge, the Board is in compliance with all covenants contained in this Resolution and any resolution adopted authorizing the issuance of Parity Obligations, and is not in default in the performance and observance of any of the terms, provisions, and conditions hereof or thereof.

(ii) The Board agrees to provide promptly to the Authority substantially final versions of all documents pertaining to any "credit agreement" (as defined in Vernon's Ann. Tex Civ. St. Article 717q), to which the Pledged Revenues are to be pledged, proposed to be executed and delivered by the Board to enhance the security for or provide for the payment, redemption, or remarketing of the Prior Encumbered Obligations. The Board further agrees that it shall give written notice to the Authority no later than thirty (30) days prior to the date the Board considers for approval any resolution authorizing the execution and delivery of any such Credit Agreement. The lien on and pledge of Pledged Revenues to pay the cost of any such Credit Agreement may be on a parity with, but not superior to, the lien on and pledge of the Pledged Revenues securing the Parity Obligations.

Section 5. **ISSUANCE OF ADDITIONAL OBLIGATIONS.** (a) ***Additional Parity Obligations.*** The Board reserves and shall have the right and power to issue or incur, or request the Authority, on its behalf, to issue or incur, Additional Parity Obligations for any purpose authorized by law pursuant to the provisions of this Resolution and the applicable laws of the State of Texas governing the issuance of bonds for the benefit of the University. The Board, or the Authority acting on behalf of the Board, may incur, assume, guarantee, or otherwise become liable in respect of any Additional Parity Obligations if the Board shall have determined that it will have sufficient funds to meet the financial obligations of each Participant (currently the University) in the Financing System, 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. In addition, the Board shall not issue or incur, or cause to be issued or incurred, Additional Parity Obligations unless (i) the Board shall determine that the Participant for whom the Additional Parity Obligations are being issued or incurred possesses the financial capability to satisfy its Direct Obligation after taking into account the then proposed Additional Parity Obligations, and (ii) the Designated Financial Officer shall deliver to the Board and the Authority a certificate stating that to the best of his or her knowledge the Board is in compliance with all covenants contained in this Resolution and any resolution adopted authorizing the issuance of Additional Parity Obligations, and is not in default in the performance and observance of any of the terms, provisions, and conditions hereof or thereof.

(b) ***Non-Recourse Debt and Subordinated Debt.*** Non-Recourse Debt and Subordinated Debt may be incurred by the Board or the Authority on behalf of the Board without limitation, subject to the applicable laws of the State of Texas.

Section 6. **DISPOSITION OF ASSETS ATTRIBUTABLE TO FINANCING SYSTEM PARTICIPANTS.** The Board may convey, sell, or otherwise dispose of any properties of each Participant (currently the University) in the Financing System provided:

(a) ***Ordinary Course.*** Such conveyance, sale, or disposition shall be in the ordinary course of business of such Participant which uses, operates, owns, or is otherwise responsible for such properties; or

(b) ***Disposition Upon Board Determination.*** The Board shall determine that after the conveyance, sale, or other disposition of such properties, the Board shall have sufficient funds during each Fiscal Year during which Parity Obligations are to be Outstanding to meet the financial obligations of each Participant in the Financing System, 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.

Section 7. **COMBINATION, DIVISION, RELEASE AND ADMISSION OF NEW INSTITUTIONS UNDER THE FINANCING SYSTEM.** (a) ***Combination and Division.*** Notwithstanding anything to the contrary contained herein, it is recognized that certain institutions which may become Participants in the Financing System may be combined or divided and that so long as such combined or divided institutions continue to be governed by the Board such action shall not be in violation of the provisions of this Resolution or require any amendments of the provisions hereof.

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

(1) the Board approves and delivers to the Authority an Officers' Certificate to the effect that, to the knowledge thereof, after the release of such Participant or portion thereof, the Board will have sufficient funds during each Fiscal Year in which Parity Obligations shall thereafter be Outstanding to meet the financial obligations of the Board, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System; and

(2) the Board and the Authority receive an Opinion of Counsel which shall state that such release will not adversely affect the status for federal income tax purposes of interest on any Outstanding Parity Obligations and that all conditions precedent provided in this Resolution or any resolution hereafter adopted governing the issuance of Parity Obligations relating to such release have been complied with; and

(3) (A) if the Participant or portion thereof to be released from the Financing System is to remain under the governance and control of the Board, the Board must either (i) provide, from lawfully available funds, including Pledged Revenues attributable to said withdrawing Participant, for the payment or discharge of said Participant's Direct Obligation; or (ii) pledge to the payment of Parity Obligation, additional resources not then pledged in an amount sufficient to satisfy such withdrawing Participant's Direct Obligation; or

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

(c) If, after the date of the adoption of this Resolution, the Board desires for an institution or agency governed by the Board to become a Participant of the Financing System, or if the Board is required by law to assume the governance of an institution or agency, it may include said institution or agency in the Financing System with the effect set forth in this Resolution by the adoption of a resolution amending this Resolution, which resolution shall be binding upon the Authority.

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Section 13. **BOND INSURANCE.** If any of the Bonds are offered and sold with the principal of and interest thereon being insured under a Bond Insurance Policy in accordance with the terms and conditions of such Bond Insurance Policy provided by a Bond Insurer, the Authority and the Board covenant and agree that, in the event the principal and interest due on the Bonds insured by such Bond Insurance Policy shall be paid by the Bond Insurer pursuant to such Bond Insurance Policy, the assignment and pledge of all funds and all covenants, agreements and other obligations of the Authority and the Board to the owners of such Bonds shall continue to exist and such Bond Insurer shall be subrogated to the rights of such owners; and furthermore, the Authority and the Board covenant and agree that:

(1) Consent of the Bond Insurer Where Bond Owner Consent Required. The Bond Insurer shall be deemed to be the owner of the Bonds insured by such Bond Insurer at all times for the purpose of (i) execution and delivery of any amendment, change or modification of this Resolution, (ii) the removal of the Paying Agent and selection and appointment of any successor paying agent for the Bonds insured by such Bond Insurance Policy, and (iii) initiation by the owners of such insured Bonds any action to be taken under this Resolution at the Bond Owner's request, which under this Resolution requires the written approval or consent of or can be initiated by any or all of the owners of such insured Bonds at the time outstanding.

(2) Consent of the Bond Insurer Upon Default. Anything in this Resolution to the contrary notwithstanding, upon the occurrence and continuance of a default in the performance and observance of any of the terms, provisions, and conditions hereof by the Authority or the Board, a Bond Insurer shall be entitled to control and direct on behalf of the owners of the insured Bonds the enforcement of all rights and remedies granted to such owners of such Bonds under this Resolution. Such Bond Insurer shall also be entitled to approve all waivers of events of default hereunder with respect to such Bonds.

(3) Consent of Bond Insurer in Event of Insolvency. Anything in this Resolution to the contrary notwithstanding, upon the occurrence and continuance of an event of default hereunder, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the owners of the Bonds insurer by such Bond Insurer under this Resolution.

(4) Defeasance. Notwithstanding anything herein to the contrary, in the event that the principal and redemption price, if applicable, and interest due on any insured Bonds shall be paid by a Bond Insurer pursuant to a policy referred to in this Section, such insured Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority or the Board to the owners of such insured Bonds shall continue to exist and shall run to the benefit of such Bond Insurer, and such Bond Insurer shall be subrogated to the rights of such owners.

(5) Notices to be Given to the Bond Insurer. While any Bond Insurance Policy is in effect, the Authority, the Board and the Paying Agent/Registrar, as applicable, shall furnish to the Bond Insurer providing such policy:

(a) a copy of any notice to be given to the registered owners of the Bonds, including, without limitation, notice of any redemption or defeasance of Bonds, and any certificate rendered pursuant to this Resolution relating to the security for the Bonds.

(b) as soon as practicable after the filing thereof, a copy of any financial statement of the Authority or the Board and a copy of any audit and annual report of the Authority or the Board;

(c) to the extent the Authority or the Board has entered into a continuing disclosure agreement with respect to the insured Bonds, the Bond Insurer shall be included as a party to be notified.

(d) such additional information as it may reasonably request; and

(e) the Authority and the Board shall notify the Bond Insurer of any failure of the Authority or the Board to provide relevant notices, certificates, and the like required hereunder; and

(f) notwithstanding any other provision of this Resolution, the Bond Insurer shall be immediately notified if, at any time, there are insufficient money to make any payments of principal or interest on any Bond insured by such Bond Insurer as required and immediately upon the occurrence of any event of default relating to such Bond.

The Authority and the Board will permit any Bond Insurer providing bond insurance with respect to any of the Bonds to discuss the affairs, finances and accounts of the Authority and the Board, or any information such Bond Insurer may reasonably request regarding the security for such Bonds will permit such Bond Insurer to have access to and make copies of all books and records relating to such Bonds at any reasonable time.

(6) Consent of Such Bond Insurer. Any provision of this Resolution expressly recognizing or granting rights to any Bond Insurer may not be amended in any manner which affects the rights of such Bond Insurer hereunder without the prior written consent of such Bond Insurer. Furthermore, anything in this Resolution to the contrary notwithstanding, upon the occurrence and continuance of an event of default under this Resolution, such Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the owner of any Bond insured by such Bond Insurer.

(7) Concerning Any Bond Insurance Policy. As long as insurance for any of the Bonds shall be in full force and effect, the Authority, the Board and any Paying Agent/Registrar agree to comply with the following provisions:

(a) if at least one (1) day prior to an interest payment date for any insured Bond the Authority, the Board or Paying Agent determines that there will be insufficient funds in the 1888A Interest and Sinking Fund to pay the principal of or interest on such insured Bond on such interest payment date, the Authority, the Board or Paying Agent shall so notify such Bond Insurer. Such notice shall specify the amount of the anticipated deficiency, the Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest, or both. If the Authority, the Board or Paying Agent has not so notified the Bond Insurer at least one (1) day prior to an Interest Payment Date, the Bond Insurer will make payments of principal or interest due on the insured Bonds on or before the first day next following the date on which the Bond Insurer shall have received notice of nonpayment from the Authority, the Board or Paying Agent, if any;

(b) after giving notice to such Bond Insurer as provided in paragraph (6)(a) above, the Authority, the Board, or the Paying Agent shall make available to such Bond Insurer and, at such Bond Insurer's direction, to any insurance trustee for such Bond Insurer, the registration books for the Bonds maintained by the Paying Agent, and all records relating to the funds and accounts maintained under this Resolution for the benefit of such insured Bonds;

(c) the Authority and the Board shall cause the Paying Agent/Registrar to provide each Bond Insurer and any related insurance trustee with a list of registered owners of Bonds entitled to receive principal or interest payments from such Bond Insurer under the terms of the applicable Bond Insurance Policy, and shall cause the paying Agent/Registrar to make arrangements with any related insurance trustee (i) to mail checks or drafts to the registered owners of such Bonds entitled to receive full or partial interest payments from such Bond Insurer, and (ii) to pay principal upon such Bonds surrendered to any related insurance trustee by the registered owners of Bonds entitled to receive full or partial principal payments from such Bond Insurer;

(d) the Authority and the Board shall cause the Paying Agent/Registrar to notify, at the time it provides notice to a Bond Insurer pursuant to (6)(a) above, the registered owners of Bonds entitled to receive the payment of principal or interest thereon from such Bond Insurer (i) as to the fact of such entitlement, (ii) that such Bond Insurer will remit to them all or a part of the interest payments next coming due, (iii) that should they be entitled to receive full payment of principal from such Bond Insurer, they must tender their insured Bonds (along with a form of transfer of title thereto) for payment to the related insurance trustee, as insurance trustee for such Bond Insurer, and not the Paying Agent/Registrar, and (iv) that should the owners of such Bonds be entitled to receive partial payment of principal from such Bond Insurer they must tender their insured Bonds for payment thereon first to the Paying Agent/Registrar, who shall note on such Bonds the portion of the principal paid by the Paying Agent/Registrar, and then, along with a form of transfer of title thereto, to such Bond Insurer, which will then pay the unpaid portion of principal;

(e) in the event that the Authority, the Board, or the Paying Agent has notice that any payment of principal of or interest on a Bond which has become due for payment and which is made to a Bond Owner by or on behalf of the Authority or the Board has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Authority, the Board, or the Paying Agent shall, at the time the Bond Insurer is notified pursuant to paragraph (6)(a) above, notify all registered owners that in the event that any owners that in the event that nay registered owner's payment is so recovered, such registered owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Authority, the Board, or the Paying Agent shall furnish to such Bond Insurer its records evidencing the payments of principal of an interest on the insured Bonds which have been made by the Authority, the Board, or the Paying Agent and subsequently recovered from registered owners and the dates on which such payments were made; and

(f) any Bond Insurer shall, to the extent it makes a payment of principal of or interest on insured Bonds, become subrogated to the rights o f the recipients of such payments in accordance with the terms of the Bond Insurance Policy provided by such Bond Insurer, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Authority shall cause the Paying Agent/Registrar to note such Bond Insurer's rights as subrogee on the registration books maintained by the Paying Agent/Registrar upon receipt from such Bond Insurer of proof of the payment of interest thereon to the registered owners of such insured Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Authority and the Board Insurer's rights as subrogee on the registration books maintained by the Paying Agent/Registrar upon surrender of such insured Bonds by the registered owners thereof together with proof of the payment of principal thereof.

(8) <u>Concerning the Paying Agent.</u>

(a) The Paying Agent may be removed at any time, at the request of any Bond Insurer, for any breach of the trust set forth herein;

(b) Each Bond Insurer shall receive prior written notice of any Paying Agent resignation and any successor Paying Agent shall not be appointed unless each Bond Insurer approves such successor in writing;

(c) Notwithstanding any other provision of this Resolution, in determining whether the rights of the Bond Holders will be adversely affected by any action taken pursuant to the terms and provisions of this Resolution, the Authority, the Board and the Paying Agent shall, consider the effect on the Bond Holders as if there were no Bond Insurance Policy;

(d) Notwithstanding any other provision of this Resolution, no removal, resignation or termination of the Paying Agent shall take effect until a successor, acceptable to each Bond Insurer, shall be appointed.

(9) Any Bond Insurer As Third Party Beneficiary. To the extent that this Resolution confers upon, or gives or grants to any Bond Insurer any right, remedy or claim under or by reason of this Resolution, such Bond Insurer is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder with respect to the Bonds which have been insured by such Bond Insurer.

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Section 18. **PAYMENTS.** Semiannually on or before each principal or interest payment date while any of the Bonds are outstanding and unpaid, commencing on the first interest payment date for the Bonds as provided in this Resolution and the Bond Purchase Contract, the Board shall make available to the Paying Agent/Registrar, money sufficient to pay such interest on and such principal of the Bonds as will accrue or mature, or be subject to mandatory redemption prior to stated maturity, on such principal, redemption, or interest payment date. The Paying Agent/Registrar shall cancel all paid Bonds and shall furnish the Board and the Authority with an appropriate certificate of cancellation.

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Section 20. **REMEDIES.** Any owner of Parity Obligations in the event of default in connection with any covenant contained herein or in any resolution adopted hereafter authorizing the issuance of Parity Obligations, or default in the payment of said obligations, or of any interest due thereon, or other costs and expenses related thereto, may require the Authority, the Board, their respective officials and employees, and any appropriate official of the State of Texas, to carry out, respect, or enforce the covenants and obligations of this Resolution by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings in any court of competent jurisdiction against the Authority, the Board, their respective officials and employees, or any appropriate official of the State of Texas.

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Section 22. **AMENDMENT OF RESOLUTION.** (a) ***Amendment Without Consent.*** This Resolution and the rights and obligations of the Authority, the Board and of the owners of the Outstanding Parity Obligations may be modified or amended at any time without notice to or the consent of any owner of the Outstanding Parity Obligations, solely for any one or more of the following purposes:

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

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

(iii) To provide for the issuance of Additional Parity Obligations;

(iv) 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 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;

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

(vi) 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 the Parity Obligations; or

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

Notice of any such amendment may be published by the Board or the Authority in the manner described in subsection (c) of this Section; provided, however, that the publication of such notice shall not constitute a condition precedent to the adoption of such amendatory resolution and the failure to publish such notice shall not adversely affect the implementation of such amendment as adopted pursuant to such amendatory resolution.

(b) ***Amendments With Consent.*** Subject to the other provisions of this Resolution, the owners of Outstanding Parity Obligations aggregating a majority in Outstanding Principal Amount shall have the right from time to time to approve any amendment to this Resolution, other than amendments described in subsection (a) of this Section, which may be deemed necessary or desirable by the Board and the Authority; provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the owners of all of the Outstanding Parity Obligations, the amendment of the terms and conditions in this Resolution so as to:

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

(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.

(4) Make any change in the stated maturity, or the provisions for redemption prior to stated maturity, of the Outstanding Bonds;

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

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

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

(c) ***Notice.*** If at any time this Resolution is to be amended pursuant to the provisions of subsection (b) of this Section 22, the Board or the Authority shall cause notice of the proposed amendment to be published in a financial newspaper or journal of general circulation in The City of New York, New York, once during each calendar week for at least two successive calendar weeks. 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 each Registrar for the Parity Obligations for inspection by all owners of Parity Obligations. Such publication is not required, however, if the Board or the Authority gives or causes to be given such notice in writing, by certified mail, to each owner of Parity Obligations. Such publication is not required with respect to amendments to this Resolution effected pursuant to the provisions of subsection (a) of this Section 22.

(d) 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 or the Authority shall receive an instrument or instruments executed by all of the owners or the owners of at least a majority in Outstanding Principal Amount, 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 and the Authority may adopt the amendatory resolution in substantially the same form.

(e) Effect of Amendments. Upon the adoption of any resolution to amend this Resolution pursuant to the provisions of this Section, this Resolution shall be deemed to be amended in accordance with the amendatory resolution, and the respective rights, duties, and obligations of the Board, the Authority and all the owners of then Outstanding Parity Obligations and all future Parity Obligations shall thereafter be determined, exercised, and enforced under this Resolution, as amended.

(f) Consent Irrevocable. Any consent given by any owner of Parity Obligations pursuant to the provisions of this Section 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 this Section, and shall be conclusive and binding upon all future owners of the same Parity Obligations 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 owner who gave such consent, or by a successor in title, by filing notice thereof with the Registrar for such Parity Obligations, the Authority and the Board, but such revocation shall not be effective if the owners of a majority in Outstanding Principal Amount, prior to the attempted revocation, consented to and approved the amendment.

(g) Ownership. For the purpose of this Section, the ownership and other matters relating to all Parity Obligations shall be determined by the Registration Books maintained by the Registrar.

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CERTAIN PROVISIONS OF THE NINTH SUPPLEMENT TO THE MASTER RESOLUTION

Section 1. MASTER RESOLUTION TO REMAIN IN EFFECT; ADDITIONAL PARITY OBLIGATIONS. Except as supplemented or amended herein, the Master Resolution shall remain in full force and effect, it being the intention of the Board and the Authority to provide for the issuance of the Series 2013 Bonds on parity with the Prior Bonds such that the Series 2013 Bonds (as well as any Series 2013 Obligations so designated) shall be considered Additional Parity Obligations under the Master Resolution. The Authority and the Board hereby agree that the Series 2013 Bonds (as well as the Series 2013 Obligations so designated) are to be secured by the Pledged Revenues to the same extent the Prior Bonds are secured and to the same extent any other Additional Parity Obligations, including any refunding bonds, may be secured under the Master Resolution. As Additional Parity Obligations under the Master Resolution, the Series 2013 Bonds are entitled to the benefits of and governed by the provisions, agreements, covenants and warranties contained in the Master Resolution that relate to Parity Obligations and Bonds, to the extent that such provisions, agreements, covenants, and warranties are not in conflict or inconsistent with this Ninth Supplement; provided, however, that to the extent of any conflict between the Master Resolution and this Ninth Supplement as related to the covenants of Sections 16, 17 and 18 of this Ninth Supplement, the covenants set forth in Section 16, 17 and 18 of this Ninth Supplement shall control.

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Section 5. MANAGEMENT OF 2013 FUNDS. (a) **Creation of Funds.** The following 2013 Funds are hereby created: (i) the 2013 Reserve Fund and (ii) the 2013 Costs of Issuance Fund. The Costs of Issuance Fund shall be maintained by the Board and shall be applied to pay the costs of issuing the Series 2013 Bonds as approved by the Executive Director and as provided in this Ninth Supplement. The 2013 Funds shall be held by the University with its depository bank, currently The Bank of New York Mellon Trust Company, N.A., New York, New York, separate from any other funds, or as otherwise directed by the University in accordance with this Ninth Supplement. The Designated Financial Officer shall provide The Bank of New York Mellon Trust Company, N.A., New York, New York with such instructions as are necessary to effect the proper application of such 2013 Funds as provided by the Ninth Supplement.

****

(c) Application of Interest and Sinking Fund. Amounts on deposit in the Interest and Sinking Fund shall be applied at such times and in such amounts as required for the timely payment of the interest and principal of, and premium, if any, due on the Series 2004 Bonds, the Series 2011 Bonds, the Series 2013 Bonds, and any Additional Parity Obligations issued pursuant to Chapter 55 of the Texas Education Code, as amended, whether by reason of stated maturity or redemption prior to stated maturity.

****

(f) 2013 Reserve Fund. The 2013 Reserve Fund may be funded with a deposit of cash in an amount equal to the Required Reserve Amount for the Series 2013 Bonds or by a Credit Facility issued in an amount equal to the Required Reserve Amount for the Series 2013 Bonds or a combination of cash and a Credit Facility equal in amount to the Required Reserve Amount for the Series 2013 Bonds. The University shall maintain a balance in the 2013 Reserve Fund equal to the Required Reserve Amount. The University may, upon passage of a resolution by the Board, replace or substitute a Credit Facility for cash on deposit in the 2013 Reserve Fund or in substitution for or replacement of any existing Credit Facility. Upon such replacement or substitution, cash in excess of the Required Reserve Amount may be withdrawn by the University at its option, and used for any lawful purpose; provided that the face amount of any Credit Facility may be reduced at the option of the University in lieu of such transfer.

When and if the 2013 Reserve Fund contains less than the Required Reserve Amount due to the issuance of the Series 2013 Bonds, beginning on the last Business Day of the month following the delivery of the Series 2013 Bonds to the purchasers thereof, and continuing for sixty (60) months, the University shall deposit to the credit of the 2013 Reserve Fund an amount equal to 1/60th of the difference determined as of such delivery date between the amount in the 2013 Reserve Fund and the Required Reserve Amount. In the event of a deficiency in the 2013 Reserve Fund, or in the event that on the date of termination or expiration of any Credit Facility there is not on deposit in the 2013 Reserve Fund sufficient cash or Credit Facilities, all in an aggregate amount at least equal to the Required Reserve Amount, then the University shall, after making required deposits to the Interest and Sinking Fund in accordance with the terms of this Resolution, satisfy the Required Reserve Amount by depositing cash or a Credit Facility into the 2013 Reserve Fund in monthly installments of not less than 1/12 of such deficiency on or before the last Business Day of each month following such deficiency, termination or expiration.

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Section 10. SECURITY FOR THE SERIES 2013 BONDS. The Series 2013 Bonds are special obligations payable from and secured by the Pledged Revenues pursuant to this Ninth Supplement and the Master Resolution. 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 Series 2013 Bonds on parity with all other Parity Obligations, as the same shall become due and payable. The Board agrees to pay from Pledged Revenues the principal of, premium, if any, and the interest on the Series 2013 Bonds when due, whether by reason of stated maturity or redemption prior to stated maturity. The Board also agrees to pay from Pledged Revenues Bond Insurance Reimbursement Amounts and Reserve Policy Costs in connection with the Credit Facility for the 2013 Reserve Fund.

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Section 11. ISSUANCE OF SERIES 2013 BONDS AS PARITY OBLIGATIONS PURSUANT TO THE MASTER RESOLUTION. The Series 2013 Bonds shall be issued as Parity Obligations pursuant to the Master Resolution. The Board has determined that there will be sufficient funds to meet the financial obligations of each Participant in the Financing System, 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. The Board has also received and approved all certifications and estimates from the Designated Financial Officer that are required by the Master Resolution as a condition to the authorization of the Series 2013 Bonds.

****

Section 17. DEFEASANCE OF OBLIGATIONS. (a) Any Series 2013 Bond may be defeased (a "Defeased Bond") within the meaning of this Ninth Supplement, except to the extent provided in subsections (c) and (e) of this Section, in any manner provided by law, when payment of the principal of such Series 2013 Bond, plus interest thereon to the due date or dates (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the Authority with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable or (3) any combination of (1) and (2). At such time as a Series 2013 Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Series 2013 Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the revenues herein pledged as provided in this Ninth Supplement, and such principal and interest shall be payable solely from such money or Defeasance Securities.

(b) The deposit under clause (ii) of subsection (a) shall be deemed a payment of a Series 2013 Bond as aforesaid when proper notice of redemption of such Series 2013 Bonds shall have been given, in accordance with this Ninth Supplement. Any money so deposited with the Paying Agent/Registrar as provided in this Section may at the written discretion of the Authority also be invested in Defeasance Securities, maturing in the amounts and at the times as hereinbefore set forth, and all income from all Defeasance Securities in possession of the Paying Agent/Registrar pursuant to this Section which is not required for the payment of such Series 2013 Bond and premium, if any, and interest thereon with respect to which such money has been so deposited, shall be turned over to the Authority.

(c) The term "Defeasance Securities" as used in this section means (i) means direct, noncallable obligations of the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Authority adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Series 2013 Bonds are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Authority adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Series 2013 Bonds, are rated as to investment quality by a nationally recognized investment rating firm no less than "AAA" or its equivalent.

(d) Notwithstanding any provision of any other Section of this Ninth Supplement that may be contrary to the provisions of this Section, all money or Defeasance Securities set aside and held in trust pursuant to the provisions of this Section for the payment of principal of the Series 2013 Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Series 2013 Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Board shall make proper arrangements to provide and pay for such services as required by this Ninth Supplement.

(e) Notwithstanding anything elsewhere in this Ninth Supplement, if money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar pursuant to this Section for the payment of Series 2013 Bonds and such Series 2013 Bonds shall not have in fact been actually paid in full, no amendment of the provisions of this Section shall be made without the consent of the registered owner of each Series 2013 Bond affected thereby.

(f) Notwithstanding the provisions of subsection (a) immediately above, to the extent that, upon the defeasance of any Defeased Bond to be paid at its maturity, the Authority retains the right under Texas law to later call that Defeased Bond for redemption in accordance with the provisions of the resolution authorizing its issuance, the Authority may call such Defeased Bond for redemption upon complying with the provisions of Texas law and upon the satisfaction of the provisions of subsection (a) immediately above with respect to such Defeased Bond as though it was being defeased at the time of the exercise of the option to redeem the Defeased Bond and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Bond.

(g) In the event that the Authority elects to defease less than all of the principal amount of Series 2013 Bonds of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Series 2013 Bonds by such random method as it deems fair and appropriate.

Schedule I

Additional Bond Insurance Policy Provisions for the Ninth Supplement

The following Bond Insurance Policy Provisions are hereby incorporated into and are considered part of the Ninth Supplement. To the extent of any conflict or inconsistency between these Bond Insurance Policy Provisions and the remaining provisions of the Resolutions, these Bond Insurance Policy Provisions shall control.

1. *Notice and Other Information to be given to the Bond Insurer*. The Board will provide the Bond Insurer with all notices and other information it is obligated to provide (i) Section 16 of the Ninth Supplement and (ii) to the Holders of Series 2013 Bonds or the Paying Agent/Registrar under the Ninth Supplement. The notice address of the Bond Insurer is: Build America Mutual Assurance Company, 1 World Financial Center, 27th Floor, 200 Liberty Street, New York, NY 10281, Attention: Surveillance, Re: Policy No. ________, Telephone: (212) 235-2500, Telecopier: (212) 235-1542, Email: notices@buildamerica.com. In each case in which notice or other communication refers to an event of default or a claim on the Bond Insurance Policy, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel at the same address and at claims@buildamerica.com or at Telecopier: (212) 235-5214 and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

2. *Defeasance.* Notwithstanding the provisions of Section 17(c) of the Ninth Supplement, the term Defeasance Securities shall be limited to noncallable, direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, or otherwise be approved by the Bond Insurer. At least 5 Business Days prior to any advanced refunding, the Issuer shall deliver to the Bond Insurer copies of an escrow agreement, legal opinions regarding the validity and enforceability of the escrow agreement, a verification report (a "Verification Report") of a nationally recognized independent financial analyst or firm of certified public accountants regarding sufficiency of the escrow and a defeasance legal opinion. Such opinions and Verification Report shall be addressed to the Bond Insurer and shall be in form and substance satisfactory to the Bond Insurer.

In addition, the escrow agreement shall provide that:

a) Any substitution of securities shall require the delivery of a Verification Report, an opinion of bond counsel that such substitution will not adversely affect the exclusion (if interest on the Series 2013 Bonds is excludable) from gross income of the Holders of the Series 2013 Bonds of the interest on the Series 2013 Bonds for federal income tax purposes and the prior written consent of the Bond Insurer.

b) The Authority will not exercise any prior optional redemption of Series 2013 Bonds secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (ii) as a condition to any such redemption there shall be provided to the Bond Insurer a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

c) The Authority shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the Bond Insurer.

3. *Paying Agent/Registrar*.

a) The Bond Insurer shall receive prior written notice of any name change of the Paying Agent/Registrar for the Series 2013 Bonds or the resignation or removal of the Paying Agent/Registrar.

b) No removal, resignation or termination of the Paying Agent/Registrar shall take effect until a successor, acceptable to the Bond Insurer, shall be qualified and appointed.

4. *Amendments and Consents*.

a) The rights of the Bond Insurer with respect to amendments and consents are described in Section 13(l) through (4), (6) and (8) of the Master Resolution.

b) The Authority shall send copies of any amendments to the Bond Insurer and the rating agencies which have assigned a rating to the Series 2013 Bonds.

c) *Consent of the Bond Insurer for acceleration.* The Bond Insurer's prior written consent is required as a condition precedent to and in all instances of acceleration.

d) *Grace Period for Payment Defaults*. No grace period shall be permitted for payment defaults on the Series 2013 Bonds. No grace period for a covenant default shall exceed 30 days without the prior written consent of the Bond Insurer.

e) *Special Provisions for Bond Insurer Default*. If a Bond Insurer Default shall occur and be continuing, then, notwithstanding any provision referenced in Section 4(a) above to the contrary, (1) if at any time prior to or following an Insurer Default, the Bond Insurer has made payment under the Bond Insurance Policy, to the extent of such payment the Bond Insurer shall be treated like any other Holder of the Series 2013 Bonds for all purposes, including giving of consents, and (2) if the Bond Insurer has not made any payment under the Bond Insurance Policy, the Bond Insurer shall have no further consent rights until the particular Insurer Default is no longer continuing or the Bond Insurer makes a payment under the Bond Insurance Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph (e), "Insurer Default" means: (A) the Bond Insurer has failed to make any payment under the Bond Insurance Policy when due and owing in accordance with its terms; or (B) the Bond Insurer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, Paying Agent/Registrar, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Bond Insurance Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the Bond Insurer (including without limitation under the New York Insurance Law).

5. *Payment Procedure Under the Bond Insurance Policy*. Notwithstanding the provisions of Section 13(7) of the Master Resolution, for so long as the Bond Insurance Policy for the Series 2013 Bonds shall be in full force and effect, the Authority, the Board and the Paying Agent/Registrar agree to comply with the following provisions with respect to the Series 2013 Bonds:

In the event that principal and/or interest due on the Series 2013 Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Series 2013 Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Board or the Authority on behalf of the Board, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Issuer to the registered owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered owners including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the Series 2013 Bonds.

In the event that on the second (2nd) business day prior to any payment date on the Series 2013 Bonds, the Paying Agent/Registrar has not received sufficient moneys to pay all principal of and interest on the Series 2013 Bonds due on such payment date, the Paying Agent/Registrar shall immediately notify the Bond Insurer or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent/Registrar shall so notify the Bond Insurer or its designee.

In addition, if the Paying Agent/Registrar has notice that any Holder of the Series 2013 Bonds has been required to disgorge payments of principal of or interest on the Series 2013 Bonds pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Holder within the meaning of any applicable bankruptcy law, then the Paying Agent/Registrar shall notify the Bond Insurer or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of the Bond Insurer.

6. The Paying Agent/Registrar shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for Holders of the Series 2013 Bonds as follows:

a) If there is a deficiency in amounts required to pay interest and/or principal on the Series 2013 Bonds, the Paying Agent/Registrar shall (i) execute and deliver to the Bond Insurer, in form satisfactory to the Bond Insurer, an instrument appointing the Bond Insurer as agent and attorney-in-fact for such Holders of the Series 2013 Bonds in any legal proceeding related to the payment and assignment to the Bond Insurer of the claims for interest on the Series 2013 Bonds, (ii) receive as designee of the respective Holders (and not as Paying Agent) in accordance with the tenor of the Bond Insurance Policy payment from the Bond Insurer with respect to the claims for interest so assigned, and (iii) disburse the same to such respective Holders; and

b) If there is a deficiency in amounts required to pay principal of the Series 2013 Bonds, the Paying Agent/Registrar shall (i) execute and deliver to the Bond Insurer, in a form satisfactory to the Bond Insurer, an instrument appointing the Bond Insurer as agent and attorney in- fact for such Holder of the Series 2013 Bonds in any legal proceeding relate to the payment of such principal and an assignment to the Bond Insurance Policy of the Series 2013 Bonds surrendered to the Bond Insurer, (ii) receive as designee of the respective Holders (and not as Paying Agent) in accordance with the tenor of the Bond Insurance Policy payment therefore from the Bond Insurer, and (iii) disburse the same to such Holders.

The Paying Agent/Registrar shall designate any portion of payment of principal on Bonds paid by the Bond Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Series 2013 Bonds registered to the then current Holder, whether DTC or its nominee or otherwise, and shall issue a replacement Series 2013 Bond to the Bond Insurer, registered in the name directed by the Bond Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Paying Agent/Registrar's failure to so designate any payment or issue any replacement Series 2013 Bond shall have no effect on the amount of principal or interest payable by the Board or the Authority on behalf of the Board on any Series 2013 Bond or the subrogation or assignment rights of the Bond Insurer.

Payments with respect to claims for interest on and principal of Series 2013 Bonds disbursed by the Paying Agent/Registrar from proceeds of the Bond Insurance Policy shall not be considered to discharge the obligation of the Board or the Authority on behalf of the Board with respect to such Series 2013 Bonds, and the Bond Insurer shall become the owner of such unpaid Series 2013 Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise.

Irrespective of whether any such assignment is executed and delivered, the Board or the Authority on behalf of the Board and the Paying Agent/Registrar agree for the benefit of the Bond Insurer that:

a) They recognize that to the extent the Bond Insurer makes payments directly or indirectly *(e.g.*, by paying through the Paying Agent/Registrar), on account of principal of or interest on the Series 2013 Bonds, the Bond Insurer will be subrogated to the rights of such Holders to receive the amount of such principal and interest from the Board or the Authority on behalf of the Board, with interest thereon, as provided and solely from the sources stated in the transaction documents and the Series 2013 Bonds; and

b) They will accordingly pay to the Bond Insurer the amount of such principal and interest, with interest thereon as provided in the transaction documents and the Series 2013 Bonds, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Series 2013 Bonds to Holders, and will otherwise treat the Bond Insurer as the owner of such rights to the amount of such principal and interest.

7. *Additional Payments*. To the extent allowed by law, the Board or the Authority on behalf of the Board agrees that it will pay or reimburse the Bond Insurer on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that the Bond Insurer may pay or incur, including, but not limited to, fees and expenses of the Bond Insurer's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Ninth Supplement ("Administrative Costs"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of the Bond Insurer spent in connection with the actions described in the preceding sentence. The Board or the Authority on behalf of the Board agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to the Bond Insurer until the date the Bond Insurer is paid in full.

Notwithstanding anything herein to the contrary, the Issuer agrees to pay to the Bond Insurer (i) a sum equal to the total of all amounts paid by the Bond Insurer under the Bond Insurance Policy (the "Bond Insurance Policy Payment"); and (ii) interest on such the Bond Insurance Policy Payments from the date paid by the Bond Insurer until payment thereof in full by the Board or the Authority on behalf of the Board, payable to the Bond Insurer at the Late Payment Rate per annum (collectively, "Bond Insurance Reimbursement Amounts") compounded semi-annually. The Issuer hereby covenants and agrees that the BAM Reimbursement Amounts are secured by a lien on and pledge of the Pledged Revenues and payable from such Pledged Revenues on a parity with debt service due on the Series 2013 Bonds.

8. *2013 Reserve Fund*. The prior written consent of the Bond Insurer shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the 2013 Reserve Fund, if any. Amounts on deposit in the 2013 Reserve Fund shall be applied solely to the payment of debt service due on the Series 2013 Bonds. The Bond Insurer hereby consents to the deposit of the Credit Facility issued concurrently with the Bond Insurance Policy in lieu of a cash deposit in the 2013 Reserve Fund.

9. *Exercise of Rights by the Bond Insurer*. The rights granted to the Bond Insurer under the Ninth Supplement to request, consent to or direct any action are rights granted to BAM in consideration of its issuance of the Bond Insurance Policy. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Holders of the Series 2013 Bonds and such action does not evidence any position of the Bond Insurer, affirmative or negative, as to whether the consent of the Holders of the Series 2013 Bonds or any other person is required in addition to the consent of the Bond Insurer.

10. The Bond Insurer shall be entitled to pay principal or interest on the Series 2013 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Board or the Authority on behalf of the Board (as such terms are defined in the Bond Insurance Policy) and any amounts due on the Series 2013 Bonds as a result of acceleration of the maturity thereof in accordance with the Ninth Supplement, whether or not the Bond Insurer has received a claim upon the Bond Insurance Policy.

11. *Definitions*.

The following additional definitions shall apply to these Bond Insurance Policy Provisions.

"Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3%, and (ii) the then applicable highest rate of interest on the Series 2013 Bonds and (b) the maximum rate permissible under applicable usury or other applicable laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as BAM, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to BAM shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

"Bond Insurance Policy" when used in these Bond Insurance Policy Provisions, shall mean the Municipal Bond Insurance Policy issued by the Bond Insurer that guarantees the scheduled payment of principal of and interest on the Series 2013 Bonds when due.

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APPENDIX C

FINANCIAL REPORT OF TEXAS SOUTHERN UNIVERSITY

FOR THE YEAR ENDED AUGUST 31, 2012

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ANNUAL FINANCIAL REPORT

of

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

For the Year Ended
August 31, 2012

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TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

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For the Year Ended August 31, 2012

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INTRODUCTORY SECTION

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TEXAS SOUTHERN UNIVERSITY
3100 CLEBURNE STREET • HOUSTON, TEXAS 77004
713-313-7011

VICE PRESIDENT
DIVISION OF ADMINISTRATION & FINANCE
OFFICE: 713-313-7302;FAX: 713-313-7070

November 16, 2012

The Honorable Glenn O. Lewis, Chairman
TSU Board of Regents
3100 Cleburne Street
Hannah Hall, Room 104
Houston, TX 77004

We are pleased to submit this independently audited Annual Financial Report for the fiscal year ended August 31, 2012 for Texas Southern University ("TSU").

TSU's administration is responsible for establishing and maintaining internal controls designed to ensure that the assets of the university are protected from loss, theft, or misuse. Management also ensures that adequate accounting processes are in place to allow for the preparation of financial statements, in conformity with governmental accounting standards. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of controls should not exceed the benefits expected to be derived, and (2) the evaluation of cost and benefits require estimates and judgments by management.

We believe TSU's accounting controls provide reasonable assurance that errors or irregularities that could be material to the financial statements are prevented, or would be detected within a timely period, by employees in the normal course of performing their assigned function.

TSU is one of the nations largest Historically Black Colleges and Universities and possesses an impressive array of undergraduate and graduate programs, a diverse faculty, 80-plus student organizations, and an alumni network comprised of educators, entrepreneurs, public servants, lawyers, pilots, artist and more. The campus encompasses 150 acres and serves as a cornerstone for developing the greatest potential in leaders from various socio-economic, cultural and racial backgrounds.

Texas Southern University is located in Houston, Texas-the seat of Harris County (the most populous county in the state), the fourth largest city in the US, and one of the fastest-growing and forward-moving cities in the world. Houston's economy is based on petrochemicals, shipping, refining, chemicals, space exploration, manufacturing, education, and tourism. As residents of this international city, Texas Southern students are afforded numerous and unique opportunities and experiences.

TSU is situated in the heart of the city, in Houston's historic Third Ward, giving its students and faculty easy access to the Museum District, neighboring educational institutions (Houston Community College, the University of Houston, Rice University, and the University of St. Thomas), the Texas Medical Center, City Hall, downtown Houston, and all of the city's major freeways.

The preparation of this report was accomplished with the dedicated services of the entire accounting staff and the cooperation of other departments within Business Affairs. We would like to express our appreciation to all members within the Division of Administration and Finance, Internal Audit staff, and others who assisted and contributed to the preparation of this report. Credit must also be given to the Board of Regents and the State of Texas for their continued interest and support in planning and conducting the financial operations of TSU in a responsible and professional manner.

This financial report is designed to provide a general overview of Texas Southern University's finances for interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director of Business Affairs, 3100 Cleburne Street, Suite 145, Houston, TX 77004-4501.

Sincerely,

Jim McShan

Jim C. McShan
Vice President for Administration and Finance

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

BOARD OF REGENTS

August 31, 2012

Officers

Glenn O. Lewis, Chair
Dionicio Flores, Vice Chair
Curtistene McCowan, Second Vice Chair
Richard C. Holland, Secretary

Members

Glenn O. Lewis, Chair		Fort Worth
Richard C. Holland, Secretary		Plano
Erik D. Salwen		Houston
	Terms Expire February 1, 2013	
Dionicio Flores, Vice Chair		El Paso
Curtistene McCowan, Second Vice Chair		De Soto
Marilyn A. Rose		Houston
	Terms Expire February 1, 2015	
Gary Bledsoe		Austin
Samuel Bryant		Austin
Richard Knight, Jr		Dallas
	Terms Expire February 1, 2017	
Juan A. Sorto, Student Regent		Houston
	Term Expires May 31, 2013	

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TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

UNIVERSITY ADMINISTRATION

August 31, 2012

University Administration

John M. Rudley, Ed.D	President
Sunny E. Ohia, Ph.D	Provost/Vice President for Academic Affairs and Research
Jim C. McShan, CPA	Vice President for Administration and Finance
James M. Douglas, Ph.D	Vice President of Governmental Relations and Community Affairs
William T. Saunders, J.D.	Vice President for Student Services and Dean of Students
Andrew C. Hughey, J.D.	General Counsel
Wendy H. Adair	Vice President for University Advancement
Charles F. McClelland, Ph.D	Director of Athletics
Janis J. Newman	Chief of Staff
Rasoul Saneifard, Ph.D	Chair, Faculty Assembly/Senate

Fiscal Administration

Altaf Rajan, CPA	Executive Director of Business Affairs
Gregory L. Williams	Executive Director of Procurement Services
Louis Edwards	Associate Vice President of Treasury and Budget
Lavonda Horn	Director of General Accounting

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Regents of
Texas Southern University:

We have audited the accompanying financial statements of Texas Southern University (TSU), an Agency of the State of Texas, as of and for the year ended August 31, 2012, which collectively comprise TSU's basic financial statements as listed in the table of contents. These financial statements are the responsibility of TSU's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of TSU are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the State of Texas that is attributable to the transactions of TSU. They do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2012, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of TSU as of August 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 2012 on our consideration of TSU's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Partners
Robert Belt, CPA
Stephanie E. Harris, CPA
Nathan Krupke, CPA

Houston
3210 Bingle Rd., Ste. 300
Houston, TX 77055
713.263.1123

Bellville
6100 Windy Hill Lane
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713.263.1550 fax

Governmental Audit Quality Center
AICPA

The Management's Discussion and Analysis and Schedule of Operating Expenses are not required parts of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise TSU's financial statements as a whole. The introductory section and the schedules identified as 1A, 1B, 2A, 2B, 2C, and 2D in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. Schedules 1A, 1B, 2A, 2B, 2C, and 2D are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
November 12, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

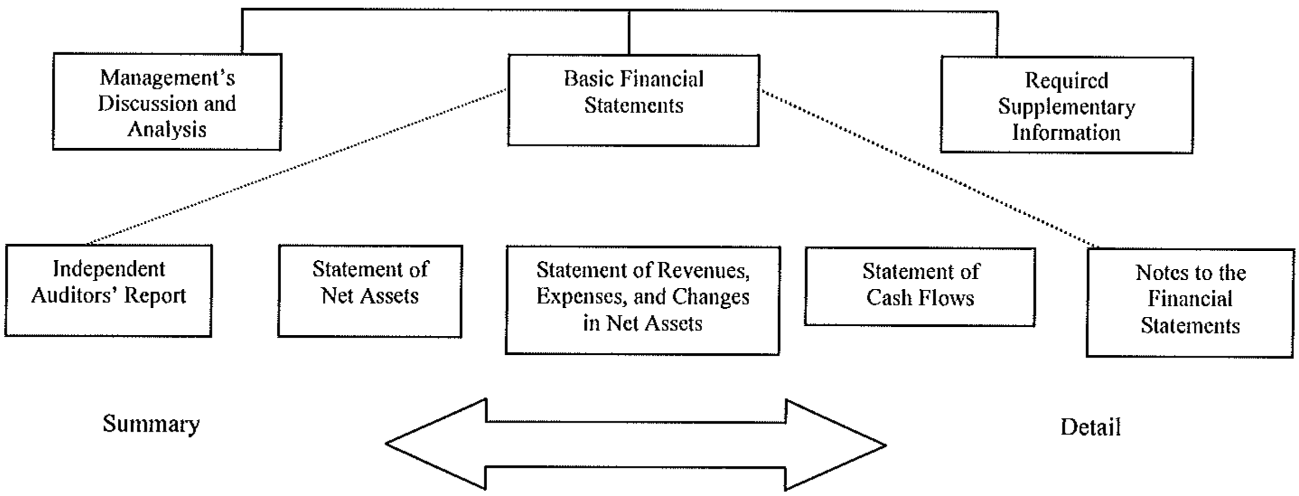
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the year ended August 31, 2012

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the annual financial activities of Texas Southern University (TSU). The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of TSU's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. GASB Statement No. 34 establishes the content of the minimum requirements for the MD&A. Please read the MD&A in conjunction with TSU's financial statements, which follow this document.

THE STRUCTURE OF OUR ANNUAL REPORT

Components of the Financial Section



The annual financial report is presented as compliant with the financial reporting model in effect pursuant to GASB Statement No. 34. The financial reporting model requires certain basic financial statements as well as an MD&A and certain other Required Supplementary Information (RSI). The basic financial statements include statement of net assets; statement of revenues, expenses, and changes in net assets; statement of cash flows; and notes to the financial statements.

Basic Financial Statements

The basic financial statements report information for TSU as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of TSU as an economic entity. The statement of net assets and the statement of revenues, expenses, and changes in net assets, which appear first in the financial statements, report information on TSU's activities that enable the reader to understand the financial condition of TSU. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The statement of net assets presents information on all of TSU's assets and liabilities. The difference between the two is reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of TSU is improving or deteriorating. Other nonfinancial factors, such as TSU's customer base and the condition of TSU's infrastructure, need to be considered to assess the overall health of TSU.

The statement of revenues, expenses, and changes in net assets presents information showing how TSU's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method.

The statement of cash flows presents information about TSU's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balances during the reporting period.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The basic financial statements can be found after the MD&A within this report.

FINANCIAL ANALYSIS OF TSU

As noted earlier, net assets may serve over time as a useful indicator of TSU's financial position. Assets exceed liabilities by $148,106,943.46 as of August 31, 2012. As required by GASB Statement No. 34, a comparative analysis has been presented as a component of the MD&A. The largest portion of TSU's net assets (44 percent) reflects its investments in capital assets (e.g., land, buildings and improvements, equipment, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. TSU uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although TSU's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Condensed Statement of Net Assets

The following table reflects the condensed Statement of Net Assets:

CONDENSED STATEMENT OF NET ASSETS

	2012	2011
Current and other assets	$ 83,608,154.19	$ 99,706,057.35
Restricted assets	83,696,650.68	77,918,312.16
Capital assets, net	244,004,780.65	179,697,084.58
Total Assets	411,309,585.52	357,321,454.09
Current liabilities	96,362,406.21	97,577,051.28
Noncurrent liabilities	166,840,235.85	119,789,533.21
Total Liabilities	263,202,642.06	217,366,584.49
Invested in capital assets, net of related debt	65,279,253.43	50,524,453.25
Restricted for:		
Capital projects	-	9,827,017.64
Debt service	2,817,865.97	2,212,772.49
Other	36,623,670.97	33,998,968.20
Unrestricted	43,386,153.09	43,391,658.02
Total Net Assets	$148,106,943.46	$139,954,869.60

Unrestricted net assets decreased by $5,504.93 from $43,391,658.02 to $43,386,153.09 at year end. Unrestricted net assets are assets that can be used to finance day-to-day operations without constraints established by debt covenants and enabling legislation. The majority of this decrease can be attributed to normal business operational activities.

Statement of Revenues, Expenses, and Changes in Net Assets

Operating Revenues	**2012**	**2011**
Tuition and fees, pledged	$ 82,526,344.76	$ 82,995,832.95
Discount on tuition and fees	(20,716,408.45)	(25,028,288.30)
Auxiliary enterprises, pledged	11,919,226.85	8,996,962.66
Other sales of goods and services, pledged	226,208.38	18,956.06
Federal revenue	40,089,680.82	44,945,212.20
Federal pass through revenue	3,363,800.01	2,472,982.67
State revenue	1,233,369.85	4,246,178.32
State pass through revenue	7,705,766.37	6,566,174.46
Other operating contract and grants, pledged	894,336.29	909,196.47
Other operating revenue	4,783,422.89	4,837,181.32
Total Operating Revenues	132,025,747.77	130,960,388.81

Operating Expenses		
Salaries and wages	89,577,892.90	89,549,622.30
Payroll related costs	21,188,258.73	20,689,213.82
Professional fees and services	6,818,234.33	9,204,597.92
Travel	3,438,617.13	2,977,531.08
Materials and supplies	11,768,528.56	11,149,178.46
Communication and utilities	6,213,944.62	6,861,485.30
Repairs and maintenance	4,488,254.99	5,258,096.71
Rentals and leases	2,457,481.80	2,543,897.76
Printing and reproductions	716,404.32	554,256.61
Federal pass through expenditures	125,864.42	31,473.33
Bad debt expense	2,175,210.81	2,175,970.90
Scholarships	26,616,254.54	28,029,175.32
Other operating expenses	10,682,430.20	13,972,909.95
Depreciation	17,327,229.47	13,501,068.16
Total Operating Expenses	203,594,606.82	206,498,477.62
Operating (Loss)	$ (71,568,859.05)	$ (75,538,088.81)

Nonoperating Revenues (Expenses)	2012	2011
State appropriations	$ 52,541,654.00	$ 54,863,698.00
Additional appropriations	9,512,275.38	10,302,617.48
Gifts received	2,112,119.55	666,559.42
Interest income	1,681,053.78	1,633,697.21
Investing expenses	(277,319.40)	(242,810.00)
Interest expense	(7,630,160.26)	(5,815,479.26)
Net increase in fair value of investments	3,283,765.71	3,146,802.01
Other non-operating	10,208,611.28	(4,218,167.68)
Total Nonoperating Revenues	71,432,000.04	60,336,917.18
Income Before Other Revenues, Gains, and Transfers	(136,859.01)	(15,201,171.63)
Other Revenues, Expenses, and Transfers		
Capital appropriations, HEAF	8,894,700.00	8,894,700.00
Additions to endowments	151,336.76	64,057.56
Lapsed appropriations	(52,072.48)	(558.48)
Transfer to state	(705,031.41)	(676,015.30)
Total Other Revenues, Expenses, and Transfers	8,288,932.87	8,282,183.78
Change in Net Assets	8,152,073.86	(6,918,987.85)
Beginning net assets	139,954,869.60	146,873,857.45
Ending Net Assets	$ 148,106,943.46	$ 139,954,869.60

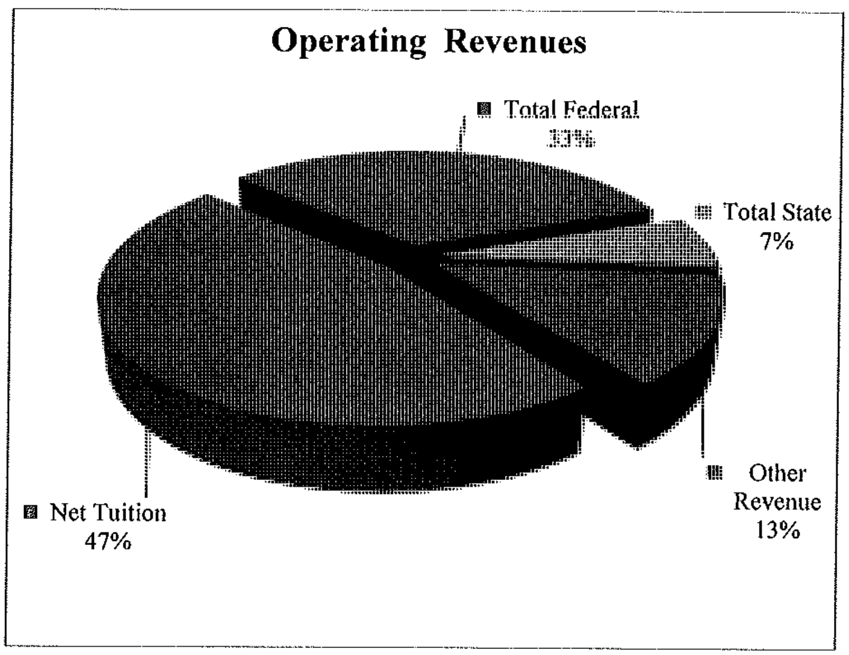
For the year ended August 31, 2012, total revenue was $220,359,191.55. Total revenue increased by $14,721,412.52 (or 7 percent). TSU's total net assets increased by $8,152,073.86 (or 6 percent). This primary increase was due to revenue from auxiliary enterprise housing units purchased in fiscal year 2012 and the close-out of existing bonds for these properties and the parking garage.

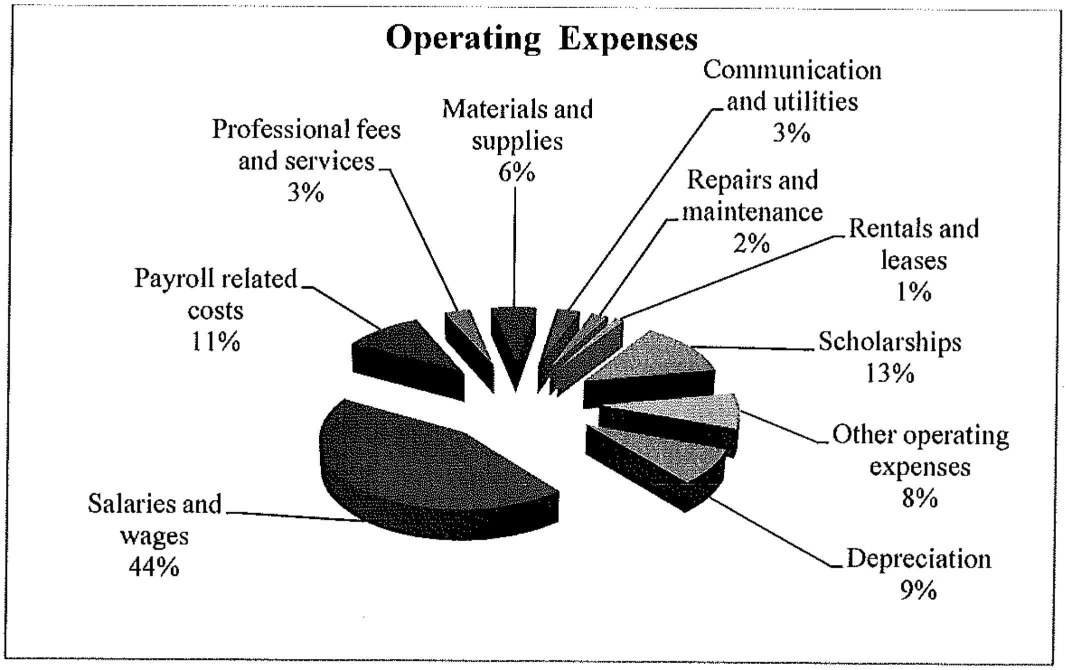
Expenses totaled $212,207,117.89 for the year ended August 31, 2012. This represents a decrease of $349,648.99 from last year. The majority of this decrease can be attributed to decreases in scholarships related to Pell awards, as well as a decrease in professional fees and services.

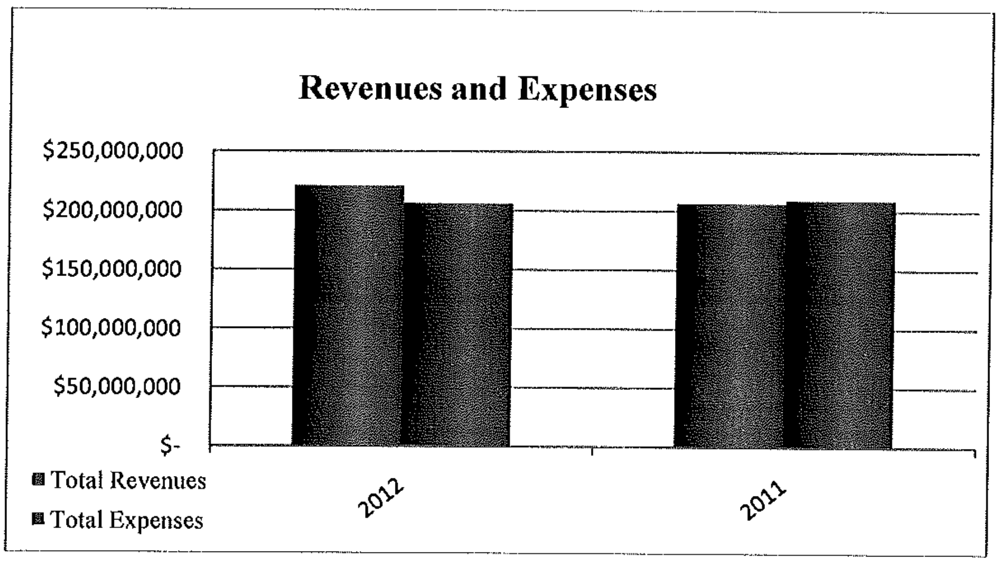
Key elements to these changes are as follows:

- Operating revenues increased by $1,065,358.96 (1 percent) due to auxiliary enterprise housing unit revenue in fiscal year 2012.
- Non-operating revenues increased by $12,980,041.46 (17 percent) due to an increase auxiliary enterprise housing unit revenue in fiscal year 2012.
- Operating expenses decreased by $6,730,032.11 (3 percent) as a result of a decrease in the amount of scholarships awarded to students and external professional services fee in fiscal year 2012.
- Non-operating expenses increased by $1,879,208.51 (28 percent) due to an increase in the fair value of investments in fiscal year 2012.
- Depreciation expense increased $3,826,161.31 (28 percent) due to housing units, parking garage and Gift-In-Kind capital asset additions.

Graphic presentations of selected data from the summary tables follow to assist in the analysis of TSU's activities.




Operating Expenses
Communication and utilities 3%
Materials and supplies 6%
Professional fees and services 3%
Repairs and maintenance 2%
Rentals and leases 1%
Payroll related costs 11%
Scholarships 13%
Other operating expenses 8%
Salaries and wages 44%
Depreciation 9%


Revenues and Expenses
$250,000,000
$200,000,000
$150,000,000
$100,000,000
$50,000,000
$-
Total Revenues
Total Expenses
2012
2011

CAPITAL ASSETS

At year end, TSU had invested $244,004,780.65 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of $64,307,696.07.

Major capital asset events during the current year include the following:

- Building improvements completed at a cost of $1,384,959.00 and building purchase of a residential housing complex and parking garage at a cost of $64,567,502.17.
- Various building renovations and equipment were added as construction in progress at a total cost of $11,453,335.30.
- Construction is about to commence on the new residential housing unit estimated to cost $55 million in fiscal year 2013.

More detailed information about TSU's capital assets is presented in the notes to the financial statements.

LONG-TERM DEBT

TSU's revenue bonds carry the rating of "Baa1" with Moody's Investors Service. At year end, TSU had $101,709,725.46 in revenue bonds outstanding versus $109,360,522.54 last year. TSU had $14,261,189.86 in general obligation bonds outstanding compared to $19,091,784.79 last year. A new loan from Department of Education for $64 million to purchase Housing Units and a Parking garage was taken out during fiscal year 2012. More detailed information about TSU's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS

TSU's revenue declined in fiscal year 2012 due to reductions in State funding across the board including decreases in State and additional appropriations. In addition to State funding, TSU received less Federal grant awards for scholarships to students.

CONTACTING TSU'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, alumni, citizens, taxpayers, and creditors with a general overview of TSU's finances and to show TSU's accountability for the money it received. If you have questions about this report or need additional financial information, contact the Texas Southern University Finance Department, 3100 Cleburne Street, Houston, Texas 77004.

BASIC FINANCIAL STATEMENTS

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF NET ASSETS

August 31, 2012

Description	Amount
ASSETS	
Current Assets	
Current Unrestricted Assets	
Cash on hand	$ 2,225.50
Cash in bank	15,581,751.83
Cash in state treasury	6,650,932.50
Balance in state appropriations	6,680,597.13
Accounts receivable, net	20,329,946.36
Due from federal government	7,751,000.40
Due from state government	5,806,347.39
Other receivables	122,293.65
Gifts receivable, net	600,000.00
Due from other agencies	11,835.69
Inventories	200,774.68
Prepaid items	17,065,147.60
Total Current Unrestricted Assets	**80,802,852.73**
Current Restricted Assets	
Current restricted cash	442,803.68
Current restricted cash equivalents	25,687,071.20
Investments	18,504,239.80
Total Current Restricted Assets	**44,634,114.68**
Total Current Assets	**125,436,967.41**
Non-Current Assets	
Non-Current Restricted Assets	
Non-current investments	39,062,536.00
Total Non-Current Restricted Assets	**39,062,536.00**
Non-Current Unrestricted Assets	
Notes receivable, net	1,850,245.51
Deferred charges	955,055.95
Non-depreciable capital assets:	
Land	16,948,833.71
Construction in progress	11,453,355.30
Historical treasures and works of art	2,868,943.42
Total Non-Depreciable Capital Assets	**31,271,132.43**
Depreciable Capital Assets	
Buildings and building improvements	377,413,076.09
Infrastructure	6,528,360.95
Equipment	24,297,747.40
Library books	29,528,181.22
Less accumulated depreciation	(225,033,717.44)
Total Depreciable Capital Assets, Net	**212,733,648.22**
Total Non-Current Unrestricted Assets	**246,810,082.11**
Total Non-Current Assets	**285,872,618.11**
TOTAL ASSETS	**$ 411,309,585.52**

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF NET ASSETS (Continued)

August 31, 2012

Description	Amount
LIABILITIES	
Current Liabilities	
Accounts payable	$ 8,557,902.76
Salaries payable	7,116,075.29
Due to other agencies	35,503.83
Interest payable	1,990,461.66
Escheat payable	406,913.19
Deferred revenue	46,994,962.77
Student refunds payable	2,393,412.65
Other payables	8,101,174.43
Due to Perkins Loan Program	2,723,048.00
Notes payable due in one year	2,461,725.84
Revenue bonds due in one year (net of premiums and discounts)	7,986,738.19
General obligation bonds due in one year (net of premiums and discounts)	5,020,594.93
Compensated absences payable due in one year	2,573,892.67
Total Current Liabilities	**96,362,406.21**
Non-Current Liabilities	
Notes payable due in more than one year	61,043,715.86
Revenue bonds due in more than one year (net of premiums and discounts)	93,722,987.27
General obligation bonds due in more than one year (net of premiums and discounts)	9,240,594.93
Compensated absences payable due in more than one year	2,765,762.41
Arbitrage payable	67,175.38
Total Non-Current Liabilities	**166,840,235.85**
TOTAL LIABILITIES	**263,202,642.06**
NET ASSETS	
Invested in capital assets, net of related debt	65,279,253.43
Restricted for:	
Debt service	2,817,865.97
Other purposes	65,392.26
Endowments	36,558,278.71
Unrestricted	43,386,153.09
TOTAL NET ASSETS	**$ 148,106,943.46**

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the year ended August 31, 2012

Description	Amount
OPERATING REVENUES	
Tuition and fees, pledged	$ 82,526,344.76
Discount on tuition and fees	(20,716,408.45)
Auxiliary enterprises, pledged	11,919,226.85
Other sales of goods and services, pledged	226,208.38
Federal revenue	40,089,680.82
Federal pass through revenue	3,363,800.01
State revenue	1,233,369.85
State pass through revenue	7,705,766.37
Other operating contract and grants, pledged	894,336.29
Other operating revenue	4,783,422.89
Total Operating Revenues	**132,025,747.77**
OPERATING EXPENSES	
Salaries and wages	89,577,892.90
Payroll related costs	21,188,258.73
Professional fees and services	6,818,234.33
Travel	3,438,617.13
Materials and supplies	11,768,528.56
Communication and utilities	6,213,944.62
Repairs and maintenance	4,488,254.99
Rentals and leases	2,457,481.80
Printing and reproductions	716,404.32
Federal pass through expenditures	125,864.42
Bad debt expense	2,175,210.81
Scholarships	26,616,254.54
Other operating expenses	10,682,430.20
Depreciation and amortization	17,327,229.47
Total Operating Expenses	**203,594,606.82**
Total Operating (Loss)	**$ (71,568,859.05)**

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (Continued)

For the year ended August 31, 2012

Description	Amount
NON-OPERATING REVENUES (EXPENSES)	
State appropriations	$ 52,541,654.00
Additional appropriations	9,512,275.38
Gifts received	2,112,119.55
Interest income	1,681,053.78
Investing expenses	(277,319.40)
Interest expense	(7,630,160.26)
Net increase in fair value of investments	3,283,765.71
Other non-operating	10,208,611.28
Total Non-Operating Revenues	**71,432,000.04**
(Loss) Before Other Revenues, Expenses, Gains & Transfers	**(136,859.01)**
OTHER REVENUES, EXPENSES, & TRANSFERS	
Capital appropriations, HEAF	8,894,700.00
Additions to endowments	151,336.76
Returned lapsed appropriations	(52,072.48)
Transfer to state	(705,031.41)
Total Other Revenues, Expenses, & Transfers	**8,288,932.87**
Change in Net Assets	**8,152,073.86**
Beginning Net Assets	**139,954,869.60**
Ending Net Assets	**$ 148,106,943.46**

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF CASH FLOWS

For the year ended August 31, 2012

	2012
Cash Flows from Operating Activities	
Proceeds from tuition and fees	$ 58,596,616.56
Proceeds from auxiliary enterprises	11,919,226.85
Proceeds from federal grants and contracts	55,860,922.27
Proceeds from state grants and contracts	3,147,817.09
Proceeds from other revenues	1,073,934.08
Payments to employees for salaries and wages	(88,831,744.92)
Payments for employee related costs	(21,155,623.00)
Payments for other expenses	(75,655,626.99)
Net Cash (Used) by Operating Activities	(55,044,478.06)
Cash Flows from Noncapital Financing Activities	
Receipts from state appropriations	80,771,997.81
Receipts from gifts and endowments	3,053,456.31
Net Cash Provided by Noncapital Financing Activities	83,825,454.12
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets	(80,758,909.43)
Principal paid on capital debt	(14,035,550.10)
Interest and fiscal agent fees paid	(7,699,489.10)
Loan receipts	64,180,000.00
Net Cash (Used) by Capital and Related Financing Activities	(38,313,948.63)
Cash Flows from Investing Activities	
Sale of investments	447,828.00
Purchase of investments	(11,096,717.50)
Payments received on notes receivable	453,388.15
Interest received	1,403,734.38
Net Cash (Used) by Investing Activities	(8,791,766.97)
Net (Decrease) in Cash and Cash Equivalents	(18,324,739.54)
Beginning cash and cash equivalents	66,689,524.25
Ending Cash and Cash Equivalents	$ 48,364,784.71
Unrestricted cash and cash equivalents	22,234,909.83
Restricted cash and cash equivalents	26,129,874.88
Ending Cash and Cash Equivalents	$ 48,364,784.71

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF CASH FLOWS (Continued)

For the year ended August 31, 2012

Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities	**2012**
Operating (Loss)	$ (71,568,859.05)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:	
Depreciation	17,327,229.47
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable, net	(9,012,467.61)
Due from federal government	12,407,441.44
Other receivables	7,399.29
Inventories	(5,999.56)
Prepaid items	1,253,891.41
Increase (Decrease) in:	
Accounts payable	3,838,368.28
Salaries payable	230,315.28
Due to state	32,635.73
Escheat payable	(34,873.52)
Deferred revenue	(4,837,432.77)
Student refunds payable	7,828.73
Other current liabilities	(5,205,787.88)
Compensated absences	515,832.70
Net Cash (Used) by Operating Activities	$ (55,044,478.06)

See Notes to Financial Statements.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Texas Southern University (TSU), reported as a business-type activity in the State of Texas' Comprehensive Annual Financial Report, have been prepared in conformity with generally accepted accounting principles (GAAP) for local governmental units and with State statutes. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

TSU's annual financial report is prepared to satisfy both the requirements of GAAP and the Texas Comptroller of Public Accounts' (the Comptroller) requirements as specified in the Comptroller's *Reporting Requirements for Annual Financial Reports of State Agencies and Universities.* The Comptroller specifies, among other items, account captions, note organization, and does not allow the rounding of financial statement amounts to whole dollars.

The most significant accounting and reporting policies of TSU are described in the following notes to the financial statements.

A. Reporting Entity

TSU is an agency of the State of Texas the "State". TSU serves the State by providing education, research, and extension work in the fields of the arts, business, education, law, pharmacy, public affairs, science, and technology. No component units have been identified which should be presented within TSU's report.

B. Financial Statement Presentation

These financial statements include implementation of (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities.* Requirements of the statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of TSU's overall financial position and results of operations.

- Financial statements prepared using full accrual accounting for all of TSU's activities.

Statement No. 35 established standards for external financial reporting for all public colleges and universities, which includes a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- **Invested in capital assets, net of related debt** - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- **Restricted** - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted** - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

C. Measurement Focus and Basis of Accounting

For financial reporting purposes, TSU is considered a special-purpose government engaged only in business-type activities. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, TSU's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. TSU applies all GASB pronouncements and applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989. Subsequent to this date, TSU accounts for its activities as presented by GASB.

D. Budgets and Budgetary Accounting

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriation Act). Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

E. Assets, Liabilities, and Net Assets

1. Cash and Cash Equivalents

TSU's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Balance in State Appropriations

This item represents the balance of general revenue funds at August 31, 2012 as calculated in the Texas Comptroller's General Revenue Reconciliation.

3. Current Receivables – Other

Other receivables include year-end accruals. All receivables are shown net of an allowance for uncollectible accounts.

4. Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, TSU reports all investments at fair value. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets.

5. Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements, including those related to sponsored programs, donors, bond covenants, and loan agreements. Restricted assets are utilized first where applicable.

6. Inventories and Prepaid Items

Inventories are valued at cost, utilizing the first-in and first-out method. The consumption method of accounting is used, meaning these items are expensed when the items are consumed. Certain payments to vendors made in advance of the scheduled due date have been recorded as prepaid items.

7. Capital Assets

Capital assets are defined by the State as follows:

Class of Asset	Threshold
Land and Land Improvements	Capitalize all
Buildings and Building Improvements	$100,000
Facilities and Other Improvements	$100,000
Infrastructure-Depreciable	$500,000
Infrastructure-Non-Depreciable	Capitalize all
Furniture and Equipment/Vehicles	$5,000
Library Books (collections)	Capitalize all
Works of Art/Historical Treasures	Capitalize all
Leasehold Improvements	$100,000
Internally Generated Computer Software	$1,000,000
Other Computer Software	$100,000
Land Use Rights – Permanent	Capitalize all
Land Use Right – Term	$100,000
Other Intangible Capital Assets	$100,000
Construction in Progress	Capitalize all

These assets are capitalized at cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is reported on all exhaustible assets. Inexhaustible assets such as works of art and historical treasures are not depreciated. Assets are depreciated or amortized over the estimated useful life of the asset using the straight-line method over the following estimated useful years:

Asset Description	Estimated Useful Life
Buildings and improvements	15 to 50 years
Machinery and equipment	3 to 10 years
Infrastructure	30 to 50 years
Computer software	5 to 6 years
Land use rights	10 years
Capital leases	5 years

8. Accounts Payable

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

9. Compensated Absences

Employees' compensable leave balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the statement of net assets. These obligations are normally paid from the same funding source from which each employee's salary or wage compensation was paid.

10. Bonds Payable – General Obligation Bonds

General obligation bonds are reported as short-term liabilities (current for amounts due within one year) and long-term liabilities (noncurrent for amounts due thereafter) in the statement of net assets. The bonds are reported at par, net of unamortized premiums, discounts, issuance costs, and gains (losses) on bond refunding activities, if applicable.

11. Bonds Payable – Revenue Bonds

Revenue bonds are reported as short-term liabilities (current for amounts due within one year) and long-term liabilities (noncurrent for amounts due thereafter in the statement of net assets). The bonds are reported at par, net of unamortized premiums, discounts, issuance costs and gains (losses) on bond refunding activities, if applicable.

12. Net Assets

The difference between fund assets and liabilities is net assets.

F. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. Operating versus Non-operating Revenues

TSU categorizes revenues as operating versus non-operating following the Comptroller's guidelines. Generally, all revenues are considered operating revenue unless they are non-exchange transactions, such as State appropriation, gifts, or investment related earnings.

H. Restricted versus Unrestricted Resources

Expenses incurred by TSU for items that could be applied to restricted or unrestricted sources are first applied to unrestricted sources, unless such items were specifically budgeted for use from a restricted source.

I. Economic Dependency

TSU relies extensively on State appropriations as well as resources from grantor agencies to support its operations.

NOTE 2: CAPITAL ASSETS

A summary of changes in capital assets for the year ended August 31, 2012 is as follows:

	Balance 9/1/2011	Adjusted	Reclassify Completed CIP	Reclassify Int' agy Trf	Additions	Deletions	Balance 8/31/2012
Non-depreciable or Non-amortizable Assets							
Land and Land Improvements	$ 16,000,028.13	$ -	$ -	$ -	$ 948,805.58	$ -	$ 16,948,833.71
Construction in Progress	2,635,585.19	-	(2,054,430.85)	-	11,011,837.63	(139,636.67)	11,453,355.30
Other Tangible Capital Assets	2,868,943.42	-	-	-	-	-	2,868,943.42
Total Non-depreciable/amortizable	21,504,556.74	-	(2,054,430.85)	-	11,960,643.21	(139,636.67)	31,271,132.43
Depreciable Assets							
Buildings and Building Improvements	298,793,655.12	-	1,384,959.00	-	64,567,502.17	(3,822,510.67)	360,923,605.62
Infrastructure	6,528,360.95	-	-	-	-	-	6,528,360.95
Facilities and Other Improvements	15,269,065.47	-	-	-	205,831.00	-	15,474,896.47
Furniture and Equipment	21,885,473.04		669,471.85	41,453.62	1,273,759.23	(1,839,139.30)	22,031,018.44
Vehicle, Boats and Aircraft	1,634,384.34	-	-	-	175,068.09	(22,627.85)	1,786,824.58
Other Capital Assets	30,206,272.28	-	-	-	3,555,701.03	(3,219,218.09)	30,542,755.22
Total Depreciable Assets	374,317,211.20	-	2,054,430.85	41,453.62	69,777,861.52	(8,903,495.91)	437,287,461.28
Less Accumulated Depreciation for:							
Buildings and Building Improvements	(173,568,536.47)	-	-	-	(9,879,629.32)	948,885.39	(182,499,280.40)
Infrastructure	(1,165,968.19)	-	-	-	(312,191.52)	-	(1,478,159.71)
Facilities and Other Improvements	(10,383,664.23)	-	-	-	(270,689.84)	-	(10,654,354.07)
Furniture and Equipment	(13,099,621.54)	88.17	-	(3,931.29)	(2,050,962.58)	1,654,197.97	(13,500,229.27)
Vehicle, Boats, and Aircraft	(1,068,387.11)	-	-	-	(133,309.98)	22,627.85	(1,179,069.24)
Other Capital Assets	(17,139,301.55)	-	-	-	(1,535,907.51)	3,227,673.40	(15,447,535.66)
Total Accumulated Depreciation	(216,425,479.09)	88.17	-	(3,931.29)	(14,182,690.75)	5,853,384.61	(224,758,628.35)
Depreciable Assets, Net	157,891,732.11	88.17	2,054,430.85	37,522.33	55,595,170.77	(3,050,111.30)	212,528,832.93
Intangible Capital Assets- Amortizable							
Computer Software - Intangible	479,904.38	-	-	-	-	-	479,904.38
Total Intangible Capital Assets	479,904.38	-	-	-	-	-	479,904.38
Less Accumulated Amortization for:							
Computer Software - Intangible	(179,108.65)	-	-	-	(95,980.44)	-	(275,089.09)
Total Accumulated Amortization	(179,108.65)	-	-	-	(95,980.44)	-	(275,089.09)
Intangible Capital Assets	300,795.73	-	-	-	(95,980.44)	-	204,815.29
Activities Capital Assets - Net.	$ 179,697,084.58	$ 88.17	$ -	$ 37,522.33	$ 67,459,833.54	$ (3,189,747.97)	$ 244,004,780.65

Construction commitments outstanding at year end were as follows:

Bldg No.	Project Description/ Project Manager	Overall Project Budget	Total Spent To Date	Remaining Balance
125	Central Plant / Chiller and Pump Replacement Project	$ 258,360.00	$ 257,028.96	$ 1,331.04
125	Central Plant / Chiller and Pump Replacement Project	175,250.00	141,250.00	34,000.00
125	Central Plant / Chiller and Pump Replacement Project	2,812,000.00	2,626,168.08	185,831.92
125	Central Plant / Chiller and Pump Replacement Project	686,400.00	548,595.00	137,805.00
164	Health& Physical Education Hurricane IKE door repairs	326,377.00	281,460.21	44,916.79
163	New Technology Building	32,249,431.05	2,431,606.43	29,817,824.62
114	University Courtyard HVAC installation	533,136.00	336,160.59	196,975.41
115	Tierwester Oaks HVAC installation	892,324.00	806,462.49	85,861.51
114	Tierwester Oaks Carpentry	450,350.00	261,057.08	189,292.92
115	University Courtyard Oaks Carpentry	265,250.00	211,726.66	53,523.34
148	Sterling Student Life Center IKE Repairs	1,766,619.00	1,506,448.38	260,170.62
164	Health & Physical Education-Hurricane Ike Exterior	326,277.24	281,460.21	44,817.03
125	Reassemble York # 3 chiller	175,250.00	141,250.00	34,000.00
	New Student Housing project	55,000,000.00	-	55,000,000.00
113	Urban Academic Village	157,008.00	-	157,008.00
147	Law School / Moot Court	21,239.00	-	21,239.00
107	John T Biggers Art Ctr Roofing & Waterproofing Repairs	286,994.00	-	286,994.00
143	MLK Roofing & Waterproofing Repairs	297,473.00	-	297,473.00
107	John T Biggers Art Center classrooms renovation	214,616.00	-	214,616.00
171	Granville M Sawyer Auditorium electrical & lights	140,630.00	-	140,630.00
150	JHJ Interior Renovation, Design & Engineering	24,750.00	15,218.05	9,531.95
115	Tierwester oak/University Courtyard waterproofing	15,000.00	-	15,000.00
	TOTAL	$97,074,734.29	$9,845,892.14	$87,228,842.15

NOTE 3: DEPOSITS AND INVESTMENTS

A. Deposits of Cash in Bank

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, TSU's deposits may not be returned to it. As of August 31, 2012, TSU's deposits were fully collateralized.

	Amount
Cash and cash equivalents per statement of cash flows	$ 48,364,784.71
Less:	
Cash on hand	2,225.50
Cash in treasury	6,650,932.50
Total Cash in Bank	$ 41,711,626.71
Unrestricted cash in bank:	$ 15,581,751.83
Restricted cash in bank:	26,129,874.88
Total Cash in Bank	$ 41,711,626.71

B. Investments

TSU has adopted written investment policies regarding the investment of its endowment and non-endowed funds. All investments shall be made in accordance with applicable laws, the investment policies, and resolutions of the Board of Regents. In summary, TSU is authorized to invest in the following:

Direct obligations of the U.S. Government or its agencies and instrumentalities
Obligations of this State, or its agencies or its instrumentalities
Fully collateralized certificates of deposit
Fully collateralized repurchase agreements or reverse repurchase agreements
Bankers' acceptance notes
Commercial paper
Mutual funds
Investment pools
Cash management and fixed income funds exempt from federal income taxation
Negotiable certificates of deposit
Corporate bonds rated in one of the two highest categories
Common or convertible preferred stock
Foreign Government Bonds
Foreign Corporate Bonds

As of August 31, 2012, TSU had the following investments:

Investment Type	Fair Value
U.S. Government Agency Obligations	$ 20,899,882.19
U.S. Treasury Securities	1,893,719.79
Equity	22,338,484.40
Corportate Obligations	5,213,176.62
Commerical Paper	2,498,025.34
International Obligations	985,862.92
Fixed Income Money Market Funds	29,424,696.17
Total Fair Value	$ 83,253,847.43

Credit risk. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. TSU's investment policy limits investments in obligations of states, agencies, counties, cities, and other political subdivisions of any investments rated greater than A or its equivalent. Corporate bonds, debentures, or similar debt instruments must be rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradation within those categories. The following table presents each applicable investment type grouped by rating as of August 31, 2012:

Investment Ratings

Investment Type	AAA	AA	AA+	AA-	A
U.S. Treasury Securities	$ 1,893,719.79	$ -	$ -	$ -	$ -
U.S. Treasury Strips	-	-	-	-	-
U.S. Government Agency Obligations	16,881,978.13	-	-	-	-
Corporate Obligations	2,200,137.03	196,124.66	-	-	-
International Obligations	$ -	$ -	$ -	$ -	$ -

Investment Ratings

Investment Type	A+	A-	BBB	BBB+	BBB-
U.S. Treasury Securities	$ -	$ -	$ -	$ -	$ -
U.S. Treasury Strips	-	-	-	-	-
U.S. Government Agency Obligations	-	-	-	-	-
Corporate Obligations	124,557.22	361,006.70	1,026,232.79	688,654.10	616,464.12
International Obligations	$ -	$ -	$ 126,424.77	$ -	$ -

Unrated

Investment Type	
U.S. Government Agency Obligations	$ 4,017,904.06
Equity	22,338,484.10
Corporate Obligations	-
Commercial Paper	2,498,025.34
International Equity	859,438.15
Fixed Income Money Market Funds	$ 29,424,696.17

Concentration of credit risk – investments. TSU's investment policy contains diversification as an investment risk but does not contain any limitation on a dollar amount that may be invested in a specific maturity, issuer, or class of investment for its non-endowment funds and endowment funds.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, TSU will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. TSU's investment policy requires safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in TSU's safekeeping account prior to the release of funds.

Interest rate risk-investments. For an investment, this is the risk that changes in interest rates will adversely affect the fair value of an investment.

The following table demonstrates TSU's interest rate risk.

		Investment Maturities (in Years)				
Investment Type	Fair Value	Stocks	Less Than 1	1 to 5	6 to 10	More than 10
Agency Discount Securities	$ 16,881,978.13	$ -	$ 16,881,978.13	$ -	$ -	$ -
Agencies	4,017,904.06	-	849,896.50		38,822.03	3,129,185.53
Treasuries	1,893,719.79	-	-	-	-	1,893,719.79
Common Stock	22,338,484.40	22,338,484.40	-	-	-	-
Corporate Obligations	5,213,176.62	-	26,077.74	1,809,633.63	1,708,570.06	1,668,895.19
Commercial Paper Securities	2,498,025.34	-	2,498,025.34	-	-	-
Foreign Obligations	985,862.92	859,438.15	-	126,424.77	-	
Money Market Funds	29,424,696.17	-	29,424,696.17	-	-	-
Total	$ 83,253,847.43	$ 23,197,922.55	$ 49,680,673.88	$ 1,936,058.40	$ 1,747,392.09	$ 6,691,800.51

NOTE 4: SHORT-TERM DEBT

TSU does not have any short-term debt.

NOTE 5: SUMMARY OF LONG-TERM LIABILITIES

During the year ended August 31, 2012, the following changes occurred in reported in the long-term liabilities:

Long-Term Liabilities	Balance 9/1/2011	Additions	Reductions	Balance 8/31/2012		Amounts Due within One Year	Amounts Due Thereafter
General Obligation Bonds Payable							
Series 2004 Const. Approp.	$ 3,755,000.00	-	$ 1,200,000.00	$ 2,555,000.00		$ 1,250,000.00	$ 1,305,000.00
Series 2005 Const. Approp.	15,155,000.00	-	3,570,000.00	11,585,000.00		3,710,000.00	7,875,000.00
Premiums	181,784.79	-	60,594.93	121,189.86		60,594.93	60,594.93
Total general obligation bonds	19,091,784.79	-	4,830,594.93	14,261,189.86	*	5,020,594.93	9,240,594.93
Revenue Bonds Payable							
Series 1998 A-1	9,430,000.00	-	1,170,000.00	8,260,000.00		1,220,000.00	7,040,000.00
Series 1998 A-2 Improvement	6,205,000.00	-	970,000.00	5,235,000.00		1,015,000.00	4,220,000.00
Series 1998 B Improvement	8,915,000.00	-	500,000.00	8,415,000.00		530,000.00	7,885,000.00
Series 2002	32,180,000.00	-	2,225,000.00	29,955,000.00		2,325,000.00	27,630,000.00
Series 2003	20,345,000.00	-	1,290,000.00	19,055,000.00		1,345,000.00	17,710,000.00
Series 2004	1,275,000.00	-	410,000.00	865,000.00		425,000.00	440,000.00
Series 2011	29,240,000.00	-	915,000.00	28,325,000.00		960,000.00	27,365,000.00
Premiums & discounts	1,770,522.54	-	170,797.08	1,599,725.46		166,738.19	1,432,987.27
Total revenue bonds	109,360,522.54	-	7,650,797.08	101,709,725.46	*	7,986,738.19	93,722,987.27
Note Payable	720,324.00		360,162.00	360,162.00		360,162.00	0.00
HBCU Loan		$ 64,180,000.00	1,034,720.30	63,145,279.70		2,101,563.84	61,043,715.86
	720,324.00	64,180,000.00	1,394,882.30	63,505,441.70	*	2,461,725.84	61,043,715.86
Other Liabilities:							
Accrued Claims and Judgements	810,000.00	-	810,000.00	-		-	-
Compensated Absences	4,823,822.38	515,832.70	-	5,339,655.08		2,573,892.67	2,765,762.41
Total Other Liabilities	5,633,822.38	515,832.70	810,000.00	5,339,655.08		2,573,892.67	2,765,762.41
Total	$ 134,806,453.71	$ 64,695,832.70	$ 14,686,274.31	$ 184,816,012.10		$ 18,042,951.63	$ 166,773,060.47
Long-term Debt Due in More Than One Year				$ 166,773,060.47			
*Debt associated with capital assets				$ 179,476,357.02			

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending Aug. 31	Revenue Bonds	
	Principal	Interest
2013	$ 7,820,000.00	$ 5,222,844.39
2014	8,195,000.00	4,842,975.63
2015	8,170,000.00	4,421,621.26
2016	8,595,000.00	3,993,931.26
2017	8,640,000.00	3,555,581.25
2018-2022	38,585,000.00	11,735,262.52
2023-2027	13,050,000.00	4,458,300.02
2028-2032	7,055,000.00	973,012.50
Total	$ 100,110,000.00	$ 39,203,528.83

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending Aug. 31	General Obligations Bonds	
	Principal	Interest
2013	$ 4,960,000.00	$ 491,400.00
2014	5,165,000.00	290,000.00
2015	4,015,000.00	80,300.00
2016	-	-
2017	-	-
Total	$ 14,140,000.00	$ 861,700.00

A. Notes and Loans Payable

1. Leasehold

A noninterest bearing note payable consists of agreed installment payments on Leasehold improvements at Lone Star College of $360,162 due on October 15, 2013.

The annual payment schedule by year is tabulated below:

Year Ending Aug. 31	Note Payable	
	Principal	Interest
2013	$ 360,162.00	$ -
2014	-	-
2015	-	-
2016	-	-
2017	-	-
Total	$ 360,162.00	$ -

2. Parking Garage

On September 26, 2011, pursuant to the Board resolution made in June 2011, TSU acquired the East and West parking garages from the Central Houston Parking, L.L.C. The acquisition was financed through U.S Department of Education's Historical Black Colleges and Universities loan program initiative. The loan amount was $64,180,000.00. Existing debt service funds and reserves held by the trustees in Bank of New York Trust Company, NA., were also applied in the satisfaction of the purchase agreement and terms. Consequently, Central Houston Parking has since relinquished all beneficial interests, rights and title of the properties. The cost of the purchase was $33,307,026.59. The debt service is secured by parking revenues.

3. Student Housing - Tierwester Oaks and Richfield Manor Apartments

On September 26, 2011, pursuant to the Board resolution made in June 2011, Texas Southern University acquired the Tierwester Oaks and Richfield Manor Apartments from the Houston Student Housing II, L.L.C. The acquisition was financed through U.S Department of Education's Historical Black Colleges and Universities loan program initiative. The loan amount was $64,180,000.00. Existing debt service funds and reserves held by the trustees in Bank of New York Trust Company, NA., were also applied in the satisfaction of the purchase agreement and terms. Consequently, Houston Student Housing II has since relinquished all beneficial interests, rights and title of the properties. The cost of the purchase was $ $21,442,969.78. The debt service is be secured by Housing rental revenues.

4. Student Housing – The University Courtyard Apartments

On September 26, 2011, pursuant to the Board resolution made in June 2011, Texas Southern University acquired the University Courtyard apartments from the Houston Student Housing, L.L.C. The acquisition was financed through U.S Department of Education's Historical Black Colleges and Universities loan program initiative. The loan amount was $64,180,000.00. Existing debt service funds and reserves held by the Trustees in Bank of New York Trust Company, NA., were also applied in the satisfaction of the purchase agreement and terms. Consequently, Houston Student Housing has since relinquished all beneficial interests, rights and title of the properties. The cost of the purchase was $9,817,505.80. The debt service is be secured by Housing rental revenues.

Estimated loan debt requirements are as follows:

Year Ending Aug. 31	Principal	Interest	Total Estimated Annual amount
2013	$ 2,101,563.84	$ 1,464,294.12	$ 3,565,857.96
2014	2,150,985.59	1,414,872.37	3,565,857.96
2015	2,201,343.56	1,364,514.40	3,565,857.96
2016	2,246,104.13	1,319,753.83	3,565,857.96
2017	2,309,686.53	1,256,171.43	3,565,857.96
2018-2022	12,364,611.64	5,464,678.16	17,829,289.80
2023-2027	13,891,086.92	3,938,202.88	17,829,289.80
2028-2032	15,606,021.44	2,223,268.36	17,829,289.80
2033-2037	10,273,876.05	423,697.58	10,697,573.63
	$63,145,279.70	$18,869,453.13	$82,014,732.83

B. Accrued Claims and Judgments

1. Student Rights

During the year a lawsuit against TSU, for which a $750,000 provision was made, was settled.

C. Compensated Absences

A State employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. An expense and liability are recorded as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. This obligation is usually paid from the same funding source from which the employee's salary or wage compensation was paid.

D. Arbitrage Liability

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed or are not performed correctly a substantial liability to TSU could result. TSU periodically engages an arbitrage consultant to perform the calculations in accordance with the IRS rules and regulations and the arbitrage liability is adjusted accordingly.

NOTE 6: BONDED INDEBTEDNESS

Refunding Revenue Bonds, Series 1998A-1

Purpose	To defease and advance refund all of the outstanding bonds of TSU.
Amount of Issue	$20,305,000; all authorized have been issued
Issue Date	01-14-1999
Type of Bond	Revenue Bond – Self Supporting
Reporting	Business-type Activities
Source of Revenue	Pledged Revenues
Change in Debt	None

Improvement Revenue Bonds, Series 1998A-2

Purpose	To acquire, purchase, improve, renovate, enlarge, or equip property, buildings, structures, roads, or related infrastructure improvements for TSU, including certain deferred maintenance projects of TSU.
Amount of Issue	$18,000,000; all authorized have been issued
Issue Date	01-14-1999

Type of Bond	Revenue Bond – Self Supporting
Reporting	Business-type Activities
Source of Revenue	Pledged Revenues
Change in Debt	Defeased $3,090,000

Improvement Revenue Bonds, Series 1998B

Purpose	To construct and equip a recreational facility at TSU.
Amount of Issue	$12,920,000; all authorized have been issued
Issue Date	01-14-1999
Type of Bond	Revenue Bond – Self Supporting
Reporting	Business- type Activities
Source of Revenue	Pledged Revenues
Change in Debt	None

Revenue Bonds, Series 2002

Purpose	To construct and equip a new science building; to renovate TSU's student center; to renovate TSU's law school building; and to renovate other campus facilities including electrical and mechanical systems.
Amount of Issue	$48,065,000; all authorized have been issued
Issue Date	04-25-2002
Type of Bond	Revenue Bond – Self Supporting
Reporting	Business-type Activities
Source of Revenue	Pledged Revenues
Change in Debt	None

Revenue Bonds, Series 2003

Purpose	To renovate TSU's Ernest S. Sterling Student Life Center, Thurgood Marshall School of Law, and School of Technology; and to repair and renovate other campus infrastructure.
Amount of Issue	$27,240,000; all authorized have been issued
Issue Date	06-26-2003
Type of Bond	Revenue Bond – Self Supporting
Reporting	Business-type Activities

Source of Revenue	Pledged Revenues
Change in Debt	None

Revenue Bonds, Series 2004

Purpose	To restore TSU facilities and related infrastructure damaged by Tropical Storm Allison.
Amount of Issue	$3,500,000; all authorized have been issued
Issue Date	04-14-2004
Type of Bond	Revenue Bond – Self Supporting
Reporting	Business-type Activities
Source of Revenue	Pledged Revenues
Change in Debt	None

Revenue Bonds, Series 2011

Purpose	To construct the new Leonard Spearman Technology Building.
Amount of Issue	$31,500,000; all authorized have been issued
Issue Date	11-01-2010
Type of Bond	Revenue Bond – Self Supporting
Reporting	Business-type Activities
Source of Revenue	Pledged Revenues
Change in Debt	None

General Obligation Bonds

Constitutional Appropriation Bonds, Series 2004

Purpose	To finance the construction and equipping of buildings, including the School of Public Affairs, Science Building, and a campus radio station.
Amount of Issue	$11,100,000; all authorized have been issued
Issue Date	07-27-2004
Type of Bond	General Obligation Bond – Non Self Supporting
Reporting	Business-type Activities
Source of Revenue	Constitutional Appropriations

Change in Debt	None

General Obligation Bonds

Constitutional Appropriation Bonds, Series 2005

Purpose	To finance the construction and equipping of buildings or other permanent improvements, including a School of Public Affairs; to finance the performance of major repair or rehabilitation of buildings; to finance the purchase of capital equipment and other equipment authorized to be purchased with Higher Education Assistance Funds; and to finance the payment of certain costs related to the issuance of the bonds.
Amount of Issue	$30,935,000; all authorized have been issued
Issue Date	08-01-2005
Type of Bond	General Obligation Bond – Non Self Supporting
Reporting	Business-type Activities
Source of Revenue	Constitutional Appropriations
Change in Debt	None

NOTE 7: DERIVATIVES

TSU does not have any derivatives.

NOTE 8: LEASES

Capital leases are used to finance the purchase of property and are capitalized at the present value of future minimum lease payments. As of August 31, 2012, TSU had not entered into any contractual agreements that could be deemed capital lease obligations.

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

Year Ending Aug. 31	Minimum Lease Payments
2013	$ 1,162,370.30
2014	1,266,863.20
2015	1,266,863.20
2016	495,763.20
2017	470,213.20
2018	78,942.90
Total	$ 4,741,016.00

NOTE 9: RETIREMENT PLANS

A. Teacher Retirement System

The State of Texas has joint contributory retirement plans for substantially all of its employees. One of the primary plans in which TSU participates is a cost-sharing, multi-employer, public employee retirement system administered by the Teacher Retirement System of Texas (TRS). TRS is primarily funded through State and employee contributions. Depending upon the source of funding for a participant's salary, TSU may be required to make contributions in lieu of the State.

All TSU personnel employed in a position on a half time or greater basis for four and a half months or more are eligible for membership in TRS. Members with at least five years of service at age 65 or any combination of age plus years of service which equals 80, have a vested right to retirement benefits. Additionally, reduced benefits are available at age 55 with at least five years of service or at any age below 50 with 30 years of service. Members are fully vested after five years of service and are entitled to any benefits for which the eligibility requirements have been met.

TRS contribution rates for both employers and employees are not actuarially determined but are legally established by the State Legislature. Contributions by employees are 6.4 percent of gross earnings. Depending upon the source of funding for the employee's compensation, the State or TSU contributes a percentage of participant salaries totaling six percent of annual compensation. TSU's contributions to TRS for the year ended August 31, 2012 were $1,788,767.79, which equaled the amount of the required contributions for the year.

TRS does not separately account for each of its component government agencies since the retirement system itself bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. Further information regarding actuarial assumptions and conclusions, together with audited financial statements are included in the retirement system's annual financial report, which may be found on the TRS website at www.trs.state.tx.us.

B. Optional Retirement Program

The State of Texas has also established an Optional Retirement Program (ORP) for institutions of higher education. Participation in the ORP is in lieu of participation in TRS. The ORP provides for the purchase of annuity contracts and mutual funds. Participants are vested in the employer contributions after one year and one day of service. The contributory percentages of participant salaries currently provided by the State of Texas and each participant are six percent and 6.65 percent, respectively. Depending upon the source of funding for the employee's compensation, TSU may be required to make the employer contributions in lieu of the State. Additionally, the State or TSU must make additional contributions above six percent depending upon the employee's date of hire. Since these are individual annuity contracts, the State and TSU have no additional or unfunded liability for this program.

	Year Ended Aug. 31, 2012
Employee Contributions	$ 2,383,645.10
Employer Contributions	2,663,924.40
Total	$ 5,047,569.50

NOTES 10 and 11: RETIREMENT PLANS

These notes are not applicable to TSU.

NOTE 12: INTERFUND ACTIVITY AND TRANSACTIONS

TSU reports their financial statements in accordance with GASB Statement No. 35. The statement requires TSU to report as one fund. Accordingly, no interfund balances and activities are reported.

NOTE 13: CONTINUANCE SUBJECT TO REVIEW

TSU's continuance is not subject to review.

NOTE 14: RESTATEMENT OF NET ASSETS

TSU does not have any restatement of net assets.

NOTE 15: CONTINGENCIES AND COMMITMENTS

A. Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although TSU expects such amounts, if any, to be immaterial.

B. Lawsuits

TSU is a defendant in numerous lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of TSU's management that resolution of these matters will not have a materially adverse effect on the financial condition of TSU.

C. Perkins Loan

TSU is recording maximum liability – Due to Perkins Loan Program for $2.7 million. The actual liability could be significantly less than this amount and final number will be known when Perkins Loan close out process is complete and final numbers are provided by Department of Education.

NOTE 16: SUBSEQUENT EVENTS

In September 2012 TSU, through the Historically Black College/University (HBCU) capital financing program under the auspices of the US. Department of Education, secured $55 million in bonds proceeds to construct new student housing, consisting of 800 beds, to be located on the eastside of the campus at Wheeler and Sampson streets.

This was in execution of the approved TSU Board of Regents resolution of July 6, 2012.

NOTE 17: RISK FINANCING AND RELATED INSURANCE

TSU is exposed to a variety of civil claims resulting from the performance of its duties. It is TSU's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. TSU assumes substantially all risks associated with tort and liability claims due to the performance of its duties.

TSU has commercial insurance policies for general liability, directors and officers, and commercial property. There were no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements for the past three years. Currently TSU is not involved in any risk pools with other government entities.

TSU has various self-insured arrangements for coverage in the areas of employee health insurance, workers' compensation, unemployment compensation, and medical malpractice. Employee health and medical malpractice plans are funded.

The State provides coverage for workers' compensation and unemployment benefits from appropriations made to other State agencies for TSU employees. The current General Appropriations Act provides that TSU must reimburse the general revenue fund, consolidated from TSU appropriations, one-half of the unemployment benefits and 25 percent of the workers' compensation benefits paid for former and current employees. The Comptroller determines the proportionate amount to be reimbursed from each appropriated fund type. TSU must reimburse the general revenue fund 100 percent of the cost for workers' compensation and unemployment compensation for any employees paid from funds held in local bank accounts and local funds held in the State treasury. Workers' compensation and unemployment plans are on a pay-as-you-go basis, in which no assets are set aside to be accumulated for the payment of claims. No material outstanding claims are pending at August 31, 2012.

The Texas Motor Vehicle Safety Responsibility Act requires that every non-governmental vehicle operated on a State highway be insured for minimum limits of liability in the amount of $20,000 / $40,000 bodily injury and $15,000 property damage. However, TSU has chosen to carry liability insurance on its licensed vehicles in the amount of $250,000 / $500,000 bodily injury and $100,000 property damage, the extent of the waivers of State sovereign immunity specified in the tort claims act.

NOTE 18: MANAGEMENT'S DISCUSSION AND ANALYSIS

Although normally included as Note 18 following the Comptroller's requirements, Management's Discussion and Analysis is included as a separate section in the front of this report to comply with GASB.

NOTE 19: THE FINANCIAL REPORTING ENTITY

A. Related Parties

TSU is affiliated with the Texas Southern University Foundation. The stated purpose of the foundation is "to solicit and receive gifts, grants, devices, or bequests and to maintain, use, and apply the income there from and the principal thereof exclusively for charitable, scientific, literary or educational activities in order to aid and benefit Texas Southern University." According to foundation bylaws, the President of TSU and a representative of TSU's Board of Regents shall be ex officio members of the foundation's Board of Directors with full voting rights.

TSU is also affiliated with the Texas Southern University Alumni Association. The alumni association is a non-profit organization created for the purpose of promoting, fostering, and advancing the educational goals of TSU and the interests and welfare of its students; to provide the means for continuing relationships between TSU, former students, and the community; and to enable them to contribute to and share in the progress of TSU. All former students are eligible for membership in the alumni association. The Board of Directors of the alumni association is elected by the membership. TSU administration has no controlling interest in the alumni association.

The financial statements of TSU encompass the financial activity only of TSU. TSU does not have any component entities that should be included in these financial statements.

NOTE 20: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

TSU has no material violations of finance related legal and contract provisions. Per the laws of the State of Texas, TSU cannot spend amounts in excess of appropriations granted by the Texas Legislature and there are no deficits reported in net assets.

NOTE 21: N/A

NOTE 22: DONOR-RESTRICTED ENDOWMENTS

Donor-Restricted Endowments	Amount of Net Appreciation (Depreciation)	Reported in Net Assets
True Endowments	$ 2,532,613.84	Restricted for expendable
Term Endowments	751,151.87	Restricted for expendable
Total	$ 3,283,765.71	

In the table above, amounts reported as "Net Appreciation" represent net appreciation on investments of donor or constitutionally restricted endowments that are available for authorization for expenditure by the TSU Board of Regents. For donor restricted endowments, pursuant to the Uniform Management of Institutional Funds Act, as adopted by Texas, the TSU Board of Regents may distribute net appreciation, realized and unrealized, in the fair market value of the assets of endowment holdings over the historic dollar value of the gifts, to the extent prudent.

NOTE 23: EXTRAORDINARY AND SPECIAL ITEMS

TSU does not have any special and extraordinary items to report during the year ended August 31, 2012.

NOTE 24: DISAGGREGATION OF RECEIVABLE BALANCES

Aggregate receivables as reported on the Statement of Net Assets as of August 31, 2012, are detailed as follows:

Receivables	Balance
Student Accounts	$ 28,945,458.69
Third Party Accounts	40,896.50
Less Allowance	(8,656,408.83)
Total	$ 20,329,946.36

NOTE 25: TERMINATION BENEFITS

There were no non-routine, widespread voluntary or involuntary termination arrangements that involved a substantial number of individual employees or group of employees meeting the criteria for liability recognition.

NOTE 26: SEGMENT INFORMATION

TSU does not have any segments requiring segment reporting.

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SUPPLEMENTARY INFORMATION

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TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

SCHEDULE OF OPERATING EXPENSES

For the Year Ended August 31, 2012

Expenses by Natural Classification	2012
Salaries and wages	$ 89,577,892.90
Payroll related costs	21,188,258.73
Professional fees and services	6,818,234.33
Travel	3,438,617.13
Materials and supplies	11,768,528.56
Communication and utilities	6,213,944.62
Repairs and maintenance	4,488,254.99
Rentals and leases	2,457,481.80
Printing and reproductions	716,404.32
Federal pass through expenditures	125,864.42
Bad debt expense	2,175,210.81
Scholarships	26,616,254.54
Other operating expenses	10,682,430.20
Depreciation	17,327,229.47
Total Operating Expenses by Natural Class	$ 203,594,606.82

Expenses by NACUBO Classification	2012
Instruction	$ 75,413,394.41
Research	6,380,072.64
Public service	1,201,478.01
Academic support	13,529,297.42
Student services	14,008,423.75
Institutional support	28,605,440.66
Operation and maintenance of plant	10,015,650.82
Scholarships and fellowships	20,038,511.21
Auxiliary	17,075,108.43
Depreciation	17,327,229.47
Total Operating Expenses by NACUBO Class	$ 203,594,606.82

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

August 31, 2012

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	NSE Name/ *Identifying Number*	Agy/ Univ No	Pass-through From: Pass-Through From Agencies or Universities Amount	Pass-through From: Pass-Through From Non-State Entities Amount
U.S. Department of Defense					
U.S. Department of Defense	12.000	VIRGINIA TECH UNIVERSITY/ *UNITE 2012*			18,419.26
Pass-Through From:					
Basic and Applied Scientific Research	12.300				
Pass-Through From:					
University of Texas at Austin			721	88,121.50	
Totals - U.S. Department of Defense				$ 88,121.50	$ 18,419.26
U.S. Department of Housing and Urban Development					
Direct Programs:					
Historically Black Colleges and Universities Program	14.520				
Totals - U.S. Department of Housing and Urban Development				$ -	$ -
U.S. Department of Transportation					
U.S. Department of Transportation	20.000	*DDEHBC-05X-00103,154*			
Totals - U.S. Department of Transportation				$ -	$ -
National Endowment For The Humanities					
Museum Grants for African American History and Culture	45.309				
National Leadership Grants	45.312				
Totals - National Endowment For The Humanities				$ -	$ -
National Science Foundation					
Education and Human Resources	47.076				
Pass-Through From:					
Education and Human Resources	47.076				
Pass-Through From:					
University of Houston			730	186,426.70	
Totals - National Science Foundation				$ 186,426.70	$ -
Nuclear Regulatory Commission					
Direct Programs:					
U. S. Nuclear Regulatory Commission Nuclear Education Grant Program	77.006				
U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program	77.008				
Totals - Nuclear Regulatory Commission				$ -	$ -
U.S. Department of Education					
Higher Education_Institutional Aid	84.031				
Minority Science and Engineering Improvement	84.120				
Totals - U.S. Department of Education				$ -	$ -
U.S. Department of Health and Human Services					
Health Careers Opportunity Program	93.822				
Geriatric Education Centers	93.969				
Totals - U.S. Department of Health and Human Services				$ -	$ -
U.S. Department of Homeland Security					
Centers for Homeland Security	97.061	RUTGERS UNIVERSITY/ *2009-ST-0061-CC1002*			10,733.62
Pass-Through From:					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036				
Pass-Through From:					
Department of Public Safety			405	2,973,970.98	
Totals - U.S. Department of Homeland Security				$ 2,973,970.98	$ 10,733.62
Research & Development Cluster					
U.S. Department of Agriculture					
Grants for Agricultural Research, Special Research Grants	10.200	UNIVERSITY OF TOLEDO/ *10390057-TSU*			12,597.07

Direct Program Amount	Total PT From and Direct Prog. Amount	Agy/ Univ No.	Pass-through To: Pass-Through To Agencies or Universities Amount	Pass-through To: Pass-Through To Non-State Entities Amount	Expenditures Amount	Total PT To and Expenditures Amount
	18,419.26				18,419.26	18,419.26
	88,121.50				88,121.50	88,121.50
$ -	$ 106,540.76		$ -	$ -	$ 106,540.76	$ 106,540.76
300,432.35	300,432.35				300,432.35	300,432.35
$ 300,432.35	$ 300,432.35		$ -	$ -	$ 300,432.35	$ 300,432.35
18,615.55	18,615.55				18,615.55	18,615.55
$ 18,615.55	$ 18,615.55		$ -	$ -	$ 18,615.55	$ 18,615.55
60,997.17	60,997.17				60,997.17	60,997.17
58,947.33	58,947.33				58,947.33	58,947.33
$ 119,944.50	$ 119,944.50		$ -	$ -	$ 119,944.50	$ 119,944.50
30,284.45	30,284.45				30,284.45	30,284.45
	186,426.70				186,426.70	186,426.70
$ 30,284.45	$ 216,711.15		$ -	$ -	$ 216,711.15	$ 216,711.15
15,019.00	15,019.00				15,019.00	15,019.00
52,533.79	52,533.79				52,533.79	52,533.79
$ 67,552.79	$ 67,552.79		$ -	$ -	$ 67,552.79	$ 67,552.79
7,201,226.87	7,201,226.87				7,201,226.87	7,201,226.87
30,780.23	30,780.23				30,780.23	30,780.23
$ 7,232,007.10	$ 7,232,007.10		$ -	$ -	$ 7,232,007.10	$ 7,232,007.10
9,059.72	9,059.72				9,059.72	9,059.72
20,082.66	20,082.66				20,082.66	20,082.66
$ 29,142.38	$ 29,142.38		$ -	$ -	$ 29,142.38	$ 29,142.38
	10,733.62				10,733.62	10,733.62
	2,973,970.98				2,973,970.98	2,973,970.98
$ -	$ 2,984,704.60		$ -	$ -	$ 2,984,704.60	$ 2,984,704.60
	12,597.07				12,597.07	12,597.07

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

August 31, 2012

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	NSE Name/ *Identifying Number*	Agy/ Univ No	Pass-through From: Pass-Through From Agencies or Universities Amount	Pass-through From: Pass-Through From Non-State Entities Amount
Direct Programs:					
Forestry Research	10.652				
Totals - U.S. Department of Agriculture				$ -	$ 12,597.07
U.S. Department of Defense					
Air Force Defense Research Sciences Program	12.800	CLARKSON AEROSPACE CORPORATION/ *TSU11-S567-0016-02-C2*			44,327.11
Air Force Defense Research Sciences Program		CLARKSON AEROSPACE CORPORATION/ *10-S567-0016-02-C1*			8,498.55
Direct Programs:					
U.S. Department of Defense	12.000	*N00421-11-P-0032*			
Military Medical Research and Development	12.420				
Air Force Defense Research Sciences Program	12.800				
Totals - U.S. Department of Defense				$ -	$ 52,825.66
U.S. Department of Transportation					
University Transportation Centers Program	20.701	UNIVERSITY OF IDAHO/ *KLK900-SB-003*			9,829.34
Totals - U.S. Department of Transportation				$ -	$ 9,829.34
National Aeronautics and Space Administration					
National Aeronautics and Space Administration	43.000	UNITED NEGRO COLLEGE FUND SPECIAL PROGRAMS/ *NSTI200-2012*			34,956.08
National Aeronautics and Space Administration		UNITED NEGRO COLLEGE FUND SPECIAL PROGRAMS/ *NSTI2011-2012*			48,894.46
National Aeronautics and Space Administration		UNITED NEGRO COLLEGE FUND SPECIAL PROGRAMS/ *UNCFSP NSTI UNEEC*			19,122.07
National Aeronautics and Space Administration		UNITED NEGRO COLLEGE FUND SPECIAL PROGRAMS/ *UNCFSP UNIMET*			38,825.39
Direct Programs:					
National Aeronautics and Space Administration	43.000	*NNX10AQ16A*			
National Aeronautics and Space Administration	43.000	*NNX108Q16A*			
National Aeronautics and Space Administration	43.000	*NNX11AJ73G*			
National Aeronautics and Space Administration	43.000				
Pass-Through To:					
University of Houston		*NNX10AQ16A*			
Science	43.001				
Pass-Through To:					
Texas A&M Engineering Experiment Station					
Education	43.008				
Pass-Through From:					
Education	43.008				
Pass-Through From:					
University of Texas at Brownsville			747	33,194.00	
Totals - National Aeronautics and Space Administration				$ 33,194.00	$ 141,798.00

Direct Program Amount	Total PT From and Direct Prog. Amount	Agy/ Univ No.	Pass-through To: Pass-Through To Agencies or Universities Amount	Pass-through To: Pass-Through To Non-State Entities Amount	Expenditures Amount	Total PT To and Expenditures Amount
44,621.80	44,621.80				44,621.80	44,621.80
$ 44,621.80	$ 57,218.87		$ -	$ -	$ 57,218.87	$ 57,218.87
	44,327.11				44,327.11	44,327.11
	8,498.55				8,498.55	8,498.55
1,996.67	1,996.67				1,996.67	1,996.67
81,494.53	81,494.53				81,494.53	81,494.53
5,816.81	5,816.81				5,816.81	5,816.81
$ 89,308.01	$ 142,133.67		$ -	$ -	$ 142,133.67	$ 142,133.67
	9,829.34				9,829.34	9,829.34
$ -	$ 9,829.34		$ -	$ -	$ 9,829.34	$ 9,829.34
	34,956.08				34,956.08	34,956.08
	48,894.46				48,894.46	48,894.46
	19,122.07				19,122.07	19,122.07
	38,825.39				38,825.39	38,825.39
642,790.91	642,790.91				642,790.91	642,790.91
59,051.29	59,051.29			59,051.29		59,051.29
68,607.42	68,607.42				68,607.42	68,607.42
89,849.99	89,849.99					89,849.99
		730	89,849.99			
26,033.63	26,033.63					26,033.63
		712	26,033.63			
28,972.50	28,972.50				28,972.50	28,972.50
	33,194.00				33,194.00	33,194.00
$ 915,305.74	$ 1,090,297.74		$ 115,883.62	$ 59,051.29	$ 915,362.83	$ 1,090,297.74

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

August 31, 2012

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	NSE Name/ *Identifying Number*	Agy/ Univ No	Pass-through From: Pass-Through From Agencies or Universities Amount	Pass-through From: Pass-Through From Non-State Entities Amount
National Science Foundation					
Direct Programs:					
Mathematical and Physical Sciences	47.049				
Computer and Information Science and Engineering	47.070				
Education and Human Resources	47.076				
ARRA - Trans-NSF Recovery Act Research Support	47.082				
Pass-Through From:					
Education and Human Resources	47.076				
Pass-Through From:					
University of Texas at Brownsville			747	69,331.27	
Totals - National Science Foundation				$ 69,331.27	$ -
U.S. Department of Health and Human Services					
U.S. Department of Health and Human Services	93.000	WESTAT CORPORATION/ *8821S001*			61,928.80
Direct Programs:					
National Center for Research Resources	93.389				
National Center for Research Resources	93.389				
Pass-Through To:					
University of Texas at El Paso					
Academic Research Enhancement Award	93.390				
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779				
Cardiovascular Diseases Research	93.837				
Pass-Through From:					
Allergy, Immunology and Transplantation Research	93.855				
Pass-Through From:					
University of Texas Medical Branch at Galveston			723	12,755.56	
Totals - U.S. Department of Health and Human Services				$ 12,755.56	$ 61,928.80
U.S. Department of Homeland Security					
Centers for Homeland Security	97.061	RUTGERS UNIVERSITY/ *2009-ST-0061-CCI1002*			4,393.22
Centers for Homeland Security		UNIVERSITY OF NORTH CAROLINA CHAPEL HILL/ *UNC-CH 5-36456*			34,672.30
Direct Programs:					
Centers for Homeland Security	97.061				
Totals - U.S. Department of Homeland Security				$ -	$ 39,065.52
Student Financial Assistance Cluster					
U.S. Department of Education					
Direct Programs:					
Federal Supplemental Educational Opportunity Grants	84.007				
Federal Family Education Loans	84.032				
Federal Work-Study Program	84.033				
Federal Perkins Loan Program_Federal Capital Contributions	84.038				

Direct Program Amount	Total PT From and Direct Prog. Amount	Agy/ Univ No.	Pass-through To: Pass-Through To Agencies or Universities Amount	Pass-through To: Pass-Through To Non-State Entities Amount	Expenditures Amount	Total PT To and Expenditures Amount
163,186.68	163,186.68				163,186.68	163,186.68
20,962.92	20,962.92				20,962.92	20,962.92
1,419,100.71	1,419,100.71				1,419,100.71	1,419,100.71
17,056.19	17,056.19				17,056.19	17,056.19
	69,331.27				69,331.27	69,331.27
$ 1,620,306.50	$ 1,689,637.77		$ -	$ -	$ 1,689,637.77	$ 1,689,637.77
	61,928.80				61,928.80	61,928.80
669,787.66	669,787.66				669,787.66	669,787.66
9,980.80	9,980.80					9,980.80
		724	9,980.80			
26,021.73	26,021.73				26,021.73	26,021.73
69,640.96	69,640.96				69,640.96	69,640.96
268,758.66	268,758.66				268,758.66	268,758.66
	12,755.56				12,755.56	12,755.56
$ 1,044,189.81	$ 1,118,874.17		$ 9,980.80	$ -	$ 1,108,893.37	$ 1,118,874.17
	4,393.22				4,393.22	4,393.22
	34,672.30				34,672.30	34,672.30
516,901.71	516,901.71				516,901.71	516,901.71
$ 516,901.71	$ 555,967.23		$ -	$ -	$ 555,967.23	$ 555,967.23
720,805.05	720,805.05				720,805.05	720,805.05
-8,275.07	-8,275.07				-8,275.07	-8,275.07
602,997.59	602,997.59				602,997.59	602,997.59
14,272.65	14,272.65				14,272.65	14,272.65

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

August 31, 2012

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	NSE Name/ *Identifying Number*	Agy/ Univ No	Pass-through From: Pass-Through From Agencies or Universities Amount	Pass-through From: Pass-Through From Non-State Entities Amount
Federal Pell Grant Program	84.063				
Federal Direct Student Loans	84.268				
Academic Competitiveness Grants	84.375				
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379				
Totals - U.S. Department of Education				$ -	$ -
U.S. Department of Health and Human Services					
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342				
Direct Programs:					
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925				
Totals - U.S. Department of Health and Human Services				$ -	$ -
TRIO Cluster					
U.S. Department of Education					
Direct Programs:					
TRIO_Talent Search	84.044				
TRIO_Upward Bound	84.047				
TRIO_Educational Opportunity Centers	84.066				
TRIO_McNair Post-Baccalaureate Achievement	84.217				
Totals - U.S. Department of Education				$	$
Total Expenditures of Federal Awards				$ 3,363,800.01	$ 347,197.27

Direct Program Amount	Total PT From and Direct Prog. Amount	Agy/ Univ No.	Pass-through To: Pass-Through To Agencies or Universities Amount	Pass-through To: Pass-Through To Non-State Entities Amount	Expenditures Amount	Total PT To and Expenditures Amount
24,062,269.08	24,062,269.08				24,062,269.08	24,062,269.08
103,310,511.00	103,310,511.00				103,310,511.00	103,310,511.00
-750.00	-750.00				-750.00	-750.00
83,000.00	83,000.00				83,000.00	83,000.00
$ 128,784,830.30	$ 128,784,830.30		$ -	$ -	$ 128,784,830.30	$ 128,784,830.30
	0					0
672,854.00	672,854.00				672,854.00	672,854.00
$ 672,854.00	$ 672,854.00		$ -	$ -	$ 672,854.00	$ 672,854.00
439,483.20	439,483.20				439,483.20	439,483.20
447,039.21	447,039.21				447,039.21	447,039.21
336,472.51	336,472.51				336,472.51	336,472.51
220,035.07	220,035.07				220,035.07	220,035.07
$ 1,443,029.99	$ 1,443,029.99		$	$	$ 1,443,029.99	$ 1,443,029.99
$ 142,929,326.98	**$ 146,640,324.26**		**$ 125,864.42**	**$ 59,051.29**	**$ 146,455,408.55**	**$ 146,640,324.26**

SEFA Note 2 Reconciliatons	Note 2 Amount
Federal revenue	$ 40,089,680.82
Federal pass-through revenue	3,363,800.01
Federal family education loan	(8,275.07)
Federal perkins loan program	13,593.00
Federal direct student loans	103,310,511.00
Federal grants from Texas A&M Research	(128,985.50)
Total Pass-through and expenditures	$ 146,640,324.26

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

SCHEDULE 1B - STATE GRANT PASS THROUGH FROM/TO STATE AGENCIES

For the Year Ended August 31, 2012

Pass Through From:

University of Texas System (Agency# 720.0002)	$	1,680.75
Texas State Board of Public Accountancy (Agency# 457.0001)		13,035.00
Texas Higher Education Coordinating Board (Agency# 781.0008)		7,130,000.00
Texas Higher Education Coordinating Board (Agency# 781.0010)		(18,400.00)
Texas Higher Education Coordinating Board (Agency# 781.0017)		103,250.00
Texas Higher Education Coordinating Board (Agency# 781.0023)		34,305.05
Texas Higher Education Coordinating Board (Agency# 781.0026)		106,784.59
Texas Higher Education Coordinating Board (Agency# 781.0028)		70,000.00
Texas Higher Education Coordinating Board (Agency# 781.0029)		261,303.68
Texas Higher Education Coordinating Board (Agency# 781.0036)		3,807.30
Total Pass Through From Other Agencies	$	7,705,766.37

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

SCHEDULE 2A - MISCELLANEOUS BOND INFORMATION

For the Year Ended August 31, 2012

Business-Type Activities

Description	Interest Rate	Maturity Dates First Year	Maturity Dates Last Year	First Call Date	Original Issue
General Obligation Bonds- Not Self Supporting					
Series 2004 Constitutional Appropriation	3.00-4.00%	2005	2014	n/a	$ 11,100,000.00
Series 2005 Constitutional Appropriation	3.00-4.00%	2005	2014	n/a	30,935,000.00
Revenue Bonds- Self Supporting					
Series 1998 A-1 Refunding	3.10-4.75%	1999	2017	5/1/2009	20,305,000.00
Series 1998 A-2 Improvement	3.10-5.13%	1999	2018	5/1/2009	18,000,000.00
Series 1998 B Improvement	3.50-5.13%	2001	2023	5/1/2009	12,920,000.00
Series 2002	4.00-5.50%	2002	2021	5/1/2012	48,065,000.00
Series 2003	2.00-5.00%	2006	2023	5/1/2013	27,240,000.00
Series 2004	2.50-3.70%	2006	2014	n/a	3,500,000.00
Series 2011	4.00-6.75%	2011	2030	5/1/2021	31,500,000.00
Total General Bonded Debt					$ 203,565,000.00

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

SCHEDULE 2B - CHANGES IN BOND INDEBTEDNESS

For the Year Ended August 31, 2012

Description	Beginning Balance	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Ending Balance	Amounts Due Within One Year
General Obligation Bonds- Non Self Supporting						
Series 2004 Constitutional Appropriation	$ 3,755,000.00	$ -	$ 1,200,000.00	$ -	$ 2,555,000.00	$ 1,250,000.00
Series 2005 Constitutional Appropriation	15,155,000.00	-	3,570,000.00	-	11,585,000.00	3,710,000.00
Revenue Bonds- Self Supporting						
Series 1998 A-1 Refunding	9,430,000.00	-	1,170,000.00	-	8,260,000.00	1,220,000.00
Series 1998 A-2 Improvement	6,205,000.00	-	970,000.00	-	5,235,000.00	1,015,000.00
Series 1998 B Improvement	8,915,000.00	-	500,000.00	-	8,415,000.00	530,000.00
Series 2002	32,180,000.00	-	2,225,000.00	-	29,955,000.00	2,325,000.00
Series 2003	20,345,000.00	-	1,290,000.00	-	19,055,000.00	1,345,000.00
Series 2004	1,275,000.00	-	410,000.00	-	865,000.00	425,000.00
Series 2011	29,240,000.00	-	915,000.00	-	28,325,000.00	960,000.00
Total General Bonded Debt	$ 126,500,000.00	$ -	$ 12,250,000.00	$ -	$ 114,250,000.00	$ 12,780,000.00

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

SCHEDULE 2C - DEBT SERVICE REQUIREMENTS

For the Year Ended August 31, 2012

Series 1998 A-1 Refunding Bonds

Year Ending Aug. 31	Principal	Interest	Total
2013	$ 1,220,000.00	$ 359,267.50	$ 1,579,267.50
2014	1,275,000.00	302,492.50	1,577,492.50
2015	1,340,000.00	241,677.50	1,581,677.50
2016	1,405,000.00	176,818.75	1,581,818.75
2017	1,475,000.00	108,418.75	1,583,418.75
2018-2022	1,545,000.00	36,693.75	1,581,693.75
2023-2027	-	-	-
2028-2032	-	-	-
Total	$ 8,260,000.00	$ 1,225,368.75	$ 9,485,368.75

Series 1998 A-2 Improvement Bonds

Year Ending Aug. 31	Principal	Interest	Total
2013	$ 1,015,000.00	$ 241,234.38	$ 1,256,234.38
2014	1,070,000.00	187,806.25	1,257,806.25
2015	1,125,000.00	131,559.38	1,256,559.38
2016	1,185,000.00	72,365.63	1,257,365.63
2017	840,000.00	21,000.00	861,000.00
2018-2022	-	-	-
2023-2027	-	-	-
2028-2032	-	-	-
Total	$ 5,235,000.00	$ 653,965.64	$ 5,888,965.64

Series 1998 B Improvement Bonds

Year Ending Aug. 31	Principal	Interest	Total
2013	$ 530,000.00	$ 384,475.01	$ 914,475.01
2014	555,000.00	356,671.88	911,671.88
2015	585,000.00	327,459.38	912,459.38
2016	615,000.00	296,709.38	911,709.38
2017	650,000.00	265,512.50	915,512.50
2018-2022	3,730,000.00	832,187.50	4,562,187.50
2023-2027	1,750,000.00	79,650.00	1,829,650.00
2028-2032	-	-	-
Total	$ 8,415,000.00	$ 2,542,665.65	$ 10,957,665.65

Series 2011 Revenue Bonds

Year Ending Aug. 31	Principal	Interest	Total
2013	$ 960,000.00	$ 1,717,237.50	$ 2,677,237.50
2014	1,005,000.00	1,669,237.50	2,674,237.50
2015	1,060,000.00	1,618,987.50	2,678,987.50
2016	1,110,000.00	1,565,987.50	2,675,987.50
2017	1,165,000.00	1,510,487.50	2,675,487.50
2018-2022	6,855,000.00	6,528,975.02	13,383,975.02
2023-2027	9,115,000.00	4,269,400.02	13,384,400.02
2028-2032	7,055,000.00	973,012.50	8,028,012.50
Total	$ 28,325,000.00	$ 19,853,325.04	$ 48,178,325.04

Series 2002 Revenue Bonds

Year Ending Aug. 31	Principal	Interest	Total
2013	$ 2,325,000.00	$ 1,543,237.50	$ 3,868,237.50
2014	2,440,000.00	1,424,987.50	3,864,987.50
2015	2,580,000.00	1,286,937.50	3,866,937.50
2016	2,725,000.00	1,141,050.00	3,866,050.00
2017	2,880,000.00	986,912.50	3,866,912.50
2018-2022	17,005,000.00	2,327,406.25	19,332,406.25
2023-2027	-	-	-
Total	$ 29,955,000.00	$ 8,710,531.25	$ 38,665,531.25

Series 2003 Revenue Bonds

Year Ending Aug. 31	Principal	Interest	Total
2013	$ 1,345,000.00	$ 946,025.00	$ 2,291,025.00
2014	1,410,000.00	885,500.00	2,295,500.00
2015	1,480,000.00	815,000.00	2,295,000.00
2016	1,555,000.00	741,000.00	2,296,000.00
2017	1,630,000.00	663,250.00	2,293,250.00
2018-2022	9,450,000.00	2,010,000.00	11,460,000.00
2023-2027	2,185,000.00	109,250.00	2,294,250.00
Total	$ 19,055,000.00	$ 6,170,025.00	$ 25,225,025.00

Series 2004 Revenue Bonds

Year Ending Aug. 31	Principal	Interest	Total
2013	$ 425,000.00	$ 31,367.50	$ 456,367.50
2014	440,000.00	16,280.00	456,280.00
2015	-	-	-
2016	-	-	-
2017	-	-	-
Total	$ 865,000.00	$ 47,647.50	$ 912,647.50

Series 2004 Constitutional Appropriation Bonds

Year Ending Aug. 31	Principal	Interest	Total
2013	$ 1,250,000.00	$ 102,200.00	$ 1,352,200.00
2014	1,305,000.00	52,200.00	1,357,200.00
2015	-	-	-
2016	-	-	-
2017	-	-	-
Total	$ 2,555,000.00	$ 154,400.00	$ 2,709,400.00

Series 2005 Constitutional Appropriation Bonds

Year Ending Aug. 31	Principal	Interest	Total
2013	$ 3,710,000.00	$ 389,200.00	$ 4,099,200.00
2014	3,860,000.00	237,800.00	4,097,800.00
2015	4,015,000.00	80,300.00	4,095,300.00
2016	-	-	-
2017	-	-	-
Total	$ 11,585,000.00	$ 707,300.00	$ 12,292,300.00

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

SCHEDULE 2D - ANALYSIS OF FUND AVAILABLE FOR DEBT SERVICE

For the Year Ended August 31, 2012

Business-Type Activities

	Application of Funds	
General Obligation Bonds	Principal	Interest
Constitutional Appropriation Bonds, Series 2004 and 2005	$ 4,770,000.00	$ 685,000.00
Total	$ 4,770,000.00	$ 685,000.00

	Pledged and Other Sources and Related Expenditures for FY 2012			
	Net Available for Debt Service		Debt Service	
Revenue Bonds	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
BOND SERIES 98A1-A2&B&C, 2002,2003&2004	$ 90,628,459.49	$ 61,024,916.50	$ 7,480,000.00	$ 5,567,339.40
Total	$ 90,628,459.49	$ 61,024,916.50	$ 7,480,000.00	$ 5,567,339.40

APPENDIX D

FORM OF BOND COUNSEL OPINION

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Texas
New York
Washington, DC
Connecticut
Seattle
Dubai
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Bracewell & Giuliani LLP
711 Louisiana Street
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[CLOSING DATE]

WE HAVE ACTED as bond counsel for Texas Public Finance Authority (the "Authority") in connection with an issue of bonds (the "Bonds") on behalf of Texas Southern University (the "University") described as follows:

> TEXAS PUBLIC FINANCE AUTHORITY TEXAS SOUTHERN UNIVERSITY REVENUE FINANCING SYSTEM REFUNDING BONDS, SERIES 2013, the total authorized amount of $62,355,000.
>
> The Bonds are issued as obligations under the consolidated Revenue Financing System pursuant to a resolution adopted by the Board of Regents of the University (the "Board") on October 19, 1998 and the Board of Directors of the Authority on October 21, 1998 (the "Master Resolution") and a ninth supplemental resolution adopted by the Authority on May 30, 2013 and adopted by the Board on June 21, 2013 (the "Ninth Supplement," together with the Master Resolution, the "Resolution"). The Bonds mature, bear interest, are subject to redemption prior to maturity, and may be transferred and exchanged as set out in the Bonds, the Resolution and in the Pricing Certificate.

WE HAVE ACTED as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes. We have not been requested to investigate or verify and have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of certified proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Authority or the Board or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, and the bonds being refunded, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Authority and the University; customary certificates of officers, agents and representatives of the Authority and the University, and other public officials; and other certified showings relating to the authorization and issuance of the Bonds and the firm banking arrangements for the discharge and final payment of the bonds being refunded. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have also examined executed Bond No. I-1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION that:

(A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and that therefore the Bonds constitute valid and legally binding special obligations of the Authority;

(B) The Bonds together with any Additional Parity Obligations hereafter issued are payable from and are equally and ratably secured by a lien on and pledge of the Pledged Revenues, as defined and provided in the Resolution; and

(C) Firm banking and financial arrangements have been made for the discharge and final payment of the bonds being refunded and therefore such bonds are deemed to be fully paid and no longer outstanding.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

THE AUTHORITY HAS RESERVED THE RIGHT TO ISSUE ADDITIONAL PARITY OBLIGATIONS UNDER THE REVENUE FINANCING SYSTEM, subject to the restrictions contained in the Resolution and such resolutions authorizing such Additional Parity Obligations, secured by liens on the Pledged Revenues that are on a parity with, or junior and inferior to the lien on Pledged Revenues securing the Bonds.

IT IS OUR FURTHER OPINION that:

(1) Interest on the Bonds is excludable from gross income for federal income tax purposes under existing law.

(2) The Bonds are not "private activity bonds" within the meaning of the Code, and as such, interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Bonds will be included in the "adjusted current earnings" of a corporation (other than an S corporation, regulated investment company, REIT, or REMIC) for purposes of computing its alternative minimum tax liability.

In providing such opinions, we have relied on representations of the Authority and the University, the Authority's financial advisor, and the Underwriters (as defined in the Resolution), with respect to matters solely within the knowledge of the Authority and the

University, the Authority's financial advisor, and the Underwriters, respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in the Resolution pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

If such representations are determined to be inaccurate or incomplete or the Authority or the University fails to comply with the foregoing provisions of the Resolution, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership, or disposition of the Bonds.

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Bonds).

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

Very truly yours,

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APPENDIX E

FORM OF BOND INSURANCE POLICY

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BAM

MUNICIPAL BOND

INSURANCE POLICY

ISSUER: [NAME OF ISSUER] MEMBER: [NAME OF MEMBER]
BONDS: $ _________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Policy No: _______

Effective Date:___________

Risk Premium: $___________
Member Surplus Contribution: $___________
Total Insurance Payment: $___________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By:____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

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TEXAS PUBLIC FINANCE AUTHORITY • TEXAS SOUTHERN UNIVERSITY REVENUE FINANCING SYSTEM REFUNDING BONDS, SERIES 2013

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