OFFICIAL STATEMENT DATED JUNE 11, 2003

NEW ISSUE – BOOK-ENTRY ONLY **RATINGS:** See "RATINGS" herein

In the opinion of Winstead, Sechrest & Minick P.C., Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and is not subject to the alternative minimum tax on individuals and corporations; however, interest on the Bonds is included in the "adjusted current earnings" of a corporation (other than any S corporation, regulated investment company, REIT, REMIC, or FASIT) for purposes of computing its alternative minimum tax liability. See "TAX MATTERS" herein.

$27,240,000
TEXAS PUBLIC FINANCE AUTHORITY
TEXAS SOUTHERN UNIVERSITY REVENUE FINANCING SYSTEM BONDS, SERIES 2003

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

The Series 2003 Bonds (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 fourth 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 will be used for the purpose of (i) renovating the University's Ernest S. Sterling Student Life Center, Thurgood Marshall School of Law, and School of Technology, (ii) repairing and renovating other campus infrastructure, and (iii) paying costs of issuance. *See* "PLAN OF FINANCING."

Interest on the Bonds will accrue from the date of delivery, and is payable on November 1, 2003 and each May 1 and November 1 thereafter, calculated on the basis of a 360-day year composed 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 JPMorgan Chase Bank, 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 subject to redemption prior to stated maturity as described herein.

FGIC® **Financial Guaranty Insurance Company**

FGIC is a registered service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. Government agency.

Payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by Financial Guaranty Insurance Company ("Financial Guaranty" or the "Insurer") simultaneously with the delivery of the Bonds. *See* "MUNICIPAL BOND INSURANCE" herein.

SEE INSIDE COVER 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 Winstead Sechrest & Minick P.C., Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Vinson & Elkins L.L.P. and Bates & Coleman, P.C. The Bonds are expected to be available for delivery through the facilities of DTC on or about June 26, 2003.

SBK BROOKS INVESTMENT CORP. **SIEBERT BRANDFORD SHANK & CO., L.L.C.**

BANC OF AMERICA SECURITIES LLC **CITIGROUP** **RBC DAIN RAUSCHER**

MATURITY SCHEDULE

$27,240,000
TEXAS PUBLIC FINANCE AUTHORITY
TEXAS SOUTHERN UNIVERSITY REVENUE FINANCING SYSTEM BONDS
SERIES 2003

Serial Bonds

Maturity Date (May 1)	Principal Amount	Interest Rate	Yield	CUSIP[(1)]
2006	$1,085,000	2.000%	1.430%	882756NZ9
2007	1,105,000	2.250	1.770	882756NA3
2008	1,130,000	2.375	2.090	882756NB1
2009	1,155,000	2.625	2.350	882756NC9
2010	1,185,000	4.000	2.640	882756ND7
2011	1,235,000	4.500	2.870	882756NE5
2012	1,290,000	4.500	3.010	882756NF2
2013	1,345,000	4.500	3.140	882756NG0
2014	1,410,000	5.000	3.260	882756NH8
2015	1,480,000	5.000	3.440	882756NJ4
2016	1,555,000	5.000	3.610	882756NK1
2017	1,630,000	5.000	3.730	882756NL9
2018	1,710,000	5.000	3.830	882756NM7
2019	1,795,000	5.000	3.920	882756NN5
2020	1,885,000	5.000	4.020	882756NP0
2021	1,980,000	5.000	4.080	882756NQ8
2022	2,080,000	5.000	4.130	882756NR6
2023	2,185,000	5.000	4.200	882756NS4
Total	$27,240,000			

The Authority reserves the right, upon the request of the Board, to redeem Bonds having stated maturities on or after May 1, 2014, on May 1, 2013 or any date thereafter, at par plus accrued and unpaid interest to the date fixed for redemption. *See* "DESCRIPTION OF THE BONDS-Redemption."

(1) CUSIP numbers have been assigned to this issue by the Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, and included solely for the convenience of the owners of the Bonds. Neither the Authority nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

SALE AND DISTRIBUTION OF THE BONDS

Use of Information in Official Statement

For the purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document constitutes an Official Statement of the Authority with respect to the Bonds that has been deemed "final" by the Authority as of its date except for the omission of no more than the information permitted by Rule 15c2-12(a)(1).

No dealer, broker, salesman or other person has been authorized by the University or the Authority to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the University or the Authority. All other information contained herein has been obtained from the Authority, the University, DTC and other sources which are believed to be reliable. Such other information is not guaranteed as to accuracy or completeness by, and is not to be relied upon as, or construed as a promise or representation by, the Issuer or the Underwriters.

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

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of any Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the University or the Authority or other matters described herein since the date hereof.

Marketability

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL WHICH MIGHT NOT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Certain information set forth herein has been obtained from the University and the Authority and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriters.

All of the summaries of the statutes, resolutions, contracts, financial statements, reports, agreements, and other related documents set forth in this Official Statement are qualified in their entirety by reference to such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the University or the Authority.

Securities Laws

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE AUTHORITY, THE UNIVERSITY, AND THE STATE OF TEXAS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES 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 DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

TEXAS PUBLIC FINANCE AUTHORITY

Board of Directors

R. David Kelly, Chair	Daniel T. Serna, Member
H. L. Bert Mijares, Jr., Vice Chair	Barry T. Smitherman, Member
J. Vaughn Brock, Secretary	(Vacant), Member
Helen Huey, Member	

Certain Appointed Officials

Kimberly K. Edwards, Executive Director	Judith Porras, General Counsel

TEXAS SOUTHERN UNIVERSITY

Board of Regents

Name	Place of Residence	Term Expiration (February 1)
Alphonso Jackson, Chair	Washington, D.C.	2003
Fred S. Ziedman, Vice Chair	Houston	2003
J. Paul Johnson, 2nd Vice Chair	Houston	2007
David Diaz	Corpus Christi	2005
Regina Giovannini	Houston	2005
Willard L. Jackson, Jr.	Houston	2005
A. Martin Wickliff, Jr.	Houston	2003
George M. Williams	Houston	2007
Gerald E. Wilson	Houston	2007

Certain Appointed Officials

Name	Title
Dr. Priscilla Slade	President
Dr. Bobby L. Wilson	Provost and Senior Vice President for Academic Affairs
Quintin F. Wiggins	Senior Vice President for Business and Finance
Dr. Willie H. Marshall	Associate Provost for Student Services
Lynn Rodriguez	General Counsel

Consultants and Advisors

Co-Financial Advisors..First Southwest Company
CKW Financial Group, Inc.

Bond Counsel ....Winstead Sechrest & Minick P.C.

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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 Section 55.13, 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 May 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, 2003, 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 Chapters 1232 and 1371, Texas Government Code, as amended, Chapters 54 and 55, Texas Education Code, as amended, 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 fourth supplemental resolution, which was approved and adopted by the Board on May 9, 2003 and by the Authority on April 15, 2003 (the "Fourth Supplement," collectively, the "Resolution"). The Texas Bond Review Board has approved the issuance of the Bonds and the Texas Higher Education Coordinating Board has approved the projects to be financed by the Bonds as required by law. *See* "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" and "SECURITY FOR THE BONDS."
Source of Payment	The Bonds constitute special 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 Authority reserves the right, upon the request of the Board, to redeem Bonds having stated maturities on or after May 1, 2014, on May 1, 2013 or any date thereafter, at par plus accrued and unpaid interest to the date fixed for redemption. *See* "DESCRIPTION OF THE BONDS - Redemption."
Use of Proceeds	Proceeds from the sale of the Bonds will be used for the purpose of (i) renovating the University's Ernest S. Sterling Student Life Center, Thurgood Marshall School of Law, and School of Technology and (ii) repairing and renovating other campus infrastructure. A portion of the proceeds of the Bonds will be used to pay issuance costs. *See* "PLAN OF FINANCING - Purpose."
Ratings and Municipal Bond Insurance	The Bonds are expected to be rated "Aaa" and "AAA" by Moody's Investor Service and Fitch Ratings, respectively, based on the issuance of a municipal bond insurance policy to be issued for the Bonds by Financial Guaranty Insurance Company. *See* "RATINGS" and "MUNICIPAL BOND INSURANCE."

OFFICIAL STATEMENT

relating to

$27,240,000
TEXAS PUBLIC FINANCE AUTHORITY
TEXAS SOUTHERN UNIVERSITY REVENUE FINANCING SYSTEM BONDS
SERIES 2003

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"), 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 Spring 2003 Semester, the University had a total enrollment of approximately 9,432 students. The Fiscal Year 2003 budget of the University is approximately $94,888,790, which includes both unrestricted and restricted funds. 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 such documents may be obtained from the Senior Vice President for Business and Finance, Texas Southern University, 3100 Cleburne Avenue, Hannah Hall, Room 116, Houston, Texas 77004, (713) 313-7050. 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 Chapters 54 and 55, Texas Education Code, as amended, including particularly sections 55.13(c) and 55.17391, and Chapters 1232 and 1371, Texas Government Code, as amended (collectively, the "Authorizing Law"), and additionally pursuant to a master resolution (the "Master Resolution"), as amended, and a fourth supplemental resolution (the "Fourth Supplement" and collectively, the "Resolution") each adopted by the Authority's governing body and the Board.

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.

Purpose

Proceeds from the sale of the Bonds will be used for the purpose of (i) renovating the University's Ernest S. Sterling Student Life Center, Thurgood Marshall School of Law, and School of Technology and (ii) repairing and renovating other campus infrastructure. A portion of the proceeds of the Bonds will be used to pay issuance costs.

Sources and Uses of Funds

The proceeds of the Bonds will be applied as follows:

Sources:	
Par Amount	$27,240,000.00
Original Issue Premium	2,254,991.60
Total	$29,494,991.60
Uses:	
Deposit to Project Fund	$28,848,881.46
Costs of Issuance[1]	646,110.14
Total	$29,494,991.60

[1] Includes Underwriter's Discount, Bond Insurance and Surety Premium.

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, 2003, and is calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds mature on May 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 which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

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 JPMorgan Chase Bank, 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, Bonds may be exchanged for other Bonds of the same Stated Maturity, of any authorized denominations, and of like aggregate principal amount, upon surrender of the Bonds to be exchanged at the place of payment for the Bonds. Whenever any Bonds are so surrendered for exchange, the Authority and the Board will execute, and the Paying Agent/Registrar will authenticate and deliver, the Bonds which the Holder of Bonds making the exchange is entitled to receive. Every Bond presented or surrendered for transfer or exchange will be duly endorsed, or accompanied by a written instrument of transfer in form satisfactory to the Authority and the Paying Agent/Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing. No service charge will be made to the Holder for any registration, transfer, or exchange of Bonds, but the Authority or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

Record Date for Interest Payment

The regular record date ("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.

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

Redemption

Optional Redemption

On May 1, 2013 or on any date thereafter, the Bonds stated to mature on and after May 1, 2014 may be redeemed prior to their Stated Maturities, at the option of the Authority, upon request by the Board, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Bonds, or portions thereof, to be redeemed shall be selected by the Board (provided that a portion of a Bond may be redeemed only in an integral multiple of $5,000), at par and accrued and unpaid interest to the date fixed for redemption; provided, that during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same stated maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Authority and the securities depository.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of Bonds or portions thereof prior to Stated Maturity a written notice of such redemption will be sent by the Paying Agent/Registrar to the registered owner of each Bond to be redeemed at its address as it appeared on the Registration Books on the 45th day prior to such redemption date; provided, however, that the failure to send, mail, or receive such notice, or any defect therein or in the sending or mailing thereof, will not affect the validity or effectiveness of the proceedings for the redemption of any Bond.

In addition, the Paying Agent/Registrar will give notice of redemption of Bonds at least 30 days prior to a redemption date to each registered securities depository and to any national information service that disseminates redemption notices. In the event of a redemption caused by an advance refunding of the Bonds, the Paying Agent/Registrar will also send a second notice of redemption to the persons specified in the immediately preceding sentence, at least 30 days but not more than 90 days prior to the actual redemption date. Any notice sent to the registered securities depositories or such national information services will be sent so that they are received at least two days prior to the general mailing or publication date of such notice. The Paying Agent/Registrar will also send a notice of prepayment or redemption to the registered owner of any Bond who has not sent the Bonds in for redemption 60 days after the redemption date.

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

Paying Agent/Registrar

The Board covenants with the registered owners of the Bonds that at all times while the Bonds are outstanding the Board will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of Paying Agent/Registrar for the Bonds under the Resolution. 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 covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under the Resolution. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the pertinent Bonds, to the new Paying Agent/Registrar designated and appointed by the Board.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as a securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co., DTC's or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds in the aggregate principal amount of such issue and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Bank 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating, AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

Redemption notices will be sent to Cede & Co. If less than all of the Bonds 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 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe that it will not receive payment on the payable date. Payments by DTC 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 names," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent/Registrar, and disbursement of such payment to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information under this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

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.

Defeasance

The Resolution provides for defeasance of the Bonds under certain circumstances. *See* "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION - Defeasance."

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 ("Participants"). The Revenue Financing System is intended to facilitate the assembling of all of the University's revenue-supported debt capacity into a single financing program in order to provide a cost-effective debt program to Participants and to maximize the financing options available to the Board. 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. Generally, Prior Encumbered Obligations are those bonds or other obligations issued on behalf of a Participant which were outstanding on the date such entity became a Participant in the Revenue Financing System. Presently, there are no Prior Encumbered Obligations outstanding. *See* "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" and "Appendix A - DEFINITIONS."

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 which are lawfully available to the Board for the payment of Parity Obligations, subject to the provisions of the Prior Encumbered Obligations, if any.

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

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

THE 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.

Pledged Revenues

The following table contains a summary of the Pledged Revenues for Fiscal Years 1999 through 2002, including pledged unappropriated fund balances available at the beginning of each year, and the amounts budgeted for Fiscal Year 2003. The Pledged Revenues include certain unrestricted current funds but do not include: remissions, governmental appropriations and 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 B - FINANCIAL REPORT OF TEXAS SOUTHERN UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2002". *See* "SELECTED FINANCIAL INFORMATION."

TABLE 1 - Pledged Revenues

	Fiscal Years				
	1999	2000	2001	2002	2003*
Available Pledged Revenues	$18,061,464	$17,907,525	$17,303,324	$17,086,884	$21,051,539

*Budgeted for FY 2003.

Maximum annual debt service on a fiscal year basis over the life of the Bonds is $2,296,000.00.
Maximum annual debt service on a fiscal year basis over the life of the Outstanding Parity Obligations and the Bonds is $10,318,815.04.

Reserve Fund

The Resolution creates a Reserve Fund for the Bonds. Upon delivery of the Bonds, it is expected that the Reserve Fund will be funded in whole with a surety bond issued in an amount equal to the Required Reserve Amount and that no cash will be deposited to the Reserve Fund. To the extent that any amounts in the Reserve Fund are used to make debt service payments, the Board has covenanted in the Resolution to first use any cash on deposit in such Reserve Fund prior to drawing on any surety bond.

Debt Service Reserve Fund Policy

The Resolution requires the establishment of a Reserve Fund in an amount equal to the Required Reserve Amount for the Bonds. The Resolution authorizes the Board to obtain a surety bond in lieu of funding the Reserve Fund with cash. The premium on any such surety bond is to be fully paid at or prior to the issuance and delivery of the Bonds. The following information has been furnished by Financial Guaranty Insurance Company ("Financial Guaranty") for use in this Official Statement.

Concurrently with the issuance of the Bonds, Financial Guaranty will issue its Municipal Bond Debt Service Reserve Fund Policy (the "Reserve Policy"). The Reserve Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the University, provided that the aggregate amount paid under the Reserve Policy may not exceed the maximum amount set forth in the Reserve Policy, $2,296,000.00. Financial Guaranty will make such payments to the Paying Agent/Registrar for the Bonds on the later of the date on which such principal or interest (as applicable) is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice subsequently confirmed in writing or written notice by registered or certified mail from the Paying Agent/Registrar of the nonpayment of such amount by the University. The term "nonpayment" in respect of a Bond includes any payment of principal or interest made to an owner of a Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final nonappealable order of a court having competent jurisdiction.

The Reserve Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Bonds. The Reserve Policy covers failure to pay principal of the Bonds on their respective stated maturity dates, or dates on which the same shall have been called for mandatory sinking fund redemption, and not on any other date on which the Bonds may have been accelerated, and covers the failure to pay an installment of interest on the stated date for its payment. The Reserve Policy shall terminate on the earlier of the scheduled final maturity date of the Bonds or the date on which no Bonds are outstanding under the Resolution.

Generally, in connection with its issuance of a Reserve Policy, Financial Guaranty requires, among other things, (i) that, so long as it has not failed to comply with its payment obligations under the Reserve Policy, it be granted the power to exercise any remedies available at law or under the Resolution other than (A) acceleration of the Bonds or (B) remedies which would adversely affect holders in the event that the University fails to reimburse Financial Guaranty for any draws on the Reserve Policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to Financial Guaranty's consent. The specific rights, if any, granted to Financial Guaranty in connection with its issuance of the Reserve Policy are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which the issuer of the Bonds is required to provide additional or substitute credit enhancement, and related matters.

The Reserve Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of March 31, 2003, the total capital and surplus of Financial Guaranty was approximately $1.028 billion. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 125 Park Avenue, New York, New York 10017, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

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. *See* "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION."

Reserve Funds – Parity Obligations

In addition to the Reserve Fund with respect to the Bonds, under the Master Resolution and the first, second and third supplements thereto, a reserve fund is created for each series of Parity Obligations currently Outstanding. With respect to the Series 1998A-1 Bonds, the Authority and Board purchased a Reserve Fund Surety Bond from MBIA Insurance Corporation in the amount of $1,528,222.26 with an expiration of the earlier of (i) November 1, 2018 or (ii) the date on which the Issuer has made all payments to be made on the Series 1998A-1 Bonds. The reserve fund for the Series 1998A-2 Bonds, Series 1998B Bonds and Series 1998C Bonds was satisfied by the deposit of cash and a surety bond from Ambac Assurance Corporation. Ambac Assurance Corporation provided a surety bond in the amount which is the lesser of (i) $722,125.00 for the Series 1998A-2 Bonds, $467,637.50 for the Series 1998B Bonds and $127,522.50 for the Series 1998C Bonds or (ii) the reserve fund requirement for the respective series of bonds. The Ambac Surety Policies have an expiration of the earlier of (i) November 1, 2018 for the Series 1998A-2 Bonds, November 1, 2023 for the Series 1998B Bonds and November 1, 2008 for the Series 1998C Bonds or (ii) the date on which all payments required to be made on each respective series of Parity Obligations are made. With respect to the Series 2002 Bonds, MBIA Insurance Corporation provided a surety bond in the amount which is the lesser of (i) $4,021,852.61 or (ii) the reserve fund requirement for the Series 2002 Bonds. The MBIA Reserve Fund Surety Bond relating to the Series 2002 Bonds expires on the earlier of (i) November 1, 2021 or (ii) the date on which the Issuer has made all payments required to be made on the Series 2002 Bonds.

The reserve funds for the Outstanding Parity Bonds are not available for payment of the Bonds. See "--Pledge Under Resolution."

Nonrecourse Debt and Subordinated Debt

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

Debt Service Schedule

		The Bonds			
Fiscal Year (August 31)	Parity Obligation Debt Service	Principal	Interest	Annual Debt Service	Total Debt Service
2003	$8,175,990.13				$8,175,990.13
2004	8,019,811.28		$1,025,790.20	$1,025,790.20	9,045,601.48
2005	8,021,453.78		1,210,768.76	1,210,768.76	9,232,222.54
2006	8,020,886.28	$1,085,000.00	1,210,768.76	2,295,768.76	10,316,655.04
2007	8,021,733.78	1,105,000.00	1,189,068.76	2,294,068.76	10,315,802.54
2008	8,024,608.78	1,130,000.00	1,164,206.26	2,294,206.26	10,318,815.04
2009	8,014,306.28	1,155,000.00	1,137,368.76	2,292,368.76	10,306,675.04
2010	7,775,768.78	1,185,000.00	1,107,050.00	2,292,050.00	10,067,818.78
2011	7,770,321.28	1,235,000.00	1,059,650.00	2,294,650.00	10,064,971.28
2012	7,774,469.40	1,290,000.00	1,004,075.00	2,294,075.00	10,068,544.40
2013	7,772,714.39	1,345,000.00	946,025.00	2,291,025.00	10,063,739.39
2014	7,766,458.13	1,410,000.00	885,500.00	2,295,500.00	10,061,958.13
2015	7,772,133.76	1,480,000.00	815,000.00	2,295,000.00	10,067,133.76
2016	7,771,443.76	1,555,000.00	741,000.00	2,296,000.00	10,067,443.76
2017	7,776,218.75	1,630,000.00	663,250.00	2,293,250.00	10,069,468.75
2018	7,776,093.75	1,710,000.00	581,750.00	2,291,750.00	10,067,843.75
2019	6,187,112.50	1,795,000.00	496,250.00	2,291,250.00	8,478,362.50
2020	4,777,337.50	1,885,000.00	406,500.00	2,291,500.00	7,068,837.50
2021	4,777,925.00	1,980,000.00	312,250.00	2,292,250.00	7,070,175.00
2022	4,778,693.75	2,080,000.00	213,250.00	2,293,250.00	7,071,943.75
2023	914,512.50	2,185,000.00	109,250.00	2,294,250.00	3,208,762.50
2024	915,137.50				915,137.50
TOTAL	$148,605,131.06	$27,240,000.00	$16,278,771.50	$43,518,771.50	$192,123,902.56

MUNICIPAL BOND INSURANCE

The following information has been furnished by Financial Guaranty Insurance Company ("Financial Guaranty" or the "Insurer") for use in this Official Statement. Reference is made to Appendix D for a specimen of the Insurer's policy.

Bond Insurance

Concurrently with the issuance of the Bonds, Financial Guaranty will issue its Municipal Bond New Issue Insurance Policy (the "Policy") for the Bonds. The Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the University. Financial Guaranty will make such payments to U.S. Bank Trust National Association, or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Bonds or the Paying Agent/Registrar of the nonpayment of such amount by the University. The Fiscal Agent will disburse such amount due on any Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal or interest (as applicable) shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Bond includes any payment of principal or interest (as applicable) made to an owner of a Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Bonds. The Policy covers failure to pay principal of the Bonds on their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Bonds may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

Generally, in connection with its insurance of an issue of municipal securities, Financial Guaranty requires, among other things, (i) that it be granted the power to exercise any rights granted to the holders of such securities upon the occurrence of an event of default, without the consent of such holders, and that such holders may not exercise such rights without Financial Guaranty's consent, in each case so long as Financial Guaranty has not failed to comply with its payment obligations under its insurance policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to Financial Guaranty's consent. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the Bonds are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which the University is required to provide additional or substitute credit enhancement, and related matters.

This Official Statement contains a section regarding the ratings assigned to the Bonds and reference should be made to such section for a discussion of such ratings and the basis for their assignment to the Bonds. Reference should be made to such section for a discussion of the ratings, if any, assigned to such entity's outstanding parity debt that is not secured by credit enhancement.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of March 31 2003, the total capital and surplus of Financial Guaranty was approximately $1.028 billion. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 125 Park Avenue, New York, New York 10017, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

THE AUTHORITY

General

The Authority is a public authority and body politic and corporate originally created in 1984 by an act of the 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. There is currently one vacancy on the Board. 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 been appointed by the Governor. 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)
R. David Kelly	Chair	2007
H. L. Bert Mijares, Jr.	Vice-Chair	2005
J. Vaughn Brock	Secretary	2007
Helen Huey	Member	2005
Daniel T. Serna	Member	2003
Barry T. Smitherman	Member	2007
(Vacant)	-	-

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 Kimberly K. Edwards, who has been employed in that position since March 1997.

Pursuant to the Enabling Act and Chapter 1401, Texas Government Code, the Authority issues general obligation bonds and notes and revenue bonds for designated State agencies (including certain institutions of higher education) and administers the Master Lease Purchase Program, a revenue commercial paper program, primarily to finance equipment acquisitions by State agencies. Under these authorities, the Authority has issued revenue bonds on behalf of the Texas Parks and Wildlife Department, the Texas Building and Procurement Commission (formerly, the General Services Commission), the State Preservation Board, the Texas Department of Criminal Justice, the Texas Department of Health, the Texas Military Facilities Commission (formerly, the National Guard Armory Board), the Texas State Technical College System, Midwestern State University, Stephen F. Austin University, and the University. It has also issued general obligation bonds for the Texas Parks and Wildlife Department, the Texas Department of Criminal Justice, the Texas Department of Mental Health and Mental Retardation, the Texas Department of Public Safety, the Texas Youth Commission, the Texas National Research Laboratory Commission, the Texas Juvenile Probation Commission, the Texas School for the Deaf, the Texas School for the Blind and Visually Impaired, the Texas Department of Transportation, and the Texas Department of Health.

Before the Authority may issue obligations for the acquisition or construction of a building, the Legislature must have authorized the specific project for which the obligations 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 obligations. The Texas Supreme Court, in Texas Public Building Authority v. Mattox, 686 S.W.2d 924 (1985), ruled that revenue bonds issued by the Authority do not constitute debt of the State within the meaning of the State Constitution. As set forth in the Enabling Act, revenue obligations issued thereunder are not a debt of the State or any State agency, political corporation or political subdivision of the State and are not a pledge of the full faith and credit of 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 Legislature and that each agency subject to sunset review will be abolished unless the Legislature specifically determines to continue its existence. The Authority was reviewed during the 1997 legislative session under the Texas Sunset Act, and the next scheduled review of the Authority is during the legislative session in 2009. The Enabling Act of the Authority, as amended by the 75th Legislature, provides that if the Authority is not continued in existence, the Authority will cease to exist as of September 1, 2009; however, the Texas Sunset Act provides that the Authority will exist until September 1 of the following year (September 1, 2010) in order to conclude its business.

Relationship with other State Agencies

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

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 composed 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. The Bonds were approved by the Texas Bond Review Board on April 17, 2003. In the case of bonds issued by institutions of higher education, such as the University, the projects to be financed by the bonds are also reviewed and approved by the Texas Higher Education Coordinating Board ("Coordinating Board"). The projects (that exceed two million dollars) to be financed by the Bonds were reviewed and/or approved by the Coordinating Board as required by law.

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 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 compliment 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 9,432 students for the Spring 2003 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 $18 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 fully accredited by those which 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 Behavorial Sciences' Social Work Program is accredited by the Council on Social Work Education and the Dietetics Program is accredited by the American Dietitic 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.

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:

ALPHONSO JACKSON, *Chair and Board Member.* Deputy Secretary of the United States Department of Housing & Urban Development. Mr. Jackson, a resident of Washington, D.C., was appointed on August 13, 1998. His current term on the Board expired on February 1, 2003.

FRED S. ZEIDMAN, *Vice Chair and Board Member.* President and Chief Executive Officer of InterSystems. Mr. Zeidman, a resident of Houston, Texas, was appointed on August 25, 1997. His current term on the Board expired on February 1, 2003.

J. PAUL JOHNSON, *2nd Vice Chair and Board Member*. President and CEO, Liberty Ink. Mr. Johnson is a resident of Houston. He was appointed March 26, 2001. His current term on the Board expires on February 1, 2007.

DAVID DIAZ, *Secretary and Board Member*. Attorney. Mr. Diaz owns and operates a law firm of seven attorneys in Corpus Christi, Texas. Mr. Diaz was appointed on April 18, 2001. His current term on the Board expires on February 1, 2005.

REGINA GIOVANNINI, *Board Member.* Senior partner at Thompson, Knight, Brown, Parker & Leahy, LLP. Ms. Giovannini, a resident of Houston, Texas, was appointed on April 28, 2000. Her current term on the Board expires on February 1, 2005.

WILLARD L. JACKSON, JR., *Board Member.* President and Chief Executive Officer of Metroplex Industries, Inc. Mr. Jackson, a resident of Houston, Texas, was initially appointed on November 14, 1995 and reappointed on April 20, 2000. His current term on the Board expires on February 1, 2005.

A. MARTIN WICKLIFF, JR., *Board Member.* Shareholder in the law firm of Epstein Becker Green Wickliff & Hall, P.C. Mr. Wickliff, a resident of Houston, Texas, was appointed on August 25, 1997 and his current term on the Board expired on February 1, 2003.

GEORGE M. WILLIAMS, *Board Member*. Investment banker, Williams Partners, Inc. Mr. Williams is a resident of Houston, Texas. He was appointed December 12, 2001. His current term on the Board expires on February 1, 2007.

GERALD WILSON, *Board Member*. Chairman and President, Wilson Financial Group, Inc. Mr. Wilson is a resident of Houston, Texas. He was appointed June 8, 2000. His current term on the Board expires on February 1, 2007.

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

DR. PRISCILLA SLADE, Ph.D, President. Dr. Slade was appointed President of the University on October 27, 1999. Dr. Slade joined the University faculty in 1991 as Chair of the Accounting Department, and served as Dean of the Jesse H. Jones School of Business at the University from 1992 until her appointment as acting President on February 5, 1999.

DR. BOBBY L. WILSON, Ph.D., Provost and Senior Vice President for Academic Affairs. Dr. Wilson has served in this capacity since 1999. From 1995 until this appointment, Dr. Wilson served as Professor and Chair of the Chemistry Department including an assignment at the National Science Foundation as a Program Director from 1995-1997.

QUINTIN F. WIGGINS, CPA, Senior Vice President for Business and Finance. Mr. Wiggins has served in this capacity since December 2000. Prior to this appointment, Mr. Wiggins served as Assistant Vice President for Business and Financial Services.

DR. WILLIE H. MARSHALL, Ed.D., Associate Provost for Student Services. Since 1974, Dr. Marshall has worked in the area of Student Affairs at the University, serving as Director of the Student Center and Student Activities. In 1993 he was appointed Associate Vice President for Student Affairs and serves in that capacity today which is now titled Associate Provost for Student Services.

LYNN RODRIGUEZ, General Counsel. Ms. Rodriguez joined the University in July 2000 after serving for 5 ½ years as general counsel for the Texas Higher Education Coordinating Board, an eighteen member board appointed by the governor to, among other things, coordinate the distribution of state resources among public higher education institutions.

Financial Support

As a State institution, the University receives approximately fifty-two percent (52%) 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.

Financial Aid Issues

Due to certain routine audits conducted by the State Auditor's Office in 1996, the University became aware that certain requirements and regulations relating to the approval and disbursement of student financial aid were not being adhered to by the University's financial aid department between 1993 and 1997. In conjunction with the State Auditor's Office audit, the United States Department of Education ("DOE") initiated an audit to review the University's records between 1994 and 1997 pertaining to student financial aid. As a result of this audit, the DOE determined that certain amounts relating to non-conforming student financial aid awards should be refunded to the DOE. The DOE and the University approved a settlement agreement ("Settlement Agreement") in August 1997 wherein the University entered into a repayment agreement ("Repayment Agreement") which provided that the University would repay a total of $15.1 million related to non-conforming student financial aid awards. In 2000, the DOE suspended future payments by the University. In addition, the University undertook an independent audit to determine the actual amount owed to DOE. After a series of discussions between the DOE and the University, the DOE unofficially notified the University in May 2003 that it was forgiving the debt and would no longer require payment by the University. While the University has not received official notice of forgiveness of the debt from the DOE, it expects to receive formal notice within the next several months and does not anticipate that any future payments on the debt will be required.

State Auditor's Report

In 1999, the Texas Legislature charged the State Auditor's Office (the "SAO") with the responsibility of determining whether the University had made "substantial demonstrable progress" with respect to establishing, implementing, and maintaining the necessary systems and controls for the management and internal oversight of various areas, including finance and accounting, human resources, management information systems, planning and communications and student financial aid. Nineteen performance measures were developed to measure "substantial demonstrable progress." The SAO is required to report its findings and reasons to the Legislative Audit Committee.

The SAO's most recent report on the University was released in March 2003. The overall conclusion was that the University has improved processes for producing accurate and consistent financial information. In examining the University's Annual Financial Report (the "AFR") for fiscal year 2002, the SAO found that it was supported by information from the University's financial system and concluded that the legislature and others could rely on the AFR's accuracy. The SAO found problems with documentation for expenditures, although the errors did not result in a significant dollar impact to the University's AFR.

Copies of all of the State Auditor's reports are available at http://www.sao.state.tx.us/reports.

U.S. Department of Education's Office for Civil Rights (OCR)

In March 1999, OCR officials informed the State of Texas that disparities traceable to former de jure segregation of African-Americans still existed at Texas' two historically black public universities, the University and Prairie View A&M University. In response, the State entered into an agreement with OCR to develop a plan to remedy the vestiges of segregation (the "Priority Plan"). Development of the Priority Plan was directed by the Texas Higher Education Coordinating Board with the assistance of staff members from the University and Prairie View A&M University as well as from other universities around the State. The Priority Plan was approved by the Coordinating Board in October 2000 and was presented to the Texas Legislature for funding during the 2001 session. The Priority Plan calls for the University to raise the educational success of its students, particularly in retention and graduation, and includes actions to strengthen certain operational systems at the University; establish an effective institutional development office; develop an attractive and well-maintained campus; construct a new science building; add new programs in high demand areas; create 12 endowed chairs for new and existing programs; and develop merit scholarships to bring well-prepared students to the campus. The estimated funding to carry out the Priority Plan is at least $60 million over the next six years. A copy of the Priority Plan is located at the Coordinating Board's web site at http://www.thecb.state.tx.us/reports/pdf/0313.pdf. As a result of the Priority Plan, the State of Texas appropriated $25,000,000 for the 2002-2003 biennium, to be distributed to the University in two equal amounts. Section 55.17391 of the Texas Education Code authorized the issuance of up to $79 million of tuition revenue bonds, of which $49.5 million was issued as the Series 2002 Bonds and $29.5 million will be issued as the Bonds. Certain items in the Priority Plan are being funded with a portion of the proceeds of the Series 2002 Bonds and the Bonds.

Capital Improvement Plan

The University employed the architectural firm of Hermes & Reed to develop a master plan for the University. The master plan included $55 million of maintenance and renovation projects that need to be performed by the University. The University has developed a spending plan to address the needed maintenance and renovations. The plan was presented to the Board for approval in October 2001. The plan addresses in detail the planning issues and priorities for the University for the five years ending with the academic year 2006-2007. In the plan, emphasis is placed on facilities upgrades and strengthening the University's technology infrastructure. The plan also identifies on an annual basis the projects and land acquisitions needed to fully implement the plan.

Enrollment

TABLE 2 - University Enrollment Data

Following is headcount enrollment by semester for Fiscal Years 1998-2003:

			Summer Session	
Fiscal Year	Fall Semester	Spring Semester	First Term	Second Term
1998	7,141	6,718	1,749	984
1999	6,345	6,186	1,660	923
2000	6,886	6,296	1,510	829
2001	8,119	6,922	1,745	419*
2002	8,120	8,115	2,168	1,356
2003	9,739	9,432	---	---

* Enrollment decline due in part to damage suffered by the University as a result of Tropical Storm Allison.

Student Housing

In March 2003, the City of Houston Higher Education Finance Corporation issued $25,210,000 of revenue bonds and loaned the proceeds thereof to Houston Student Housing II, L.L.C. ("HSH") to finance (1) the lease and renovation of 106 apartment units (the "Richfield Project") and (2) the construction of 134 apartment units (the "Tierwester Project"), which will be used as student housing for the University. These projects, along with 300 housing units which were constructed in 2001 by private developers, have been designed to meet the University's objectives of increasing the ratio of students living on campus and attracting and retaining students.

The University owns the land on which the Tierwester Project is being constructed. Certain of the lots are subject to deed restrictions, which restrictions could delay the construction of Phase II of the Tierwester Project. The University is currently pursuing action to have the deed restrictions condemned. It is the University's position that such deed restrictions are not enforceable against it, as an agency of the state. In the event that the University is delayed in having the restrictions removed, the construction of Phase II may be delayed. Delay in the construction could affect the ability of HSH to generate revenues sufficient to pay debt service on the housing bonds. The University has agreed to undertake certain actions to ensure that funds are available for payment of the debt service on the housing bonds, if necessary.

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 Teacher Retirement System of Texas (the "TRS"). The contributory percentages of participant salaries currently provided by the State and by each participant are 6% and 6.4%, respectively, of annual compensation. The TRS does not separately account for each of its component government agencies, since the TRS itself bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. According to an independent actuarial evaluation as of August 31, 1999, the present value of the TRS actual and projected liabilities, including projected benefits payable to its retirees and active members and their beneficiaries, was less than the assets of the TRS; the TRS is over funded. The State has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program is in lieu of participation in the TRS. The optional retirement program provides for the purchase of annuity contracts. The contributory percentages on salaries for participants entering the program prior to September 1995 are 8.5% and 6.65% by the state and each participant, respectively. The State's contribution is comprised of 6.00% 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 after August 31, 1995 are 6.00% and 6.65% by the state and each participant, respectively. Since these are individual annuity contracts, the State has no additional or unfunded liability for this program.

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 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 or obtained by the University.

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." Historically, these requirements follow, as nearly as practicable, the American Institute of Certified Public Accountants (AICPA) Industry Audit Guide, Audits of Colleges and Universities, 1996 Edition, as amended by AICPA Statement of Position (SOP) 74-8, Financial Accounting and Reporting by Colleges and Universities, and as modified by applicable Financial Accounting Standards Board (FASB) pronouncements issued through November 30, 1989, and as modified by all applicable Governmental Accounting Standards Board (GASB) pronouncements cited in Codification Section CO5, "Colleges and Universities." The requirements were also in substantial conformity with the Financial Accounting and Reporting Manual for Higher Education published by the National Association of College and University Business Officers (NACUBO).

During Fiscal Year 2002, the State and the University adopted GASB Statement Nos. 34 and 35, "Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities," as amended by GASB Statement No. 37, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments Omnibus," and GASB Statement No. 38, "Certain Financial Statement Note Disclosures" (collectively, "GASB 35"). The implementation of GASB 35 is required to be undertaken by colleges and universities with total annual revenues in excess of $100 million for fiscal periods beginning after June 15, 2001. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the entity as a whole. Previous financial statement presentation focused on the combined fund group perspective.

GASB 35 has materially affected the University's financial data accumulation and financial statement presentation processes. Following is a list of significant changes to the University's financial statements mandated by GASB 35, including certain changes mandated by the revised Financial Reporting Requirements of the State Comptroller of Public Accounts.

(1) The University financial information is reported under GASB 35 as a Business-Type Activity.

(2) The measurement focus and basis of accounting is presented in full accrual, consistent with the accounting method used by private-sector institutions. All current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or disbursed.

(3) Resources are classified for accounting and reporting purposes into the following four net asset categories: invested in capital assets – net of related debt; restricted nonexpendable; restricted expendable; and unrestricted.

(4) Revenues and expenses are categorized as operating or non-operating. Previously, a measure of operations was not presented. Significant recurring sources of the University's revenues, including State appropriations, gift contributions and investment income (loss), are considered non-operating.

(5) Depreciation of capital assets is now recognized. Previously, the historical costs of capital assets were not systematically expensed to reflect use of these assets over time. Accumulated depreciation for prior periods is reflected as a restatement to net assets, and current year's depreciation expense is shown as an operating expense, on the Combined Statement of Revenues, Expenses and Changes in Net Assets.

(6) Capitalization thresholds have increased for the 2002 financial statements. These thresholds are personal property $5,000, buildings and improvements $100,000, and infrastructure $500,000. The University's financial statements reflect a restatement for those capital assets that no longer meet the capitalization thresholds.

(7) Receivables, cash advances and unearned revenues for sponsored programs and student tuition and fees are now recorded as deferred revenues. Previously, only unearned cash receipts were recognized as deferred revenue.

(8) Scholarships and fellowships applied to student accounts are now shown as a reduction of student tuition and residence fee revenues, while stipends and other payments made directly to students continue to be presented as scholarship and fellowship expenses. Previously, all scholarships and fellowships were presented as expenditures.

See "Appendix B – FINANCIAL REPORT OF TEXAS SOUTHERN UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2002—Management's Discussion and Analysis."

The University is not required to restate, and has not restated, prior year financials consistent with the new accounting standards of GASB 35. The significant changes caused by these new accounting standards and the time required to implement the changes on a consistent basis in accordance with the related rules of the State Comptroller of Public Accounts made a restatement of the prior years impossible. As such, historical financial data will not be comparable to the data presented under the new format.

Attached to this Official Statement as "Appendix B – FINANCIAL REPORT OF TEXAS SOUTHERN UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2002" are the most recent primary statements of the unaudited combined annual financial reports of the University for the Fiscal Year ended August 31, 2002. The University's unaudited combined primary financial statements consist of the Statement of Net Assets as of August 31, 2002, the Combined Statement of Revenues, Expenses and Changes in Net Assets for the Year Ended August 31, 2002, and the Combined Statement of Cash Flows for the Year Ended August 31, 2002. See "Appendix B – FINANCIAL REPORT OF TEXAS SOUTHERN UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2002."

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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 Year 2002.

	Total
Operating Revenues:	
Sales of Goods and Services (PR - Chgs for Services)	
Net Tuition and Fees	$14,431,202
Net Professional Fees	
Net Auxiliary Enterprise	2,655,682
Net Other Sales of Goods and Svcs	3,827,131
Interest and Investment Income	
Net Increase (Decrease) Fair Market Value	
Federal Revenue -Operating (PR -OP Grants/Contributions)	27,214,217
Federal Pass Through Revenue (PR - OP Grants/Contributions)	51,196
State Grant Revenue (PR-OP Grants/Contributions	2,073,112
State Grant Pass Through Revenue (PR -OP Grants/Contributions)	236,656
Other Contract and Grants - Operating (PR-OP Grants/Contributions)	2,963,308
Other Operating Revenues (PR - Chgs for Services)	2,184,851
Total Operating Revenues	$55,637,355
Operating Expenses:	
Cost of Goods Sold	
Salaries and Wages	$49,118,175
Payroll Related Costs	11,348,712
Professional Fees and Services	6,401,214
Travel	1,578,204
Materials and Supplies	4,150,116
Communication and Utilities	3,183,578
Repairs and Maintenance	1,249,206
Rentals and Leases	924,313
Printing and Reproduction	616,619
Depreciation	5,086,221
Bad Debt Expense	555,865
Interest	8,786
Scholarships	12,952,586
Other Operating Expenses	7,005,809
Total Operating Expenses	$104,179,404
Operating Income (Loss)	$(48,542,049)

*Table continued on following page

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

	Total
Nonoperating Revenues (Expenses):	
Legislative Revenue (GR)	$44,015,636
Additional Appropriations	7,376,793
State Pass Through (GR)	2,097,141
HEAF Appropriation Revenue (GR)	7,191,493
Federal Revenue Non-Operating (PR-OP Grants/Contributions)	
Gifts (PR-OP Grants/Contributions)	5,210,481
Investment Income (PR-OP Grants/Contributions)	1,344,453
Investing Activities Expenses	(1,000,000)
Interest Expenses and Fiscal charges	(2,850,880)
Net Increase (Decrease) in Fair Value of Investments (PR-OP Grants/Contributions)	(1,562,428)
Net Increase (Decrease) in Fair Value of Investments (GR)	
Settlement of Claims (PR-Chgs for Services)	(667,755)
Settlement of Claims (GR)	(16,197)
Other Nonoperating Revenues (Expenses) (PR-Chgs for Services	143,826
Other Nonoperating Revenues (Expenses) (GR)	255,882
Total Nonoperating Revenues (Expenses)	$61,538,445
Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers	$12,996,396
Other Revenues, Expenses, Gains/Losses and Transfers:	
Capital Contributions	
Additions to Permanent and Term Endowments	$1,433,998
Extraordinary Items (FEMA)	2,186,034
Transfers-In	245,801
Transfers-Out	
Legislative Transfer-In	215,621
Total Other Revenue, Expenses, Gain/Losses and Transfers	$4,081,454
Change in Net Assets:	$17,077,850
Total net assets, September 1, 2001	223,205,712
Restatements	(148,407,141)
Total net assets, September 1, 2001, as Restated	$74,798,571
Total net assets, August 31, 2002	$91,876,421

*Table continued from prior page

TABLE 4 - Condensed Statement of Net Assets

The table below presents the Condensed Statement of Net Assets as of August 31, 2002.

	Amount (in Thousands)
Assets:	
Current Assets	$ 87,469
Capital Assets, Net	134,017
Other Assets	15,987
Total Assets	$237,473
Liabilities:	
Current Liabilities	$ 33,359
Non-Current Liabilities	112,238
Total Liabilities	$145,597
Net Assets:	
Invested in Capital Assets, Net of Related Debt	$ 79,597
Restricted	
Expendable	16,373
Non-Expendable	
Unrestricted	
Net Assets	91,876
Liabilities and Net Assets	$237,473

Funding for the University

Funding for the University for the Fiscal Year ended August 31, 2002 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 52% of its operating funds from State appropriations. The Texas Legislature adopted a budget for the State for the 2004-2005 biennium beginning September 1, 2003, which appropriated approximately $65,075,154 for the University from the general revenue fund for Fiscal Year 2004 and $65,476,896 for Fiscal Year 2005. 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. For financial information concerning the State of Texas, reference is made to "Appendix A", the disclosure appendix published by the Comptroller of Public Accounts of the State of Texas, which is filed quarterly with each NRMSIR and SID. See "SELECTED FINANCIAL INFORMATION - Funding for the University."

Tuition and Fees

The University charges tuition and fees as set by the Texas Legislature and the Board under Chapters 54 and 55 of the Texas Education Code which permits (i) undergraduate tuition applicable to state residents to be charged up to $44 per semester credit hour for the 2002-2003 academic year; and (ii) tuition of a nonresident student at a general academic teaching institution or medical and dental unit to be increased to an amount equal to the average of the nonresident undergraduate tuition charged to a resident of Texas at a public state university in each of the five most populous states other than Texas (the amount of which would be computed by the Coordinating Board for each academic year). In 1997, the Texas Legislature redesignated the "building use fee" previously authorized by Section 55.16, Texas Education Code as "tuition", and of the per semester credit hour amounts referenced above, up to $40 per semester credit hour for the 2000-2001 academic year and each academic year thereafter may be charged and pledged as a part of Pledged Revenues.

For the academic year 2003-2004, the Coordinating Board has computed $282 per semester credit hour for nonresident undergraduate tuition. As stated above, unless it is necessary to meet a debt service obligation, the amount of the tuition pledged under the Resolution as a Revenue Fund and charged in any academic year may not exceed the amount of tuition to be charged in that academic year.

Amendments to the provisions of the Education Code were enacted in 1997 which allow 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, notwithstanding the limitations outlined above, the rate of the tuition pledged as a Revenue Fund actually imposed to secure the Parity Obligations will not be limited by law or the Resolution, to the extent it is necessary to raise such rates if there are not sufficient Pledged Revenues to pay debt service on Parity Obligations.

The tuition to be charged to the University's students for the 2003-2004 academic year is (i) $46 per semester hour for undergraduate resident students and (ii) $282 per semester hour for non-resident undergraduate students.

The 78th Legislature of the State of Texas has passed amendments to Chapter 54 of the Texas Education Code which would permit each institution of higher education in the State to charge tuition in any amount deemed necessary by the respective governing board thereof for effective operation of such institution. If such legislation is signed by the Governor, these amendments would apply beginning with the 2003 Fall semester. The Board has adopted a resolution authorizing the University to increase tuition rates up to levels authorized by State law.

Information Relating to Fiscal Years 1998 through 2001

As stated above, the University is not required to restate, and has not restated, prior year financials in connection with the implementation of the new accounting standards of GASB 35. The significant changes caused by these new accounting standards and the time required to implement the changes on a consistent basis made the restatement of the prior year financial statements impossible. As such, historical financial data is not comparable to the data presented in the tables for the Fiscal Year ended August 31, 2002.

Prior to adopting GASB 35, the University prepared its financial statements in accordance with the principles of fund accounting. Under the previous financial statement presentation, resources for various purposes were classified into funds in accordance with the activities or objectives specified. In addition, the University accounted for its finances within current and noncurrent funds groups. Current funds were defined as either unrestricted and available for operating purposes or other uses, as determined by the Board, or restricted and available for specific operating purposes. Noncurrent funds included loan funds, endowment and similar funds. Plant funds, which were used to construct or remodel buildings and facilities or to retire indebtedness, were reported in four categories: unexpended plant funds; renewal and replacement funds; retirement of indebtedness funds; and investment in plant funds.

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 unaudited combined primary financial report for each of the Fiscal Years indicated. *See* "Appendix B."

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." The Unrestricted Current Funds Revenues described below are derived from the unaudited combined primary financial report of the University for each of the Fiscal Years in the four year period ended August 31, 2001. *See* "Appendix B." Unrestricted Current Funds Revenues are categorized by source.

As stated above, the University is not required to restate, and has not restated, prior year financials in connection with the implementation of the new accounting standards of GASB 35. The significant changes caused by these new accounting standards and the time required to implement the changes on a consistent basis made a restatement of the prior year financial statements impossible. As such, historical financial data is not comparable to the data presented for the Fiscal Year ended August 31, 2002.

Historical Summary – Total Sources of Unrestricted Current Funds Revenues

The following tables set forth a Historical Summary of Total Sources of Unrestricted Current Funds Revenues for Fiscal Years 1998 through 2001 computed in accordance with the accounting principles in existence before the new accounting standards of GASB 35 were adopted.

	Fiscal Year Ended (August 31)			
	2001	2000	1999	1998
Tuition and Fees	28.4%	27.4%	26.7%	29.6%
State Appropriations	59.2	59.4	62.8	60.3
Gifts, Grants, and Contracts	4.7	3.2	1.5	1.5
Endowment/Investment/Interest Income	1.2	1.8	.9	*
Sales and Service	4.7	6.0	4.7	3.4
Other Sources	1.8	2.3	3.4	5.1
Total Unrestricted Current Funds Revenues	100.0%	100.0%	100.0%	100.0%

	2001	2000	1999	1998
Tuition and Fees	$21,087,602	$21,125,715	$19,469,523	$22,108,914
State Appropriations	43,935,647	45,705,925	45,864,540	44,986,524
Gifts, Grants, and Contracts	3,463,003	2,452,687	1,652,559	1,126,657
Endowment/Investment/Interest Income	915,517	1,385,534	105,957	0
Sales and Service	3,465,625	4,602,853	3,458,683	2,536,738
Other Sources	$ 1,321,522	$ 1,741,917	$ 2,498,130	$ 3,832,499
Total Unrestricted Current Funds Revenues	$74,188,916	$77,014,631	$73,049,392	$74,591,332

Source: Unaudited Annual Financial Reports for Fiscal Years 1998 through 2001 - Combined Exhibit C - Statement of Current Funds Revenues and Expenditures.

* Percentages are less than 1%

Unrestricted Current Funds Expenditures

Unrestricted Current Funds Expenditures represent the cost incurred for goods and services used in the conduct of the University's operations. Such expenditures include the acquisition cost of capital assets, such as equipment and library books, to the extent Unrestricted Current Funds are budgeted for and used by operating departments for such purposes. The Unrestricted Current Funds Expenditures are derived from the unaudited Combined Primary Financial Reports for each of the Fiscal Years in the four year period ended August 31, 2001. Unrestricted Current Funds Expenditures are categorized by function.

As stated above, the University is not required to restate, and has not restated, prior year financials in connection with the implementation of the new accounting standards of GASB 35. The significant changes caused by these new accounting standards and the time required to implement the changes on a consistent basis made a restatement of the prior year financial statements impossible. As such, historical financial data is not comparable to the data presented for the Fiscal Year ended August 31, 2002.

Historical Summary – Total Sources of Unrestricted Current Funds Expenditures

The following tables set forth a Historical Summary of Total Sources of Unrestricted Current Funds Expenditures for Fiscal Years 1998 through 2001 computed in accordance with the accounting principles in existence before the new accounting standards of GASB 35 were adopted.

	Fiscal Year Ended (August 31)			
	2001	2000	1999	1998
Instruction	38.3%	34.8%	35.0%	41.7%
Research	*	*	*	*
Public Service	1.0	*	*	*
Academic Support	8.8	7.4	7.0	6.7
Student Services	4.5	3.0	3.7	3.8
Institutional Support	18.5	28.1	27.9	22.7
Operation and Maintenance of Plant	9.5	7.0	7.0	8.7
Scholarships and Fellowships	3.0	3.1	3.1	2.1
Auxiliary Enterprises Expenditures	8.8	8.2	10.9	8.9
Mandatory Transfers	7.7	7.9	4.7	5.5
Total Unrestricted Current Funds Expenditures and Mandatory Transfers	100.0%	100.0%	100.0%	100.0%

	2001	2000	1999	1998
Instruction	$28,836,870	$26,567,558	$24,435,270	$27,361,177
Research	36,609	73,777	232,191	232,191
Public Service	740,001	271,994	201,724	313,790
Academic Support	6,676,207	5,678,026	4,889,802	4,422,230
Student Services	3,279,188	2,317,727	2,610,572	2,086,705
Institutional Support	13,959,435	21,481,402	19,464,694	14,880,481
Operation and Maintenance of Plant	7,176,798	5,324,978	4,853,049	5,673,544
Scholarships and Fellowships	2,231,836	2,392,528	2,130,921	1,365,080
Auxiliary Enterprises Expenditures	6,622,399	6,227,854	7,642,626	5,851,188
Mandatory Transfers	5,775,665	6,042,421	3,285,507	3,592,858
Total Unrestricted Current Funds Expenditures and Mandatory Transfers	$75,335,008	$76,378,265	$69,746,356	$65,566,136

Source: Unaudited Annual Financial Reports for Fiscal Years 1998 through 2001- Combined Exhibit C - Statement of Current Funds Revenues and Expenditures
* Percentages are less than 1%

Total Restricted Current Funds Revenues and Expenditures

Restricted current funds revenues refer to resources that have been externally restricted and may only be utilized in accordance with the purposes stipulated by the source of such funds. Such revenues include, among others, grants and contracts from governmental and private sources (other than the overhead component which is treated as unrestricted current funds revenue), restricted gifts, and income on restricted endowment funds. Receipts from these resources are reported as revenues only when expended. The following table presents a history of total restricted current funds revenues and expenditures for each of the Fiscal Years indicated:

2001	2000	1999	1998
$22,760,372	$18,253,982	$17,667,417	$18,284,473

Historical Summary Balance Sheet

The following table sets forth a Historical Summary Balance Sheet for the University for the Fiscal Years 1998 through 2001, computed in accordance with the accounting principles in existence before the new accounting standards of GASB 35 were adopted.

	Fiscal Year Ended August 31			
ASSETS	2001	2000	1999	1998
Current Funds:				
Educational and General	$ 8,751,922	$ 15,358,779	$ 13,442,293	$ 17,286,657
Designated Funds	10,547,768	11,954,827	13,182,624	6,903,282
Auxiliary Funds	(533,062)	(702,853)	740,216	1,122,376
Restricted Current	87,905	308,361	4,006,873	10,867,601
Total Current Funds	$ 18,854,533	$ 26,919,114	$ 31,372,006	$ 36,179,916
Loan Funds	$ 2,991,113	$ 2,854,742	$ 2,821,465	$ 2,387,078
Endowment Funds	11,389,718	14,577,666	11,631,207	8,081,634
Plant Funds				
Unexpended	19,408,373	38,798,691	54,468,240	18,696,653
Renewals and Replacement	-0-	-0-	-0-	-0-
Retirement of Debt	235,976	-0-	2,413,930	215,321
Investment in Plant	260,357,734	228,570,484	212,441,318	212,853,337
Total Plant Funds	280,002,083	267,369,175	269,323,488	231,765,311
Agency Funds	437,406	2,117,265	392,763	1,869,149
Total Assets	$313,674,853	$ 313,837,962	$ 315,540,929	$ 280,283,088
LIABILITIES AND FUND BALANCES				
Total Liabilities	$ 90,469,141	$ 108,322,047	$ 115,435,733	$ 60,931,516
Total Fund Balances	223,205,712	205,515,915	200,105,196	219,351,572
Total Liabilities & Fund Balances	$313,674,853	$ 313,837,962	$ 315,540,929	$ 280,283,088

Source: Unaudited Annual Financial Reports for Fiscal Years 1998 through 2001 - Exhibit A - Balance Sheet.

Historical Summary Statement of Current Funds Revenues and Expenditures

The following table sets forth a Historical Summary Statement of Current Funds Revenues and Expenditures for Fiscal Years 1998 through 2001 computed in accordance with the accounting principles in existence before the new accounting standards of GASB 35 were adopted.

	2001	2000	1999	1998
CURRENT REVENUES:				
State Legislature Appropriations	$36,744,154	$37,506,637	$37,665,252	$36,787,236
Higher Education Assistance Funds	7,191,493	8,199,288	8,199,288	8,199,288
Student Tuition and Fees	21,087,602	21,125,715	19,469,523	22,108,914
Sales and Services	3,465,625	4,602,853	3,458,683	2,536,738
Gifts and Grants				
Federal	19,993,130	15,269,504	14,645,257	15,487,313
State	2,511,450	2,425,403	1,087,708	1,673,444
Local/Private	3,718,795	3,011,763	3,587,011	2,250,373
Interest Income	335,021	387,422	0	0
Endowment Income	580,496	998,112	105,957	0
Miscellaneous Income	1,321,522	1,741,917	2,498,130	3,832,499
TOTAL CURRENT REVENUES	$96,946,288	$95,268,614	$90,716,809	$92,875,805
CURRENT EXPENDITURES:				
Instructional	$33,658,462	$29,753,828	$28,229,516	$31,332,576
Research	3,085,130	2,669,772	2,615,886	3,341,545
Public Service	2,337,882	1,190,729	549,845	378,287
Academic Support	7,682,729	6,907,160	6,487,157	6,067,411
Student Services	5,563,410	4,255,561	3,716,526	2,921,828
Institutional Support	14,369,534	22,216,337	20,740,825	16,307,333
Operation and Maintenance of Physical Plant	7,185,757	5,338,842	4,484,228	5,729,369
Scholarships/Fellowships	11,814,412	10,029,743	9,091,657	8,328,213
Auxiliary Enterprises	6,622,399	6,227,854	7,642,628	5,851,188
TOTAL CURRENT EXPENDITURES	$92,319,715	$88,589,826	$84,128,268	$80,257,750

Source: Unaudited Annual Financial Reports for Fiscal Years 1998 through 2001 - Combined Exhibit C - Statement of Current Funds Revenues and Expenditures

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 such institution 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, 2002, the University had $5,860,000 outstanding under this program.

TABLE 5 - Outstanding Indebtedness

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

Revenue Financing System	Par Amount Issued
Texas Public Finance Authority Texas Southern University Revenue Financing System Refunding Bonds, Series 1998A-1	$ 18,025,000
Texas Public Finance Authority Texas Southern University Revenue Financing System Improvement Bonds, Series 1998A-2	$ 16,430,000
Texas Public Finance Authority Texas Southern University Revenue Financing System Improvement Bonds (Recreational Facility Project), Series 1998B*	$ 12,585,000
Texas Public Finance Authority Texas Southern University Revenue Financing System Improvement Bonds (Medical Services Facility Project), Series 1998C*	$ 1,520,000
Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2002	$ 48,065,000
Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2003	$ 27,240,000
TOTAL	$ 123,865,000

*These bonds are secured by Additional Pledged Revenues, which consist of the Recreational Facility Fee for the Series 1998B Bonds and the Medical Facility Fee for the Series 1998C Bonds. The special fees may not be pledged or used to pay debt service on any obligations other than the Series 1998B and 1998C Bonds.

Investment Policy and Procedures

Management of Investments

The Board approved the University's Investment Policy in December 2002. 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 provided for centralized investment management under the direction of NCM Capital Management Group Incorporation and MDL Capital Incorporation for Endowment Funds and Smith Graham & Co. for existing bond proceeds. Cash on hand is invested in overnight collateralized repurchase agreements. The Board receives monthly 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	0%	100%	9.5%	25%
Federal Agency Obligations	0%	100%	9.5%	25%
Commercial Paper	0%	100%	9.5%	25%
Certificates of Deposit	0%	100%	9.5%	25%
Collateral Repurchase Agreements	0%	100%	9.5%	25%
Corporate Bonds	0%	100%	20.0%	60%
Corporate Stocks	0%	0%	40.0%	80%
Cash Equivalents	0%	0%	0.0%	25%

The University's pooled investment fund is comprised primarily of operating funds and fund balance equity that carries forward from year to year. Endowment funds are invested separately from the University's investment pool. Book value of Endowment Funds at August 31, 2002, was $11,504,694 and market value was $11,162,610.

As of August 31, 2002, the asset allocation of the pool was as follows:

	Percentage Allocation	Book Value	Market Value
U.S. Government Treasury Obligations	41.05%	$4,431,779	$4,582,571
Federal Agency Obligations	5.54%	577,378	618,080
Corporate Bonds	4.75%	509,124	530,435
Corporate Stock	45.20%	5,600,014	5,045,125
Cash Equivalents	3.46%	386,399	386,399
Totals	100%	$11,504,694	$11,162,610

Debt Management

Debt management of the University is the responsibility of the Senior Vice President for Business and Finance. 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; approval of the Authority is also required for the issuance of revenue bonds.

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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

Establishment of Revenue Financing System

Pursuant to the Master Resolution, the Board has established the Revenue Financing System to provide a consolidated financing structure for revenue-supported debt obligations of the Board, including the Bonds, which are to be issued for the benefit of Participants which are or will be included as part of the Revenue Financing System. The University is the only current Participant, but the Revenue Financing System may include other entities that are hereafter included as part of the University but only upon affirmative official action of the Board. The Bonds are being issued under the Master Resolution and the Fourth Supplement thereto.

Security and Pledge; Membership in the Revenue Financing System

Subject to the provisions of the resolutions authorizing Prior Encumbered Obligations, Parity Obligations issued under the Resolution are payable from and secured by a lien on all Pledged Revenues. The Board has assigned and pledged the Pledged Revenues to the payment of the principal of and interest on Parity Obligations and to the establishment and maintenance of any funds that may be created under the Resolution or a supplemental resolution to secure the repayment of Parity Obligations. 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.

If an additional institution hereafter becomes a component of the University, the Board may include the new component as a Participant of the Revenue Financing System. In that event, the lien on and pledge of Pledged Revenues established pursuant to the Resolution and effective when such institution becomes a Participant of the Revenue Financing System will apply to the revenues, funds, and balances of such Participant that constitute Pledged Revenues; provided, however, that if at the time a new Participant is admitted, it has outstanding debt obligations secured by any of such sources, such obligations will constitute Prior Encumbered Obligations secured by a lien on the portion of the Pledged Revenues providing such security which is superior to the lien established by the Resolution on behalf of Parity Obligations. The Board has reserved the right to refund 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. Otherwise, while any Parity Obligations are outstanding, the Board has agreed not to issue additional obligations on a parity with any Prior Encumbered Obligations.

Annual and Direct Obligation of Participants

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

Pledged Revenues

Tuition and Other Pledged Revenues

Subject to the provisions of the resolutions authorizing the Prior Encumbered Obligations and to the other provisions of the Resolution and any resolution authorizing the issuance of Parity Obligations, the Board has covenanted and agreed at all times to fix, levy, charge, and collect from each student enrolled at each Participant, respectively, 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 the Parity Obligations then outstanding when and as required. 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. All changes in the tuition charged students at each Participant must be made by a resolution of the Board, but such procedure will not constitute or be regarded as an amendment of the Resolution, but merely the carrying out of the provisions and requirements thereof.

Annual Obligation

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

Anticipated Deficit

If the Board determines, for any reason whatsoever, (i) that there are not anticipated to be sufficient legally available funds, including Pledged Revenues to meet all financial obligations of the Board relating to the Revenue Financing System, including the deposits and payments due on or with respect to the Parity Obligations outstanding at that time as the same mature or come due or (ii) that any Participant will be unable to pay its Annual Direct Obligation in full, then the Board must fix, levy, charge, and collect such rentals, rates, fees, tuition or other charges at each Participant 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 below), as will be at least sufficient to provide, together with other legally available funds, including other Pledged Revenues, the money for making when due all financial obligations of the Board relating to the Revenue Financing System including all payments and deposits due on or with respect to Outstanding Parity Obligations when and as required by the Resolution.

Economic Effect of Adjustments

Any adjustments in the rate or manner of charging for any rentals, rates, fees, tuition, or other charges included in Pledged Revenues, at any of the Participants pursuant to the provisions described above will be based upon a certificate and recommendation of a Designated Financial Officer, delivered to the Board, as to the rates and anticipated collection of the Pledged Revenues at the various Participants (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) 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 Revenue Financing System including all deposits and payments due on or in connection with Outstanding Parity Obligations when and as required by the Resolution.

Payment and Funds

Pursuant to the Resolution, the Board and the Authority have created a separate Interest and Sinking Fund, Project Fund and Reserve Fund for the Bonds.

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

The Resolution allows the Board to establish one or more reserve funds or accounts to further secure any Parity Obligations. *See* “SECURITY FOR THE BONDS - Reserve Fund.”

Additional Parity Obligations; Non-Recourse Debt and Subordinated Debt

In the Resolution, the Board reserves the right to issue or incur Additional Parity Obligations for any purpose authorized by law. The Board, 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.

In addition, the Board covenants not to issue or incur Parity Obligations unless (i) it determines that the Participant or Participants for whom Parity Obligations are being issued or incurred possesses the financial capability to satisfy their respective Direct Obligation, after taking into account the then proposed Additional Parity Obligations, and (ii) the Designated Financial Officer delivers to the Board a certificate stating that the Board is in compliance with all covenants contained in the 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 thereof.

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

Participants

Combination or Release of Participants

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

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

(2) the Board and the Authority have received an Opinion of Counsel which states 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 the Resolution or any resolution hereafter adopted governing the issuance of Parity Obligations relating to such release have been complied with; and

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

(B) if the Participant or portion thereof to be released from the Revenue Financing System is to no longer be under the governance and control of the Board and remains in operation independent of the Board, the Board must 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.

Disposition of Assets

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

(1) such conveyance, sale or disposition must occur in the ordinary course of business of such Participant which uses, operates, owns or is otherwise responsible for such properties; or

(2) the Board determines that after the conveyance, sale or disposition, the Board has sufficient funds during each Fiscal Year during which Parity Obligations are to be Outstanding to meet the financial obligations of each Participant in the Revenue Financing System, including sufficient Pledged Revenues, to satisfy the annual debt service requirements of the Revenue Financing System and to meet all other financial obligations of the Board relating to the Revenue Financing System.

Admission of Participants

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

Certain Covenants

Rate Covenant

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

Tuition

The Board covenants and agrees in the Resolution to fix, levy, charge, and collect at each Participant student tuition charges required or authorized by law to be imposed on students enrolled at each Participant (excepting, with respect to each series or issue of Parity Obligations, any student in a category which, at the time of adoption of a resolution relating to such Parity Obligations, is exempt by law or by the Board from paying such tuition charges). Each student (excluding those exempt from payment as provided above), enrolled at each Participant, respectively, at each regular fall and spring semester and at each term of each summer session, shall be required to pay tuition charges in such amounts, subject only to the 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 must be made by resolution of the Board, but such procedure will not constitute or be regarded as an amendment of the Resolution, but merely the carrying out of the provisions and requirements thereof.

General Covenants

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

Special Obligations

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

Waiver of Covenants

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

Remedies

Any owner of Parity Obligations in the event of default in connection with any covenant contained in the Resolution or 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 specifically, but without limitation, 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 which may be levied or foreclosed against.

Amendment of Resolution

Amendment Without Consent

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

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

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

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

(iv) To supplement the security for the Parity Obligations to provide for the additions of new institutions and agencies to the Revenue Financing System or to clarify the provisions regarding the University as a Participant in the Revenue Financing System; provided, however, that any amendment to the definition of Pledged Revenues which results in the pledge of additional resources may limit the amount of such additional pledge and the manner, extent, and duration of such additional pledge all as set forth in such amendment;

(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 will not adversely affect the interests of the owners of the Outstanding Parity Obligations, in order, to the extent permitted by law, to facilitate the economic and practical utilization of Credit Agreements with respect to the Parity Obligations; or

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

Amendments With Consent

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

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

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

(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 Parity Obligations;

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

(6) Reduce the amount of principal payable on the Outstanding Parity Obligations; or

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

The Insurer is deemed to be the owner of the insured Bonds at all times that such Bonds are insured for the purpose of approval of any amendment, change or modification of the Resolution requiring consent of the owners of Parity Obligations.

Defeasance

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

LEGAL MATTERS

General

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving opinion of the Attorney General of the State and the approval of certain legal matters by Winstead Sechrest & Minick P.C., Bond Counsel, whose opinion will be delivered at the closing of the sale of the Bonds in substantially the form attached hereto as Appendix C.

Certain legal matters will be passed upon for the Underwriters by Vinson & Elkins L.L.P. and Bates & Coleman, P.C. The Underwriters were selected by the governing board of the Authority. The senior managing underwriter selected Vinson & Elkins L.L.P. and Bates & Coleman, P.C. to serve as Co-Underwriters' Counsel.

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 that 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.

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 MATTERS

Opinion of Bond Counsel

In the opinion of Winstead Sechrest & Minick P.C., Bond Counsel ("Bond Counsel"), under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), assuming compliance with certain covenants and the accuracy of certain representations as discussed below. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations; however, such interest will be included in adjusted current earnings for purposes of calculating the federal alternative minimum tax liability of corporations (other than S corporations, Regulated Investment Companies, Real Estate Investment Trusts, Real Estate Mortgage Investment Conduits, and Financial Asset Securitization Investment Trusts). See "Appendix C - Form of Bond Counsel Opinion."

The Code establishes certain requirements that must be met at and subsequent to the issuance of the Bonds in order that interest on the Bonds be and remain excludable from federal gross income. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds, restrictions on the investment of proceeds and other amounts, and rebate to the United States of certain earnings from investments. The Authority has covenanted to comply with certain procedures, and has made certain representations and certifications, designed to assure compliance with such Code requirements.

Purchasers are advised that 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 on its review of existing law, as well as its assumption that the Authority will continue to comply with its covenants regarding the exclusion from gross income of interest on the Bonds for federal income tax purposes. In addition, Bond Counsel's opinion will rely on representations by the Authority, the Authority's Co-Financial Advisors, and the Underwriters with respect to matters solely within the knowledge of the Authority, the Authority's Co-Financial Advisors, and the Underwriters, respectively, which Bond Counsel has not independently verified. If the Authority should fail to comply with its covenants, or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of tax-exempt obligations may have collateral federal income tax consequences for certain taxpayers, including financial institutions, certain subchapter S corporations, United States branches of foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, taxpayers eligible for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. The foregoing is not intended as an exhaustive list of potential tax consequences. Prospective purchasers should consult their tax advisors regarding any possible collateral tax consequences with respect to the Bonds. Bond Counsel expresses no opinion regarding any such collateral tax consequences.

The statutes, regulations, published rulings, and court decisions upon which Bond Counsel has based its opinion are subject to change by Congress, as well as to subsequent judicial and administrative interpretation by courts and the Internal Revenue Service (the “Service”). No assurance can be given that such law or its interpretation will not be changed in a manner that would adversely affect the tax treatment of receipt or accrual of interest on, or the acquisition, ownership, market value, or disposition of, the Bonds. No ruling has been sought from the Service, and the opinion of Bond Counsel is not binding on the Service. The Service has an ongoing audit program of tax-exempt obligations to determine whether, in the Service’s view, interest on such tax-exempt obligations is excludable from gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Bonds. If such an audit is commenced, under current procedures, the Service would treat the Authority as the taxpayer, and owners of the Bonds would have no right to participate in the audit process. In this regard, in responding to or defending an audit with respect to the Bonds, the Authority might have different or conflicting interests from those of the owners of the Bonds.

The opinions set forth above are based on existing law and Bond Counsel's knowledge of relevant facts on the date of issuance of the Bonds. Bond Counsel assumes no obligation to update or supplement its opinions to reflect any facts or circumstances that may come to their attention, or any changes in law that may occur after the issuance date of the Bonds. In addition, Bond Counsel has not undertaken to advise in the future whether any events occurring after the issuance date of the Bonds may affect the tax-exempt status of interest on the Bonds.

Certain requirements and procedures contained or referred to in the transcript and other relevant documents for the Bonds may be changed, and certain actions may be taken, under circumstances, terms, and conditions set forth in such documents upon the advice or with the approving opinion of nationally-recognized bond counsel. Bond Counsel expresses no opinion regarding the federal tax treatment of interest on the Bonds if any such change occurs, or any action is taken, upon the advice or approval of bond counsel other than Bond Counsel.

Original Issue Premium

Certain maturities of the Bonds (the “Premium Bonds”) may be offered and sold to the public at prices greater than their stated redemption price (the principal amount) payable at maturity. That excess amount constitutes bond premium, which, for federal income tax purposes, is amortized over the period to maturity of the Premium Bond based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, an amortization period and yield determined on the basis of the earliest call date resulting in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the Premium Bond owner. For purposes of determining the owner’s gain or loss on sale, redemption (including redemption at maturity), or other disposition of a Premium Bond, the owner’s tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the ownership period. As a result, an owner of a Premium Bond may realize taxable gain for federal income tax purposes upon the sale or other disposition of such Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond at its issue price in the initial offering who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to the earliest call date resulting in the lowest yield on that Premium Bond) will realize no gain or loss upon retirement of that Premium Bond. Owners of Premium Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the amount of bond premium properly accruable in any tax year (or portion thereof), and with respect to other federal, state, and local tax consequences of owning and disposing of Premium Bonds.

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 which might limit the ability of such institutions or entities to invest in the Bonds, or which 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 are expected to be rated "Aaa" and "AAA" by Moody's Investor Service ("Moody's") and Fitch Ratings ("Fitch"), respectively, based on the issuance of a municipal bond insurance policy to be issued for the Bonds by Financial Guaranty. Moody's and Fitch have provided underlying ratings of "Baa1" and "BBB+," respectively, to the Bonds. Ratings will reflect only the views of such organization at the time such ratings are given, and the Board makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if circumstances so warrant. Any such downward revision or withdrawal of either rating may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The Board will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the University of the general type included in this Official Statement under the heading(s) "SECURITY FOR THE BONDS - TABLE 1 - Pledged Revenues," "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 B. The Board will update and provide this information within 180 days after the end of each Fiscal Year ending in or after 2003. The Board will provide the updated information to the Authority and each NRMSIR and to any SID that is designated and approved by the staff of the United States Securities and Exchange Commission (the "SEC").

The Board may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by 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 will not be audited.

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

In the proceedings authorizing each of the series of bonds constituting Outstanding Parity Obligations, the Board agreed in undertakings made under SEC Rule 15c2-12 (the "Rule") to update financial information and operating data in the sections of the respective official statements relating to those prior issues entitled "SECURITY FOR THE BONDS - TABLE 1A - Pledged Revenues," "THE UNIVERSITY - TABLE 2 - University Enrollment Data," "SELECTED FINANCIAL INFORMATION," and in Appendix B (the "Prior Undertaking"). The Prior Undertaking required the Board to provide historical information on a number of items for the last complete fiscal year and for the four preceding fiscal years. As described in "SELECTED FINANCIAL INFORMATION" and in "Appendix B – FINANCIAL REPORT OF TEXAS SOUTHERN UNIVERSITY," the change to the new accounting standards of GASB 35 (as defined in Appendix A) in connection with the implementation of GASB 35 and the related accounting rules for the fiscal year ending August 31, 2002, resulted in much of the information required to be updated by the Prior Undertaking no longer being available. In addition, it was not feasible for the University to restate the financial results of any prior period under the new accounting standards of GASB 35. Thus, the information in "SELECTED FINANCIAL INFORMATION" and "Appendix B – FINANCIAL REPORT OF TEXAS SOUTHERN UNIVERSITY" contains financial information and operating data for the year ended August 31, 2002, as required to be reported under the new accounting standards of GASB 35. The section "SELECTED FINANCIAL INFORMATION" also contains a summary of certain financial information and operating data in the old accounting format for the previous four fiscal years.

The undertaking made by the Board in connection with the issuance of the Bonds obligates the Board annually to update financial information and operating data reported under the new accounting standards of GASB 35 for those years for which it is available and to present, including by incorporation, the financial information and operating data in the old format to the extent necessary to give five years of historical data. In addition, the information in "SELECTED FINANCIAL INFORMATION" relating to the endowments and the investment of funds has been presented in a shortened format to facilitate the analysis of that information.

Material Event Notices

The Board will also provide timely notices of certain events to certain information vendors. The Board will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on Reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. In addition, the Board will provide timely notice of any failure by the Board to provide information, data, or financial reports in accordance with its agreement described above under "Annual Reports." The Board will provide each notice described in this paragraph to any SID and to either each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB").

Availability of Information from NRMSIRs and SID

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

The Municipal Advisory Council of Texas has been designated by the State of Texas as a SID, and the SEC staff has issued a no action letter confirming that it will accept that designation. The address of the Municipal Advisory Council of Texas is 600 West 8th Street, P. O. Box 2177, Austin, Texas 78768-2177, and its telephone is (512) 476-6947.

Limitations and Amendments

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

The Board, 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 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. The Board may also amend or repeal its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of 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. If the Board so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Agreements

The Board and the Authority are in full compliance with all other continuing disclosure agreements made in accordance with the Rule. As indicated above, the financial information and operating data for the fiscal years ending August 31, 2002, and thereafter will be reported in accordance with the new accounting standards of GASB 35 as reflected in the section “SELECTED FINANCIAL INFORMATION” until and unless accounting principles applicable to the Board are changed in a manner that makes the reporting of such information in such format impossible.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the Authority and the Board. The purchase price for the Bonds is $29,332,113.47 (which represents the par amount of the Bonds, plus a premium of $2,254,991.60, less an underwriter’s discount of $162,878.13). 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.

CO-FINANCIAL ADVISORS

First Southwest Company and CKW Financial Group, Inc. have acted as Co-Financial Advisors to the Authority in connection with the issuance of the Bonds. The Co-Financial Advisors’ fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds.

Although the Co-Financial Advisors have read and participated in the preparation of this Official Statement, they have 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 which 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 Co-Financial Advisors as an implicit or explicit expression of opinion as to the completeness and accuracy of the information contained in this Official Statement.

LITIGATION

As of May 1, 2003, various lawsuits and claims involving the University were pending. In December 2002, the University was named as a third party defendant in the suit styled State Street Bank and Trust Company v. Viron Energy Service, Cause No. 2002-54422 (80th Dist. Ct., Harris County, Tex.). The suit is a third party action brought by Viron Energy Service against the University for breach of contract, quantum meruit and indemnification involving an energy savings and retrofit contract entered into in 1998. The suit is currently in the discovery stage. While the ultimate liability with respect to this and other 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.

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 records, unaudited financial statements and other sources which 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.

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:

"*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 which cannot be ascertained at the time of calculation of the Annual Debt Service Requirement then, at the option of the Board, either (1) an interest rate equal to the average rate borne by such Parity Obligations (or by comparable debt in the event that 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 which is published in a newspaper or journal with national circulation may be used for this purpose. If two Series of Parity Obligations which bear interest at variable interest rates, or one or more 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) which are to be replaced by payments under a Credit Agreement, from either the Board or the Credit Provider, shall be excluded from such calculation.

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

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

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

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

"*Authority* Act" means Chapter 1232, Texas Government Code, as amended.

"*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 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.

"*Bonds*" means the Series 2003 Bonds, and all substitute bonds exchanged therefor, and all other substitute and replacement bonds issued pursuant to the Resolution; and the term "Bond" means any of the Bonds.

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

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

"*Counsel*" means Winstead Sechrest & Minick P.C., or such other firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the Authority with the approval of the Board.

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

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

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

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

"*Debt*" means all:

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

(2) all other indebtedness (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction, or improvement of property or capitalized lease obligations that is guaranteed, directly or indirectly, in any manner by the Board, or that is in effect guaranteed, directly or indirectly, by the Board through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness

or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise; and

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

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

"*Designated Financial Officer*" shall mean the Senior Vice President for 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.

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

"*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 which are attributable to and derived from the 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.

"*2003 Costs of Issuance Account*" means the *Texas Southern University Revenue Financing System Bonds, Series 2003 Cost of Issuance Account* created within the 2003 Project Fund pursuant to the Fourth Supplement.

"*2003 Fund(s)*" means collectively or individually the Interest and Sinking Fund, the 2003 Project Fund, the 2003 Costs of Issuance Account and the 2003 Reserve Fund.

"*2003 Project*" means the project described in Exhibit C to the Fourth Supplement.

"*2003 Project Fund*" means the *Texas Southern University Revenue Financing System Bonds, Series 2003 Project Fund* created pursuant to the Fourth Supplement.

"2003 Reserve Fund" means the *Texas Southern University Revenue Financing System Bond, Series 2003 Reserve Fund* created pursuant to the Fourth Supplement.

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

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

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

"*Opinion of 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 Parity Obligations;

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

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

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

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

"*Parity Obligations*" means all Debt of the Board which may be issued or assumed in accordance with the terms of the Resolution and any resolution authorizing the issuance of Debt on a parity with the Bonds, secured by a pledge of the Pledged Revenues subject only to the liens securing Prior Encumbered Obligations, 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 Improvement Bonds (Medical Services Facility Project), Series 1998C (the "Series 1998C Bonds"); and
>
> Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2002 (the "Series 2002 Bonds").

"*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 which 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.

"*Pricing Committee*" means the "Pricing Committee" designated in the Fourth Supplement which is authorized to act on behalf of the Board of Directors of the Authority in selling and delivering the Bonds.

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

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

"*Project*" means the 2003 Project.

"*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 not less than the maximum annual debt service requirement for the Bonds.

"*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.

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

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

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

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

"*University*" means 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.

APPENDIX B

FINANCIAL REPORT OF TEXAS SOUTHERN UNIVERSITY

FOR THE YEAR ENDED AUGUST 31, 2002

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U N A U D I T E D

TEXAS SOUTHERN UNIVERSITY

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November 20, 2002

Honorable Rick Perry, Governor of Texas

Honorable Carole Keeton Rylander, State Comptroller

John Keel, Director, Legislative Budget Board

Lawrence F. Alwin, CPA, State Auditor

Lady and Gentlemen:

We are pleased to submit the Annual Financial Report of Texas Southern University for the year ended August 31, 2002, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

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

If you have any questions, regarding the Annual Financial Report or the Schedule of Expenditures of Federal Awards, please contact me at (713) 313-7050.

Sincerely,

Quintin F. Wiggins, CPA
Senior Vice President for Finance

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November 20, 2002

Honorable Rick Perry, Governor of Texas

Honorable Carole Keeton Rylander, State Comptroller

John Keel, Director, Legislative Budget Board

Lawrence F. Alwin, CPA, State Auditor

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If you have any questions, please contact Quintin Wiggins. He may be contacted at (713) 313-7050 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

Priscilla Slade, Ph.D.
President

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U N A U D I T E D

TEXAS SOUTHERN UNIVERSITY

ORGANIZATIONAL DATA
FOR THE FISCAL YEAR 2001-2002

BOARD OF REGENTS

OFFICERS (FISCAL YEAR 2001-2002)

Alphonso Jackson	Chairman
Fred S. Zeidman	Vice Chair
None at present	2nd Vice Chair
David Diaz	Board Secretary

MEMBERS

NAME	TOWN (TEXAS)	TERM EXPIRES FEBRUARY 1,
Alphonso Jackson	Dallas	2003
A. Martin Wickliff, Jr.	Houston	2003
Fred Zeidman	Houston	2003
Regina Giovannini	Houston	2005
Willard L. Jackson, Jr.	Houston	2005
David Diaz	Corpus Christi	2007
J. Paul Johnson	Houston	2007
George M. Williams	Houston	2007
Gerald Wilson	Houston	2007

UNIVERSITY ADMINISTRATION

Priscilla D. Slade	President
Bobby L. Wilson	Provost/SVP for Academic Affairs
Quintin F. Wiggins	SVP for Finance
Willie M. Marshall	Associate Provost for Student Services
Bruce Wilson	SVP for Purchasing & Procurement Services
Dwight A. Boykins	Director for Governmental Affairs & Community Relations
Gayla Thomas	Senior Vice President for Institutional Effectiveness

FISCAL AFFAIRS

Sushil Khandelwal	Assistant VP for Budget
Bobby Johnson	Assistant VP for Business & Financial Services
Effie Lark	Director of Financial Reporting
Diane Lewis	Director of Grants and Contracts
Dennis Walls	Accounting Manager
Jocelyn Burris	Comptroller
J. T. Glover	Assistant VP for Facilities & Operations
Alice Roseman	Assistant VP for Purchasing & Procurement Services

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UNAUDITED

TEXAS SOUTHERN UNIVERSITY

ENROLLMENT DATA
FOR THE YEAR ENDED AUGUST 31, 2002

Type Of Student	Fall 2001 Semester	Spring 2002 Semester	Summer Terms 2002 First	Summer Terms 2002 Second
Resident				
Regular	6,619	6,660	1,823	1,263
Law	402	381	149	0
Non-Resident				
Regular	589	546	81	29
Law	204	192	25	0
Good Neighbor	6	5	0	9
Veterans-Hazelwood Act	49	47	19	0
Texas Commission For The Blind	13	17	3	0
Highest Ranking High School	6	9	0	0
Exemption Graduate	232	258	68	55
Total	8,120	8,115	2,168	1,356

ENROLLMENT TREND DATA

(Fall Semester)

Fiscal Year	Students	Semester Hrs
2002	8,120	100,869
2001	6,950	82,996
2000	6,314	75,768
1999	6,345	76,140
1998	7,141	83,631
1997	7,837	87,765
1996	9,254	109,366
1995	10,220	120,346
1994	10,890	128,278
1993	10,740	124,117
1992	10,133	120,138
1991	9,441	111,025
1990	9,198	108,940

STATEMENT OF NET ASSETS

Texas Southern University
Statement of Net Assets
August 31, 2002

		Total
ASSETS		
Current Assets:		
Cash and Cash Equivalents:		
Cash on Hand		
Cash in Bank	$	7,488,714
Cash in Transit/Reimbursement Due From Treasury		48,750
Cash in State Treasury		2,325,073
Short Term Investments		
Restricted:		
Cash and Cash Equivalents:		
Cash in Bank		1,505,068
Short Term Investments		52,085,566
Loans & Contracts		2,322,747
Legislative Appropriations		8,381,898
Net Receivables:		
Federal Receivables		6,353,232
Accounts Receivables		2,832,726
Other Receivables		592,871
Interfund Receivables		
Due From Other Funds		
Due From Other Agencies		194,612
Consumable Inventories		264,167
Merchandise Inventories		177,093
Other Current Assets		2,896,645
Total Current Assets		87,469,162
Noncurrent Assets:		
Restricted:		
Cash Equivalents		
Investments		10,776,210
Gift Receivable		5,210,481
Capital Assets, non-depreciable:		
Land and Land Improvements		13,239,331
Construction in Progress		17,089,467
Capital Assets, depreciable		
Building and Building Improvements		186,963,825
Less Accumulated Depreciation		(112,152,436)
Infrastructure		
Less Accumulated Depreciation		
Facilities and Other Improvements		9,060,338
Less Accumulated Depreciation		(906,034)
Furniture and Equipment		16,658,123
Less Accumulated Depreciation		(14,969,041)
Vehicles, Boats, and Aircraft		1,454,524
Less Accumulated Depreciation		(827,487)
Other Capital Assets		18,406,137
Less Accumulated Depreciation		
Other Noncurrent Assets		
Total Noncurrent Assets		150,003,438
Total Assets	$	237,472,600

U N A U D I T E D

STATEMENT OF NET ASSETS

Texas Southern University
Statement of Net Assets
August 31, 2002

		Total
LIABILITIES		
Current Liabilities:		
Payables:		
Accounts Payable	$	4,188,664
Payroll Payable		2,821,363
Due to Other Funds		
Due to Other Agencies		16,449
Deferred Revenue		15,762,479
Employees' Compensable Leave		962,510
Interest Payable		1,274,712
Revenue Bonds Payable		3,465,000
G. O. Bonds Payable-Current Portion		1,850,000
Funds Held for Others		1,959,156
Other Current Liabilities		1,058,355
Total Current Liabilities		33,358,688
Noncurrent Liabilities:		
Employees' Compensable Leave		853,625
Notes and Loans Payable		11,264,101
Revenue Bonds Payable		93,160,000
G. O. Bonds Payable		4,010,000
U.S. Government Grants Refundable		2,788,808
Other Non-current Liabilities		160,957
Total Non-Current Liabilities		112,237,491
Total Liabilities		145,596,179
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		79,596,747
Restricted for:		
Nonexpendable		
Endowment Funds		16,372,929
Unrestricted		(4,093,255)
Total Net Assets		91,876,421
TOTAL LIABILITIES AND NET ASSETS	$	237,472,600

*Capital Assets may be shown net of depreciation with details presented in Note 2.

U N A U D I T E D

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Texas Southern University
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Fiscal Year Ended August 31, 2002

		Total
Operating Revenues:		
Sales of Goods and Services (PR - Chgs for Services)		
Net Tuition and Fees	$	14,431,202
Net Professional Fees		
Net Auxiliary Enterprise		2,655,682
Net Other Sales of Goods and Svcs		3,827,131
Interest and Investment Income		
Net Increase (Decrease) Fair Market Value		
Federal Revenue -Operating (PR -OP Grants/Contributions)		27,214,217
Federal Pass Through Revenue (PR - OP Grants/Contributions)		51,196
State Grant Revenue (PR-OP Grants/Contributions		2,073,112
State Grant Pass Through Revenue (PR -OP Grants/Contributions)		236,656
Other Contract and Grants - Operating (PR-OP Grants/Contributions)		2,963,308
Other Operating Revenues (PR - Chgs for Services)		2,184,851
Total Operating Revenues		55,637,355
Operating Expenses:		
Cost of Goods Sold		
Salaries and Wages		49,118,175
Payroll Related Costs		11,348,712
Professional Fees and Services		6,401,214
Travel		1,578,204
Materials and Supplies		4,150,116
Communication and Utilities		3,183,578
Repairs and Maintenance		1,249,206
Rentals and Leases		924,313
Printing and Reproduction		616,619
Depreciation		5,086,221
Bad Debt Expense		555,865
Interest		8,786
Scholarships		12,952,586
Other Operating Expenses		7,005,809
Total Operating Expenses		104,179,404
Operating Income (Loss)	$	(48,542,049)

U N A U D I T E D

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Texas Southern University
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Fiscal Year Ended August 31, 2002

		Total
Nonoperating Revenues (Expenses)		
Legislative Revenue (GR)	$	44,015,636
Additional Appropriations		7,376,793
State Pass Through (GR)		2,097,141
HEAF Appropriation Revenue (GR)		7,191,493
Federal Revenue Non-Operating (PR-OP Grants/Contributions)		
Gifts (PR-OP Grants/Contributions)		5,210,481
Investment Income (PR-OP Grants/Contributions)		1,344,453
Investing Activities Expenses		(1,000,000)
Interest Expenses and Fiscal charges		(2,850,880)
Net Increase (Decrease) in Fair Value of Investments (PR-OP Grants/Contributions)		(1,562,428)
Net Increase (Decrease) in Fair Value of Investments (GR)		
Settlement of Claims (PR-Chgs for Services)		(667,755)
Settlement of Claims (GR)		(16,197)
Other Nonoperating Revenues (Expenses) (PR-Chgs for Services		143,826
Other Nonoperating Revenues (Expenses) (GR)		255,882
Total Nonoperating Revenues (Expenses)		61,538,445
Income (Loss) before Other Revenues, Expenses Gains, Losses and Transfers		12,996,396
Other Revenues, Expenses, Gains/Losses and Transfers		
Capital Contributions		
Additions to Permanent and Term Endowments		1,433,998
Extraordinary Items (FEMA)		2,186,034
Transfers-In		245,801
Transfers-Out		
Legislative Transfer-In		215,621
Total Other Revenue, Expenses, Gain/Losses and Transfers		4,081,454
Change in Net Assets		17,077,850
Total net assets, September 1, 2001		223,205,712
Restatements		(148,407,141)
Total net assets, September 1, 2001, as Restated		74,798,571
Total net assets, August 31, 2002	$	91,876,421

U N A U D I T E D

TEXAS SOUTHERN UNIVERSITY

STATEMENTS OF CASH FLOWS

For the Year Ended August 31, 2002

		Total
Cash Flows from Operating Activities		
Proceeds Received from Students	$	20,023,788
Proceeds Received from Customers		-
Proceeds from Loan Programs		31,810,453
Proceeds from Other Revenues		30,104,249
Payments to Suppliers for Goods and Services		(37,177,799)
Payments to Employees		(47,962,246)
Payments for Loans Provided		(22,325,215)
Payments for Other Expenses		(17,052,115)
Net Cash Provided (Used) by Operating Activities		(42,578,885)
Cash Flows from Noncapital Financing Activities		
Proceeds from State Appropriations		51,392,429
Proceeds of Transfers from Other Funds		461,422
Proceeds from Other Revenues		2,510,065
Proceeds from Extraordinary Item		2,186,034
Payments of Principal on Debt Issuance		(26,920)
Payments of Interest		(423,080)
Payments for Other Uses		(697,176)
Net Cash Provided by Noncapital Financing Activities		55,402,774
Cash Flows from Capital and Related Financing Activities		
Proceeds from Capital Appropriations		7,191,493
Proceeds from Debt Issuance		49,658,345
Payments for Additions to Capital Assets		(24,651,692)
Payments of Principal on Debt Issuance		(3,710,000)
Payments of Interest		(2,585,778)
Payments of Other Costs of Debt Issuance		(971,635)
Other sources		(635,477)
Net Cash Used by Capital and Related Financing Activities		24,295,256
Cash Flows from Investing Activities		
Proceeds from Sales of Investments		14,185,322
Proceeds from Interest and Investments Income		128,093
Proceeds from Principal Payments on Loans		-
Payments to Acquire Investments		(50,643,762)
Net Cash Provided by Investing Activities		(36,330,347)
Net Increase (Decrease) in Cash and Cash Equivalents		788,798
Cash and Cash Equivalents, September 1, 2001		10,578,807
Cash and Cash Equivalents, August 31, 2002	$	11,367,605

U N A U D I T E D

TEXAS SOUTHERN UNIVERSITY

STATEMENTS OF CASH FLOWS

For the Year Ended August 31, 2002

		Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	$	(48,542,049)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense		5,086,221
Bad Debt Expense		555,865
Operating Income and Cash Flow Categories		
Classification Differences		-
Changes in Assets and Liabilities:		
Increase in Receivables		(5,945,785)
Increase in Inventories		(143,826)
Increase in Prepaid Expenses		(464,180)
Decrease in Accounts Payable		(711,243)
Increase in Accrued Liabilities		59,574
Increase in Deferred Revenue		7,526,538
Total Adjustments		5,963,164
Net Cash Provided by Operating Activities	$	(42,578,885)

TEXAS SOUTHERN UNIVERSITY

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED AUGUST 31, 2002

REPORTING ENTITY

Texas Southern University is an agency of the State of Texas, and its financial records reflect compliance with applicable State statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for State Agencies.

Texas Southern University serves the state, national, and international communities by providing its students with academic instruction that advance fundamental knowledge, and by disseminating knowledge to the people of Texas and through the world.

The significant accounting policies followed by Texas Southern University in maintaining accounts and in the preparation of the preceding statements are in accordance with Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements. The financial reporting entity, as defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, The Financial Reporting Entity, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete.

The University is a component unit of the State of Texas and is included in the general-purpose financial statements of the State of Texas.

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments. This was followed in November 1999 by GASB State No. 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities. As a component unit of the State of Texas, the University is required to adopt GASB No. 34 and No. 35. The financial statement preparation required by GASB No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets, cash flows, and replaces the fund-group perspective previously required.

Due to the significant changes related to Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, the Comptroller of Public Accounts does not require the accompanying annual financial report to be in compliance with generally accepted accounting principles (GAAP). The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore an opinion has not been expressed on the financial statements and related information contained in the report.

Note 1: Summary Of Significant Accounting Policies

Fund Structure

The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity. The General Fund is the principal operating fund used to account for most of the state's general activities. It accounts for all financial resources except those accounted for in other funds. Primarily the fund groups previously used by the University have all been rolled in to the General Fund Group. Previous Fund Groups used by the University were: Education and General, Designated, Auxiliary Enterprises, Restricted, Loan, Endowment, Unexpended Plant, Retirement of Indebtedness and Investment in Plant.

Basis of Accounting

For financial reporting purposes, Texas Southern University is considered a special-purpose government engaged only in business-type activities. The financial statements of Texas Southern University have been presented

Note 1: Summary Of Significant Accounting Policies (Continued)

Basis of Accounting (Continued):

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.

The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date.

Budgets and Budgetary Accounting

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

Cash Equivalents

For purposes of the statements of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State Treasurer's Cash Management Program are considered cash equivalents. All cash and cash equivalents related investments are accounted for in the investment accounts.

Investments

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and change in net assets.

Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. The assets include proceeds of enterprise fund general obligation and revenue bonds and revenue set aside for statutory or contractual requirements. Assets held in reserve for guaranteed student loan defaults are also included.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of Texas. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grant and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

Inventories are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis.

Noncurrent Cash and Investments

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as noncurrent assets in the

Note 1: Summary Of Significant Accounting Policies (Continued)

statements of net assets.

Capital Assets:

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of $5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight–line method over the estimated useful lives of the assets, generally 40 to 50 years for buildings, 20 to 25 years for infrastructure and land improvements, 10 years for library books, and 5 to 7 years for equipment.

Other Receivables

Other receivables include year – end revenue accruals not included in any other receivable category.

Accounts Payable

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

Other Payable

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

Deferred Revenues

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also included amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences

Employees' vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued vacation payable in the statements of net assets, and as a component of compensation and benefit expense in the statements of revenues, expenses, and changes in net assets.

Non-current Liabilities

Non-current liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year: (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

Note 1: Summary Of Significant Accounting Policies (Continued)

Bonds Payable – General Obligation Bonds

The unmatured principal of general obligations bonds is accounted for in the long – term Liabilities column. Payables are reported separately as either current or noncurrent in the statement of net assets.

Bonds payable are recorded at par. The bond proceeds are accounted for as an "Other Financing Source" in the governmental funds when received, and expenditures for payment of principal and interest are recorded in Debt Service funds when paid. These amounts are adjusted in the Long-term liabilities column.

Bonds Payable – Revenue Bonds

The bonds payable are reported at par less unamortized discount or plus unamortized premium. Interest expense is reported on the accrual basis, with amortization of discount or premium. Payables are reported separately as either current or noncurrent in the statement of net assets.

Interfund Transactions and Balances

The agency has the following types of transactions among funds:

(1) Transfers: Legally required transfers that are reported when incurred as Transfers In' by the recipient fund and as Transfers Out' by the disbursing fund.

(2) Reimbursements: Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made one fund for another that are recorded as expenditures in the reimbursing fund as reduction of expenditures in the reimbursement fund. Reimbursements are not displayed in the financial statements.

(3) Interfund receivables and payables: Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter it is classified as "Current", repayment two (or more) years is classified as "Non-Current".

(4) Interfund Sales and Purchases: Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund. The composition of the agency's Interfund receivables and payables at August 31, 2002 is presented in Note 7.

Net Assets
The University's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets – expendable: Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted net assets – nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Note 1: Summary Of Significant Accounting Policies (Continued)

Net Assets (Continued)

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.

Income Taxes

The General University, as a political subdivision of the State of Texas, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. The Foundation is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code.

Classification of Revenues

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria: *Operating revenues:* Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most Federal, state and local grants and contracts, and Federal appropriations, and (4) interest on institutional student loans. *Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations and investment income.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowances.

Accounting Changes

As a result of the adoption of GASB Statement No. 34, the University was also required to make certain changes in accounting principles, specifically (1) adoption of depreciation on capital assets. Net assets at September 1, 2001 were reduced by $ 148,407,141 for the cumulative effect of these changes on years prior to fiscal year 2001.

Also, State Property Accounting (S.P.A.) does not account for fully Depreciated Assets, whereas GAAP reflects the Depreciable Assets less their related Accumulated Depreciation. The University will follow GAAP.

TEXAS SOUTHERN UNIVERSITY

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED AUGUST 31, 2002
(CONTINUED)

Note 1: Summary Of Significant Accounting Policies (Continued)

Memorandum Totals

The balance sheet in columnar form, the Statement of Changes in Fund Balances, and the Statement of Current Funds Revenues and Expenditures are shown with memorandum totals for the current year. Interfund borrowing have not been eliminated, but have been offset in the assets and liability sections. The memorandum totals are presented only to facilitate financial analysis and do not purport to present financial position, in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

Other Significant Accounting Policies

Other significant accounting policies are set forth in the financial statements.

NOTE 2: Capital Assets

A summary of changes in Capital Assets for the year ended August 31, 2002

	PRIMARY GOVERNMENT				
	Balance 9/1/2001	Reclassifications	Additions	Deletions	Balance 8/31/2002
Business-type activities					
Non-depreciable Assets					
Land and Land Improvements	$ 11,561,269		$ 1,678,062		$ 13,239,331
Construction in Progress	8,434,152	(487,793)	9,143,108		17,089,467
Other Capital Assets	16,517,555	1,612,460	276,122		18,406,137
Total Non-depreciable Assets:	36,512,976	1,124,667	11,097,292	-	48,734,935
Depreciable Assets:					
Buildings and Building Improvements	171,555,606	5,649,842	9,758,377		186,963,825
Improvements Other than Buildings	17,823,217	(8,762,879)			9,060,338
Furniture and Equipment	34,465,935	(21,511,037)	3,703,225		16,658,123
Vehicle, Boats & Aircraft		1,361,726	92,798		1,454,524
Total depreciable assets at historical costs:	223,844,758	(23,262,348)	13,554,400	-	214,136,810
Less accumulated depreciation for:					
Buildings and Building Improvements		(108,842,233)	(3,310,203)		(112,152,436)
Improvements Other than Buildings			(906,034)		(906,034)
Furniture and Equipment		(14,228,582)	(740,459)		(14,969,041)
Vehicle, Boats & Aircraft		(697,962)	(129,525)		(827,487)
Total accumulated depreciation	-	(123,768,777)	(5,086,221)	-	(128,854,998)
Depreciable assets, net					
Business-type activities capital assets, net:	$ 260,357,734	$ (145,906,458)	$ 19,565,471	$ -	$ 134,016,747

TEXAS SOUTHERN UNIVERSITY

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED AUGUST 31, 2002
(CONTINUED)

NOTE 3: Deposits, Investments, & Repurchase Agreements

Authorized Investments

Texas Southern University is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Texas Governmental Code, Section 2256.001). Such investments include:

1. obligations of the United States or its agencies,
2. direct obligations of the State of Texas or its agencies,
3. obligations of political subdivisions rated not less than "A" by a national investment rating firm,
4. certificates of deposit, and
5. other instruments and obligations authorized by statute.

Deposits of Cash In Bank

A. The carrying amount of $8,993,782 for Cash in Bank (including restricted assets) is presented below.

B. The bank balance of the University has been classified according to the following risk categories:

Category 1: Insured or collateralized with securities held by the governmental entity or by its agent in the name of the governmental entity.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the governmental entity's name.

Category 3: Uncollateralized (which would include any deposits collateralized with securities held by the pledging financial institutions, or by their trust departments or agents but not in the governmental entity's name).

Deposits of Cash In Bank

Carrying Amount	Bank Balance	Category 1	Category 2	Category 3
$ 8,993,782	$ 9,415,978	$ 9,415,978		

Reporting Entity Cash and Deposits

Cash and Deposits	
Bank Deposits	
Demand Deposits	$ 8,277,588
Money Market	716,194
Sub-Total	$ 8,993,782
Cash and Cash Equivalents	
Petty Cash on Hand	$ 0
Local Funds in State Treasury	2,325,073
Reimbursements in Transit	0
Sub-Total	2,325,073
Total Cash and Deposits	$ 11,318,855

NOTE 3: Deposits, Investments, & Repurchase Agreements (Continued)

INVESTMENTS

To comply with the reporting requirements of GASB Statement No. 3, *Investments (including Repurchase Agreements), and Reverse Repurchase Agreements,* the University's investments are categorized in the tabulation titled "Investment Categories" to give an indication of credit risk assumed by the University at year-end.

Credit risk is the risk that another party to a deposit or investment transaction will not fulfill its obligations. This is not to be confused with market risk which is the risk that the market value of an investment, collateral protecting a deposit, or securities underlying a repurchase agreement, will decline. Market risk is not depicted in this note.

The following categories of credit risk are included:

Category 1: Investments that are insured or registered or for which the securities are held by the University or its agent in the University's name.

Category 2: Uninsured and unregistered investments for which the securities are held by the broker or dealer's trust department or institution in the University's name.

Category 3: Uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the University's name.

Investment Categories

Type of Security	Category 1	Category 2	Category 3	Reported Value
Mortgage Backed Security	$15,932,795	$	$	$15,932,795
U.S. Government Treasury Obligations	16,601,564			16,601,564
Commercial Paper	23,333,531			23,333,531
Money Market	1,418,327			1,418,327
Corporate Bonds	530,435			530,435
Corporate Stocks	5,045,124			5,045,124
TOTAL INVESTMENTS	$62,861,776	$	$	$62,861,776
TOTAL DEPOSITS AND INVESTMENTS				$74,180,631

Reverse Repurchase Agreements

The University, by statute, is authorized to enter into reverse repurchase agreements. A reverse repurchase agreement is a transaction in which a broker-dealer or financial institution transfers cash to the University and the University transfers securities to the broker-dealer and promises to repay the cash plus interest in exchange for the same or similar securities. Credit risk exposure for the University arises when a broker-dealer does not return the securities or their value at the conclusion of the reverse repurchase agreement. The University was not a party to any reverse repurchase agreement transactions during the year.

Securities Lending

The University was not a participant in a securities lending program at August 31, 2002.

NOTE 3: Deposits, Investments, & Repurchase Agreements (Continued)

Derivative Investing

Derivatives are financial instruments (securities or contracts) whose value is linked to, or "derived" from, changes in interest rates, currency rates, and stock and commodity prices. Derivatives cover a broad range of financial instruments, such as forwards, futures, options, swaps, and mortgage derivatives. These mortgage derivatives are influenced by changes in interest rates, the current economic climate, and the geographic make-up of underlying mortgage loans. There are varying degrees of risk associated with mortgage derivatives. The University's investment portfolio did not include derivative instruments during the year.

NOTE 4: Long Term Liabilities

During the year ended August 31, 2002, the following changes occurred in liabilities:

Changes In Long Term Liabilities

Business Type Activities	Beginning Balance Sept. 1, 2001	Additions	Reductions	Ending Balance Aug. 31, 2002	Amounts Due Within One Year
Notes and Loans Payable	$ 11,291,022	$	$ 26,921	$ 11,264,101	$ 0
General Obligations B/P	7,610,004		1,750,004	5,860,000	1,850,000
Revenue Bonds Payable	50,520,000	48,065,000	1,960,000	96,625,000	3,465,000
Capital Lease Obligations				0	
Compensable Leave	1,790,986	25,149		1,816,135	962,510
Bond Interest Payable	0	160,957		160,957	
Funds Held In Custody	437,406	1,521,750		1,959,156	1,959,156
U. S. Government Refundable Loans		2,788,808		2,788,808	
Total Business Type Activities	$ 71,649,418	$ 52,561,664	$ 3,736,925	$ 120,474,157	$ 8,236,666

*General Information related to notes payable is summarized as follows:

Bond Name	U. S. Department of Education Settlement Agreement
Purpose	Liability assessed for ineligible awards of Title IV federal financial assistance programs for award years 1993-94 through 1996-97.
Original Amount of Issue	$15,100,000
Issue Date	10/01/97
Interest Rates	5.000%
Maturity Date	2000-2009
Type of Bond	Notes Payable
Source of Revenue	Not Applicable
Authorized but Issues	Not Applicable
Changes In Debt	None

NOTE 4: Long Term Liabilities (Continued)

Bond Name U. S. Department of Education Settlement Agreement (Continued)

DEBT SERVICE DEPARTMENT OF EDUCATION Note 98028	PRINCIPAL	INTEREST	TOTAL
2003	$ 1,331,300	$679,013	$ 2,010,313
2004	1,389,456	470,857	1,860,313
2005	1,460,242	400,071	1,860,313
2006	1,534,634	325,679	1,860,313
2007	1,612,817	247,496	1,860,313
2008-2009	3,935,652	250,052	4,185,704
	$ 11,264,101	$ 2,373,168	$ 13,637,269

- U.S. Department of Education Settlement Agreement.
- Liability assessed for ineligible awards of Title IV federal financial assistance programs for award years 1993-94 through 1996-97 for $15.1 million.
- Issued October 1, 1997.
- University paid $450,000 in fiscal year 2002.
- The remaining liability of $11,264,101 (principal and accrued interest) is reported in the Designated Funds at August 31, 2002.

The remaining liability is due over a eight year period at 5%. The University renegotiated payment terms in the amount of $600,000 for fiscal year 2001 and 2002, respectively. Also during 2002, The Department of Education agreed to suspend temporarily the Quarterly Note Payments of $150,000. Negotiations are currently in progress between the University and the Department Of Educations to reduce the Note in its entirety.

NOTE 5: Capital Lease Obligations

Certain leases to finance the purchase of property are capitalized at the present value of future minimum lease payments. As of August 31, 2002 the University had not entered into any contractual agreements that could be deemed a capital lease obligation.

NOTE 6: Operating Lease Obligations and Rental Agreement

Total operating lease expenses are immaterial to the overall financial activity of the University. Therefore, amounts paid for this category of expenses are not disclosed.

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TEXAS SOUTHERN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2002
(CONTINUED)

NOTE 7: Interfund Balances/Activities

Due From Other Agencies		Due From Other Agencies		Due To Other Agencies	Source
Current Portion					
Texas Department of Public Safety, Agy 902, D23, Fund 0001.			$	16,449	State
Comptroller of Public Accounts, Agy 902, D23, Fund 0001.	$	177,714		0	State
Comptroller of Public Accounts, Agy 405, D23, Fund 5015.		16,898		0	State
Total Due From / To Other Agencies	$	194,612	$	16,449	

Due From Other Federal Agencies		Due From Other Agencies		Due To Other Agencies	Source
Federal Pass Through From:					
Texas Department of Human Resources, Agy 324, D23, Fund 0001.	$	35,133			Restricted
Comptroller State Energy Conservation Office, Agy 907, D23, Fund 224.		16,063	$	0	Restricted
Total Due From / To Other Agencies	$	51,196	$	0	

Due From Other State Agencies		Due From Other Agencies		Due To Other Agencies	Source
State Federal Pass Through From:					
Texas Higher Ed Coord Board, Agy 781, D23, Fund 0001.	$	2,079,415	$	0	State
Texas Higher Ed Coord Board, Agy 781, D23, Fund 0106.		17,726		0	State
Office of the Governor, Agy 300, D23, Fund 0421.		113,920		0	Restricted
Texas Education Agency, Agy 701, D23, Fund 0001.		54,921		0	Restricted
State Energy Conservation Office, Agy 907, D23, Fund 0515.		39,504		0	Restricted
Texas Higher Ed Coord Board, Agy 781, D23, Fund 0825.		28,311		0	Restricted
Total Due From / To Other Agencies	$	2,333,797	$	0	

NOTE 8: Employee's Retirement Plan

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 Teacher Retirement System of Texas. The contributory percentages of participant salaries currently provided by the State and by each participant are 6.00 percent and 6.40 percent, respectively, of annual compensation.

The Teacher Retirement System 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. According to an independent actuarial evaluation as of August 31, 1999, the present value of the Retirement System's actual and projected liabilities, including projected benefits payable to its retirees and active members and their beneficiaries, was less than the assets of the Retirement System; the Retirement System is over funded.

The State has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts. The contributory percentages on salaries for participants entering the program prior to September 1995 are 8.5% and 6.65% by the state and each participant, respectively. The state's contribution is comprised of 6.00% from the ORP's appropriation, 1.31% from a special

NOTE 8: Employee's Retirement Plan (Continued)

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 after August 31, 1995 are 6.00% and 6.65% by the state and each participant, respectively. Since these are individual annuity contracts, the State has no additional or unfunded liability for this program.

NOTE 9: Deferred Compensation Program

University employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the TEX. GOV'T. CODE ANN., sec 609.001. Two plans are available for employees' deferred compensation plan. Both plans are administered by the Employees Retirement System.

The State's 457 plan complies with the Internal Revenue Code Sec. 457. Deductions, purchased investments and earnings attributed to the 457 plan are the property of the State subject only to the claims of the State's general creditors. Participant's rights under the plan are equal to those of the general creditors of the State in an amount equal to the fair market value of the 457 accounts for each participant. The State has no liability under the 457 plan and it is unlikely that plan assets will be used to satisfy the claims of general creditors in the future.

The State also administers another plan, "Texsaver" created in accordance with Internal Revenue Code Sec. 401(k). However, the assets of this plan do not belong to the State nor does the State have a liability related to this plan.

NOTE 10: Contingent Liabilities (Pending Lawsuits and Claims)

At August 31, 2002, various lawsuits and claims involving the University were pending. Settlement amounts have been requested by the plaintiffs in the amount of $335,000. While the outcome or ultimate liability with respect to litigation and other claims asserted against the University cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the University.

NOTE 11: Continuance Liabilities

Not Applicable

NOTE 12: Risk Financing and Related Insurance

The University 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 University employees. The current General Appropriations Act provides that the University must reimburse General Revenue Fund – Consolidated, from University appropriations, one-half of the unemployment benefits and 25% of the workers' compensation benefits paid for former and current employees. The Comptroller of Public Accounts determines the proportionate amount to be reimbursed from each appropriated fund type. The university must reimburse the General Revenue Fund 100% of the cost for worker's 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, 2002.

NOTE 12: Risk Financing and Related Insurance (Continued).

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, Texas Southern University has chosen to carry liability insurance on its licensed vehicles in the amount of $100,000/$300,00 bodily injury and $100,000 property damage, the extent of the waivers of state sovereign immunity specified in the tort claims act.

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

The University assumes substantially all risks associated with tort and liability claims due to the performance of its duties. Currently there is no purchase of commercial insurance, nor is the University involved in any risk pools with other government entities for these risks.

NOTE 13: Segment Information.

Not Applicable.

NOTE 14: Bond Indebtedness.

General information related to bonds payable is summarized below:

General Obligation Bonds:
Constitutional Appropriation Bonds, Series 1996

Purpose	To finance the construction of instructional facilities for the University and a new building for the Business School.
Original Amount of Issue	$15,090,000
Issue Date	09/01/96
Interest Rates	4.750%-5.500%
Maturity Date	1997-2005
Type of Bond	General Obligations Bond
Source of Revenue	Constitutional Appropriations
Authorized but Issues	All Authorized
Changes In Debt	None

DEBT SERVICE

1996 BONDS	PRINCIPAL	INTEREST	TOTAL
2003	$ 1,850,000	$ 303,300	$ 2,153,300
2004	1,950,000	210,800	2,160,800
2005	2,060,000	113,300	2,173,300
	$ 5,860,000	$ 627,400	$ 6,487,400

NOTE 14: Bond Indebtedness (Continued)

Texas Southern University Revenue Financing System
Implement and Refunding Bonds Series 1998 A-1, A-2, B&C

Purpose	To defease 1993 lender, renovate educational facilities, construct recreation and health facilities.
Original Amount of Issue	$52,930,000
Issue Date	12/01/98
Interest Rates	3.1%-5.125%
Maturity Date	1999-2023
Type of Bond	Revenue Bond
Source of Revenue	General Fees
Authorized but Issues	All Authorized
Changes In Debt	None

DEBT SERVICE 1998 BONDS	PRINCIPAL	INTEREST	TOTAL
2003	$ 2,030,000	$ 2,124,138	$ 4,154,138
2004	2,105,000	2,048,655	4,153,655
2005	2,185,000	1,968,198	4,153,198
2006	2,270,000	1,882,418	4,152,418
2007	2,365,000	1,790,853	4,155,853
2008-2012	12,605,000	7,421,365	20,026,365
2013-2017	15,290,000	4,235,844	19,525,844
2018-2022	7,960,000	1,004,756	8,964,756
2023-2027	1,750,000	79,650	1,829,650
	$ 48,560,000	$ 22,555,875	$ 71,115,875

Advance Refunding Bonds

Refunded $18,490,000 of Consolidated Revenue Bonds, Series 1993 and 1993A:

- Issued refunding bonds on December 1, 1998.
- $20,305,000, all authorized bonds have been issued.
- Refunding 1998A-1.
- Average interest rate of bonds refunded – 5.31%.
- Net proceeds from Refunding Series - $19,541,734; after payment of $763,266 in underwriting fees, insurance and other issuance costs.
- The 1993 Series bonds are considered fully defeased and the liability for those bonds has been removed from the Investment in Plant fund group.
- Economic Loss - $1,051,734 is recorded in the Investment Plant Fund group. This amount represents the difference between the net present value of the old and new debt service payments.

NOTE 14: Bond Indebtedness (Continued)

Texas Southern University Revenue Financing System
Bonds Series 2002

Purpose	To construct and equip a new science building, renovation of the student center, law School, and other campus facilities.
Original Amount of Issue	$48,065,000
Issue Date	04/25/02
Interest Rates	4.000%-5.500%
Maturity Date	2002-2021
Type of Bond	Revenue Bond
Source of Revenue	Pledged Revenues
Authorized but Issues	All Authorized
Changes In Debt	None

DEBT SERVICE 2000 BONDS	PRINCIPAL	INTEREST	TOTAL
2003	$ 1,435,000	$2,586,853	$ 4,021,853
2004	1,540,000	2,326,156	3,866,156
2005	1,605,000	2,263,256	3,868,256
2006	1,675,000	2,193,469	3,868,469
2007	1,745,000	2,120,881	3,865,881
2008-2012	10,110,000	9,223,109	19,333,109
2013-2017	12,950,000	6,383,125	19,333,125
2018-2022	17,005,000	2,327,406	19,332,406
	$ 48,065,000	$ 29,424,256	$ 77,489,256

NOTE 15: Subsequent Events

As of the final date of this report, there were no subsequent events to report.

NOTE 16: Related Parties

Texas Southern University 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.”

NOTE 16: Related Parties (Continued)

According to Foundation bylaws, the President of the University and a representative of the University's Board of Regents shall be ex officio members of The Foundation's Board of Directors with full voting rights. There were not any financial transactions between the Foundation and the University during the year.

Texas Southern University 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 the University and the interests and welfare of its students; to provide the means for continuing relationships between the University, former students, community, and to enable them to contribute to and share in the progress of the University.

All former students are eligible for membership in the Alumni Association. The Board of Directors of the Alumni Association is elected by the membership. The University Administration has no controlling interest in the Alumni Association. There were not any financial transactions between the Alumni Association and the University during the year.

NOTE 17: Stewardship, Compliance, & Accountability

Not Applicable.

NOTE 18: The Financial Reporting Entity and Joint Venture

The financial statements of Texas Southern University encompass the financial activity only of the University. No other component entities are included in these financial statements.

NOTE 19: Fund Balance Restatement

During FY 2002, adjustments were made which required the restatement of the amounts in fund balances for Capital Net Assets due to GASB 34/35 and Unrestricted Net Assets due to prior period errors as shown below.

Restatements

		Total
Fund Bal/Equity August 31,2001		$223,205,712
Restatements (Adoption of GASB 34/35)	($145,906,458)	
Restatement (Correction of Prior Period Errors)	($2,500,683)	(148,407,141)
Fund Bal/Equity Sept. 1, 2001 As Restated		$74,798,571

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TEXAS SOUTHERN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2002
(CONTINUED)

NOTE 19: Fund Balance Restatement (Continued)

NOTE 20: Donor Restricted Endowments

Donor Restricted Endowment		Amounts of Net Appreciation	Reported In Net Assets
General Purpose Endowments	$	(212,178)	Restricted for Nonexpendable
Term Endowments		(169,367)	Restricted for Nonexpendable
Endowments		(1,180,883)	Restricted for Nonexpendable
Total	$	(1,562,428)	

NOTE 21: Pledged/Non-Pledged Revenues and Discounts and Allowances

Revenue	Gross Receipts Pledged	Gross Receipts Non-Pledged	Discounts and Allowances	Net Receipts
Tuition and Fees	$ 25,325,658	$	$ 10,894,456	$14,431,202
Auxiliary	2,951,695		296,013	2,655,682
Other Sales of Goods and Services	3,827,131			3,827,131
Total	$ 32,104,484	$ -	$ 11,190,469	$20,914,015

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2002

NOTE 22: Management Discussion and Analysis (Material Changes to AFR)

Summarized below are summaries of the financial statements and comments regarding items we deem material enough to include in this package.

Changes In Net Assets Revenues and Expenses

		Totals
ASSETS		
Current Assets:	$	87,469,162
Capital Assets		134,016,747
Other Noncurrent Assets		15,986,691
Total Assets		237,472,600
LIABILITIES		
Current Liabilities:		33,358,688
Noncurrent Liabilities:		112,237,491
Total Liabilities		145,596,179
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		79,596,747
Endowment Funds		16,372,929
Expendable:		
Unrestricted		(4,093,255)
Total Net Assets	$	91,876,421

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

		Totals
Operating Revenues:	$	55,637,355
Operating Expenses:		104,179,404
Operating Income (Loss)		(48,542,049)
Nonoperating Revenues (Expenses)		61,538,445
Income (Loss) before Other Revenues, Expenses Gains, Losses and Transfers		12,996,396
Other Revenues, Expenses, Gains/Losses and Transfers		4,081,454
Change in Net Assets		17,077,850
Total net assets, September 1, 2001		223,205,712
Restatements		(148,407,141)
Total net assets, September 1, 2001, as Restated		74,798,571
Total net assets, August 31, 2002		91,876,421

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TEXAS SOUTHERN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2002
(CONCLUDED)

STATEMENTS OF CASH FLOWS

For the Year Ended August 31, 2002

Cash Flows		Totals
Net Cash Provided (Used) by Operating Activities	$	(42,578,885)
Net Cash Provided by Noncapital Financing Activities		55,402,774
Net Cash Used by Capital and Related Financing Activities		24,295,256
Net Cash Provided by Investing Activities		(36,330,347)
Net Increase (Decrease) in Cash and Cash Equivalents		788,798
Cash and Cash Equivalents, September 1, 2001		10,578,807
Cash and Cash Equivalents, August 31, 2002	$	11,367,605

Issuance of New Bonds

The University issued new bonds during the year in the amount of $48,065,000. For further details on these Bonds, see Note 13.

Change of Investment Rating

During the year the University received an increase in their Bond Rating. The rating went from BAA3 to BAA1.

Catastrophic Event

The University suffered Building and Campus damage during the year. As of 08/31/02, the University has received reimbursements from FEMA in the amount of $2,186,034.

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TEXAS SOUTHERN UNIVERSITY
Schedule 1A - Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2002

FEDERAL GRANTOR/PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Pass Thru From Agy./ Univ. #	Pass Thru From Agencies Or Univ. Amount	Pass Thru From Non-State Entities Amount	Direct Program Amount
U. S. AGENCY FOR INTERNATIONAL DEVELOPMENT						
Pass Through From:						
Association Liaison Office /American Council on Education						
Promoting Community Learning Opportunities for Develop	02.000	HNEA009700059			45,324	
United Negro College Fund						
Promoting Community Learning Opportunities for Develop	02.000	HNEA0098001560			140,732	
Total U. S. Agency for International Development				0	186,056	0
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Other Federal Awards Expended						
Direct Program:						
HBCU Small Business Revolving Loan Fund	14.237					148,997
Community Planning	14.000	DU100K16805				11,748
Office Automation Skilled Services Program	14.000	B-96-SB-TX-0002				25,015
HUD Interest Grant	14.000	CH-TEX-2925				86,550
Total U. S. Department of Housing and Urban Development				0	0	272,309
U.S. DEPARTMENT OF JUSTICE						
Direct Program:						
Public Safety Partnership & Community Policing Grants	16.710					57,860
Total U. S. Department of Justice				0	0	57,860
U. S. DEPARTMENT OF LABOR						
Pass Through From:						
Houston Galveston Area Council	17.249	219-01/AH108510060			976,227	
Employment Services & Job Training Pilots						
Total U. S. Department of Labor				0	976,227	0
U. S. DEPARTMENT OF TRANSPORTATION						
Other Federal Awards Expended						
Direct Programs:						
Eisenhower Fellowships	20.000	DDEHBC-99-X-00771				51,359
Pass Through From:						
South Carolina State University						
Summer Transportation Institute	20.000	02-447419-NST-TS-TX			26,028	
Total U. S. Department Of Transportation				0	26,028	51,359

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TEXAS SOUTHERN UNIVERSITY

Schedule 1A - Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended August 31, 2002

Total Pass Through From & Direct Program	Pass Thru To Agy./ Univ. #	Pass Thru To State Agy. or Univ. Amount	Pass Thru To Non-State Entities Amount	Expenditures Amount	Total Pass-Through To & Expenditures
45,324				45,324	45,324
140,732				140,732	140,732
186,056		0	0	186,056	186,056
148,997				148,997	148,997
11,748				11,748	11,748
25,015				25,015	25,015
86,550				86,550	86,550
272,309		0	0	272,309	272,309
57,860				57,860	57,860
57,860		0	0	57,860	57,860
976,227				976,227	976,227
976,227		0	0	976,227	976,227
51,359				51,359	51,359
26,028				26,028	26,028
77,387		0	0	77,387	77,387

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TEXAS SOUTHERN UNIVERSITY
Schedule 1A - Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2002

FEDERAL GRANTOR/PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Pass Thru From Agy./ Univ. #	Pass Thru From Agencies Or Univ. Amount	Pass Thru From Non-State Entities Amount	Direct Program Amount
NATIONAL ENDOWMENT FOR THE HUMANITIES						
Direct Programs:						
Promotion of the Humanities-Extending the Reach Grants	45.167					14,710
Promotion of the Humanities: Federal/State Partnership	45.129					4,484
Total National Endowment for the Humanities				0	0	19,194
NATIONAL SCIENCE FOUNDATION						
Direct Programs:						
Education and Human Resources	47.076					99,529
Pass Through From:						
United States Military Academy						
Computer & Information Science & Engineering	47.070	DUE9455980			4,169	
University of Houston						
Education & Human Resources	47.076	HRD-9900893	797-730	256,787		
Other Federal Awards Expended						
Houston Independent School District						
Institute for Middle School Mathematics Teachers	47.000	ESR 9816227			15,341	
COMAP HBCU College Algebra	47.000	DUE-9555414			22,975	
Total National Science Foundation				256,787	42,485	99,529
U. S. DEPARTMENT OF ENERGY						
Pass Through From:						
Clark-Atlanta University	81.102	OSP90668022			105,392	
Academic Partnerships						
Comptroller State Energy Conservation Office	81.041	CM021	907	16,063		
State Energy Prog. Renew. Energy Demonstration Project						
Total U. S. Department Of Energy				16,063	105,392	0

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TEXAS SOUTHERN UNIVERSITY
Schedule 1A - Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2002

Total Pass Through From & Direct Program	Pass Thru To Agy./ Univ. #	Pass Thru To State Agy. or Univ. Amount	Pass Thru To Non-State Entities Amount	Expenditures Amount	Total Pass-Through To & Expenditures
14,710				14,710	14,710
4,484				4,484	4,484
19,194		0	0	19,194	19,194
99,529				99,529	99,529
4,169				4,169	4,169
256,787				256,787	256,787
15,341				15,341	15,341
22,975				22,975	22,975
398,801		0	0	398,801	398,801
105,392				105,392	105,392
16,063				16,063	16,063
121,455		0	0	121,455	121,455

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TEXAS SOUTHERN UNIVERSITY
Schedule 1A - Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2002

FEDERAL GRANTOR/PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Pass Thru From Agy./ Univ. #	Pass Thru From Agencies Or Univ. Amount	Pass Thru From Non-State Entities Amount	Direct Program Amount
U. S. DEPARTMENT OF EDUCATION						
Undergraduate International Studies & Foreign Language Programs	84.016					5,288
Higher Education-Institutional Aid	84.031					3,947,784
Minority Science and Engineering Improvement	84.120					43,857
Fund for the Improvement of Postsecondary Education	84.116					14,859
Nat'l Institute on Disability & Rehabilitation Research	84.133					332,854
Pass Through From:						
Texas Tech University						
Vocational Education: Basic Grants to States	84.048	135H/0850	733	4,000		
University of Houston						
Teacher Quality Enhancement Grants	84.336	K155022	797-730	108,017		
Total U. S. Department Of Education				112,017	0	4,344,641
DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Direct Programs:						
Centers for Disease Control & Prevention: Investigations and Technical Assistance	93.283					13,178
Family Violence Prevention & Services/Grants for Battered Women's Shelters: Discretionary Grants	93.592					93,874
Head Start	93.600					200,448
Pass Through From:						
Baylor College Of Medicine-Grants For Geriatric Education Centers	93.969	5D31AH66023-06			33,638	
Other Federal Awards Expended						
Pass Through From:						
National Youth Sports Program Fund	93.000	NYSPF269			81,890	
International Resource Group						
Family Planning: Services	93.217	6FPHPA061197			23,956	
Total Department Of Health And Human Services				0	139,483	307,500
Student Financial Assistance Cluster						
U. S. Department of Education						
Direct Programs:						
Federal Supplemental Educational Opportunity Grants	84.007					834,473
Federal Family Education Loans	84.032					31,810,453
Federal Perkins Loans Program: Federal Capital Contribution	84.038					363,222
Administrative Cost Recovered						18,161
Federal Work - Study Program	84.033					572,934
Federal Pell Grant Program	84.063					12,282,728
U. S. Department of Health and Human Services						
Scholarships For Health Professions Students From Disadvantaged Backgrounds	93.925					791,933
Total Student Financial Assistance Cluster				0	0	46,673,903

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TEXAS SOUTHERN UNIVERSITY
Schedule 1A - Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2002

Total Pass Through From & Direct Program	Pass Thru To Agy./ Univ. #	Pass Thru To State Agy. or Univ. Amount	Pass Thru To Non-State Entities Amount	Expenditures Amount	Total Pass-Through To & Expenditures
5,288				5,288	5,288
3,947,784				3,947,784	3,947,784
43,857				43,857	43,857
14,859				14,859	14,859
332,854				332,854	332,854
4,000				4,000	4,000
108,017				108,017	108,017
4,456,657		0	0	4,456,657	4,456,657
13,178				13,178	13,178
93,874				93,874	93,874
200,448				200,448	200,448
33,638				33,638	33,638
81,890				81,890	81,890
23,956				23,956	23,956
446,983		0	0	446,983	446,983
834,473				834,473	834,473
31,810,453				31,810,453	31,810,453
363,222				363,222	363,222
18,161				18,161	18,161
572,934				572,934	572,934
12,282,728				12,282,728	12,282,728
791,933				791,933	791,933
46,673,903		0	0	46,673,903	46,673,903

U N A U D I T E D

TEXAS SOUTHERN UNIVERSITY
Schedule 1A - Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2002

FEDERAL GRANTOR/PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Pass Thru From Agy./ Univ. #	Pass Thru From Agencies Or Univ. Amount	Pass Thru From Non-State Entities Amount	Direct Program Amount
Research and Development (R&D) Cluster						
Department of Commerce						
Pass Through From:						
Texas A&M University						
Sea Grant Support	11.417	NA86RG0058	798-711	2,775		
Direct Programs:						
National Institute of Standards & Technology						
Measurement & Engineering Research & Standards	11.609					5,720
U. S. Department of Transportation						
Direct Programs:						
National Motor Carrier Safety	20.218					34,043
Cooperative Agreement	20.000	DTFH6101R000111/126				97,830
Pass Through From:						
Texas A&M Research Foundation	20.701	DTRS99-G-0006	798-014		136,845	
Research and Special Programs Administration						
University Transportation Centers Program						
National Aeronautics and Space Administration						
Other Federal Awards Expended						
Direct Programs:						
Field Testing Battery Free Vapor Compression Solar Powered Refrigerator	43.000	NAG9-1132				20,783
Mold Development in Hydroponics by Graminacceous Crop Plants	43.000	NAG 9-1194				50,645
Silicon Uptake in Hydroponics by Graminaceous Crop Plants	43.000	NAG9-1227				68,036
NASA Administrator's Fellowship Program	43.000	NAFP				155,656
Develop Natural Language Understanding Grammars for Intelligent Monitoring	43.000	NAG 2-1447				22,493
High Pressure Laboratory	43.000	NCC 9-80				254,080
Harriett Jenkins Fellowship Program	43.000	NASA/UNCFSPC				8,570
Pass Through From:						
Other Federal Awards Expended:						
National Aeronautics and Space Administration						
The University of Houston-Downtown						
Aerospace Education Services Program	43.001	NAG-10149/UHD3554211		89,809		
Direct Programs:						
National Science Foundation						
Geosciences	47.050					7,289
Pass Through From: Department of Veteran's Affairs						
Veterans Hospital - Intergovernmental Personnel Act	64.000	HBU 01-113			13,440	
Department of Health and Human Services						
Pass-Through From:						
Minority Health Profession Foundation						
Health Program For Toxic Substance And Disease Registry	93.161	U50AT39894808			196,032	
Direct Programs:						
Addition & Renovation to Gray Hall	93.214					1,331,392
Research Infrastructure	93.389					919,708
Heart And Vascular Diseases Research	93.837					732,476
Total Research and Development Cluster Programs				92,584	346,317	3,708,722

UNAUDITED

Schedule 1A - Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2002

Total Pass Through From & Direct Program	Pass Thru To Agy./ Univ. #	Pass Thru To State Agy. or Univ. Amount	Pass Thru To Non-State Entities Amount	Expenditures Amount	Total Pass-Through To & Expenditures
2,775				2,775	2,775
5,720				5,720	5,720
34,043				34,043	34,043
97,830				97,830	97,830
136,845				136,845	136,845
20,783				20,783	20,783
50,645				50,645	50,645
68,036				68,036	68,036
155,656				155,656	155,656
22,493				22,493	22,493
254,080				254,080	254,080
8,570				8,570	8,570
89,809				89,809	89,809
7,289				7,289	7,289
13,440				13,440	13,440
196,032				196,032	196,032
1,331,392				1,331,392	1,331,392
919,708				919,708	919,708
732,476				732,476	732,476
4,147,623		0	0	4,147,623	4,147,623

U N A U D I T E D

TEXAS SOUTHERN UNIVERSITY
Schedule 1A - Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2002

FEDERAL GRANTOR/PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Pass Thru From Agy./ Univ. #	Pass Thru From Agencies Or Univ. Amount	Pass Thru From Non-State Entities Amount	Direct Program Amount
Other Clusters						
OCH Cluster (Child Nutrition Cluster)						
U. S Department of Agriculture						
Pass Through From:						
Texas Department of Human Services	10.559	TX1011003	324	35,133		
Summer Food Service Program for Children						
U. S. Department of Education						
Direct Programs:						
TRIO: Student Support Services	84.042					255,319
TRIO: Talent Search	84.044					362,341
TRIO: Upward Bound	84.047					659,193
TRIO: Educational Opportunity Centers	84.066					225,656
TRIO: McNair Post-Baccalaureate Achievement	84.217					153,540
Total Other Clusters Programs				35,133	0	1,656,049
TOTAL FEDERAL FINANCIAL ASSISTANCE				512,584	1,821,988	57,191,065

TEXAS SOUTHERN UNIVERSITY
Schedule 1A - Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2002

Total Pass Through From & Direct Program	Pass Thru To Agy./ Univ. #	Pass Thru To State Agy. or Univ. Amount	Pass Thru To Non-State Entities Amount	Expenditures Amount	Total Pass-Through To & Expenditures
35,133				35,133	35,133
255,319				255,319	255,319
362,341				362,341	362,341
659,193				659,193	659,193
225,656				225,656	225,656
153,540				153,540	153,540
1,691,182		0	0	1,691,182	1,691,182
59,525,638		0	0	59,525,638	59,525,638

U N A U D I T E D

TEXAS SOUTHERN UNIVERSITY

Schedule 1A - Schedule of Expenditures of Federal Awards continued

For the Fiscal Year Ended August 31, 2002

Note 1: Non-Monetary Assistance

Texas Southern University did not receive any federal non-monetary assistance.

Note 2: Reconciliation

Per Combined Governmental Operating Statement/Statement	
of Activities & Proprietary Statement of Changes in Revenues, Expenses and Net Assets	
Governmental Funds - Federal Revenue (Exh. II)	$27,214,217
Federal Pass Throughs From Other State Agencies	51,196
Proprietary Funds - Federal Revenue (Exh. IV)	-
Subtotal	27,265,413
RECONCILING ITEMS:	
New Loans Processed:	
Federal Family Education Loans	31,810,453
Federal Perkins Loans	363,222
HUD Interest Grant	86,550
Total Pass-Through and	
Expenditures Per Federal Schedule	$59,525,638

Note 3: Student Loans Processed and Administrative Cost Recovered

Federal Grantor/ CFDA Number/Program Name	New Loans Processed	Administrative Cost Recovered	Total Loans Processed & Adm. Cost Recovered	Ending Balances of Previous Year's Loans
U.S. Department of Education				
84.032 Federal Family Education Loan Program	$31,810,453	$0	$31,810,453	$0
84.038 Federal Perkins Loan Program	363,222	18,161	381,383	1,942,847
Total Department of Education	32,173,675	18,161	32,191,836	1,942,847
U. S. Department of Health and Human Services 93.342 Health Profession Student Loans,				
Including primary care Loans/Loans for Disadvantaged Students				
Total U. S. Department of Health and Human Services	$0	$0	$0	$225,049

Note 4: Petroleum Violation Escrow (PVE) Funds Subject to A-133 Audits (Only reported by the Governor's Office)

Not applicable.

Note 5: Governmental Publications

The University participates as a depository library in the Government Printing Office's Depository Libraries for Government Publication program, CFDA #40.001. The University is the legal custodian of government publications, which remain the property of the federal government. The publications are not assigned a value by the Government Printing Office.

Note 6: Unemployment Insurance Funds

Not Applicable

UNAUDITED

Texas Southern University
Schedule 1B - Schedule of State Grant Pass Throughs From/To State Agencies
For Fiscal Year Ended August 31, 2002

Pass Through From:		
Office of the Governor (Agency # 300)		
Bike Patrol Project	$	113,920
Texas Education Agency (Agency # 701)		
Center for Development & Study of Effective Pedagogy for African American Learners	$	47,296
School Improvement Initiatives		7,625
Total Texas Education Agency	$	54,921
Texas Higher Education Coordinating Board (Agency # 781)		
Pharmacy Residency Program	$	4,000
Tobacco Outreach Program for Teenagers in the African American Community		37,013
Tobacco Outreach Program for Teenagers in the African American Community		(12,702)
Total Texas Higher Education Coordinating Board	$	28,311
State Energy Conservation Office (Agency # 907)		
Renewable Energy & Environmental Protection Summer Academy		39,504
Texas Higher Education Coordinating Board (Agency # 781, Fund 0001)	$	2,079,415
Texas Higher Education Coordinating Board (Agency # 781, Fund 0106)	$	17,726
Total Pass Through From Other Agencies (Exh. II)	$	2,333,797
Pass Through to:		
Total Pass Through To Other Agencies (Exh. II)		-

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UNAUDITED

TEXAS SOUTHERN UNIVERSITY

Schedule 2A - Miscellaneous Bonds Information

For the Fiscal Year Ended August 31, 2002

Business-Type Activities

Description of Issue	Bonds Issued to Date	Range of Interest Rates	Scheduled Maturities First Year	Scheduled Maturities Last Year	First Call Date
FIN SYS IMP BDS SER '98A-2	$ 18,000,000	3.1%-5.125%	1999	2018	05-01-2009
FIN SYS IMP BDS SER '98B	12,920,000	3.5%-5.125%	2001	2023	05-01-2009
FIN SYS IMP BDS SER '98C	1,705,000	3.5%-4.1%	2001	2008	n/a
FIN SYS REF BDS SER '98A-1	20,305,000	3.1%-4.750%	1999	2017	05-01-2009
CONSTITUTIONAL APPROPRIATION BONDS SER '96	15,090,000	4.75%-5.500%	1997	2005	n/a
FIN SYS REVENUE BDS SER 2002	48,065,000	4.00%-5.500%	2002	2021	05-01-2012
Total	$ 116,085,000				

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UNAUDITED

TEXAS SOUTHERN UNIVERSITY

Schedule 2B - Change In Bond Indebtedness

For the Fiscal Year Ended August 31, 2002

Business-Type Activities

	Bonds Outstanding 9/1/2001	Bonds Issued	Bonds Matured or Retired	Bonds Outstanding 8/31/2002	Amt's Due Within One Year
CONSTITUTIONAL APPROPRIATION BONDS SER '96	$7,610,000		$1,750,000	$5,860,000	$1,850,000
FIN SYS IMP BDS SER '98A-2	17,085,000		655,000	16,430,000	675,000
FIN SYS IMP BDS SER '98B	12,920,000		335,000	12,585,000	345,000
FIN SYS IMP BDS SER '98C	1,705,000		185,000	1,520,000	195,000
FIN SYS REF BDS SER '98A-1	18,810,000		785,000	18,025,000	815,000
FIN SYS REVENUE BDS SER 2002		$48,065,000		48,065,000	1,435,000
Total	$58,130,000	$48,065,000	$3,710,000	$102,485,000	$5,315,000
				(a)	

Footnotes:

(a) Bonds Outstanding balance at 8/31/2002 does not include unamortized premium or discounts.

Bonds Outstanding per schedule	$102,485,000
Unamortized Premium	0
Unamortized Discount	0
Unamortized Issuance Costs	0
Unamortized Gain/(Loss) on Refunding	0
Bonds Payable per Exhibit I	$102,485,000

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UNAUDITED

TEXAS SOUTHERN UNIVERSITY
Schedule 2C - Debt Service Requirements
For the Fiscal Year Ended August 31, 2002

Business-Type Activities

Description of Issue	2003	2004	2005	2006	2007	2008-12	2013-17	2018-22	2023-27	Total Requirements
CONST APPR BONDS SER '96										
Principal	$1,850,000	$1,950,000	$2,060,000							$ 5,860,000
Interest	303,300	210,800	113,300							627,400
FIN SYS REF BDS SER '98A-1										
Principal	815,000	845,000	875,000	910,000	950,000	5,370,000	6,715,000	1,545,000		18,025,000
Interest	765,383	735,080	702,823	668,453	631,708	2,528,243	1,188,675	36,694		7,257,058
FIN SYS IMP BDS SER '98A-2										
Principal	675,000	700,000	730,000	755,000	785,000	4,460,000	5,640,000	2,685,000		16,430,000
Interest	736,079	710,979	684,159	655,566	625,144	2,602,869	1,416,341	135,875		7,567,011
FIN SYS IMP BDS SER '98B										
Principal	345,000	360,000	375,000	390,000	405,000	2,295,000	2,935,000	3,730,000	1,750,000	12,585,000
Interest	567,146	554,276	540,491	525,761	510,056	2,270,486	1,630,828	832,188	79,650	7,510,882
FIN SYS IMP BDS SER '98C										
Principal	195,000	200,000	205,000	215,000	225,000	480,000				1,520,000
Interest	55,530	48,320	40,725	32,638	23,945	19,767				220,925
FIN SYS REVENUE BDS SER 2002										
Principal	1,435,000	1,540,000	1,605,000	1,675,000	1,745,000	10,110,000	12,950,000	17,005,000		48,065,000
Interest	2,586,853	2,326,156	2,263,256	2,193,469	2,120,881	9,223,109	6,383,125	2,327,406		29,424,256
Total	10,329,291	10,180,611	10,194,754	8,020,887	8,021,734	39,359,474	38,858,969	28,297,163	1,829,650	155,092,532
Less Interest	(5,014,291)	(4,585,611)	(4,344,754)	(4,075,887)	(3,911,734)	(16,644,474)	(10,618,969)	(3,332,163)	(79,650)	(52,607,532)
Total Principal	$5,315,000	$5,595,000	$5,850,000	$3,945,000	$4,110,000	$22,715,000	$28,240,000	$24,965,000	$1,750,000	$102,485,000

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U N A U D I T E D

TEXAS SOUTHERN UNIVERSITY
Schedule 2D - Analysis of Funds
Available for Debt Service
For the Fiscal Year Ended August 31, 2002

Business-Type Activities

General Obligation Bonds

Description of Issue	Beginning Balance Available for Debt Service 9/1/2001	Sources of Funds – Pledged Sources: Interest Earned on Investments	Sources of Funds – Other Sources: Operating Transfers	Sources of Funds – Other Sources: State's General Revenue	Total Sources Available
CONSTITUTIONAL APPROPRIATION BONDS SER 96	$92,634	$0	$0	$2,140,800	$2,233,434
Total	$ 92,634	$ -	$ -	$ 2,140,800	$ 2,233,434

Description of Issue	Application of Funds: Principal	Application of Funds: Interest	Application of Funds: Other Application of Funds	Total Application of Funds
CONSTITUTIONAL APPROPRIATION BONDS SER 96	1,750,000	390,800	-	2,140,800
Total	$1,750,000	$390,800	$0	$2,140,800

Description of Issue	Ending Balance Available for Debt Service at 8/31/02: Required	Actual
CONSTITUTIONAL APPROPRIATION BONDS SER 96	N/A	92,634
Total	N/A	$ 92,634

Business Type Activities
Revenue Bonds

Pledged and Other Sources and Related Expenditures for FY2002

Description of Issue	Operating Revenues	Interest Earned on Investments	a Total Pledged Sources	b Other Sources	c Operating Expenses & Expenditures	d Capital Outlay	(a+b-c-d) Net Available for Debt Service
FIN SYS IMP BDS SER ' 98A-2	$0	$90,269	$90,269	$1,414,691	$0		$1,504,960
FIN SYS IMP BDS SER ' 98B	998,821	101,853	1,100,674		197,127		903,547
FIN SYS IMP BDS SER ' 98C	635,617	16,932	652,549		170,008		482,541
FIN SYS IMP BDS SER ' 98A-1		1,079	1,079	1,578,790			1,579,869
FIN SYS REVENUE BDS SER 2002	-	295,621	295,621	-	-	-	295,621
Total	$1,634,438	$505,754	$2,140,192	$2,993,481	$367,135	$0	$4,766,538

Description of Issue	Debt Service Principal	Debt Service Interest	Interest and Sinking Fund: Minimum		Interest and Sinking Fund: Actual	Reserve Fund: Minimum		Reserve Fund: Actual
FIN SYS IMP BDS SER ' 98A-2	$655,000	$759,691	N/A		$1,430	$1,414,691	(a)	1,543,171
FIN SYS IMP BDS SER ' 98B	335,000	579,219	912,146	(b)	930,408	915,821	(a)	1,304,648
FIN SYS IMP BDS SER ' 98C	185,000	62,278	250,530	(b)	250,656	250,530	(a)	797,779
FIN SYS IMP BDS SER ' 98A-1	785,000	793,790	N/A		163,099	1,518,780	(a)	1,528,222
FIN SYS REVENUE BDS SER 2002	-	-	N/A		-	4,021,853	(a)	4,021,853
Total	$1,960,000	$2,194,978	$1,162,676		$1,345,593	$8,121,675		$9,195,673

(a) The Bond Reserve Fund is secured by Debt Service Reserve Funds Surety Bond.
(b) Required to keep next two Debt Service Payments in Debt Service Account Balance for 1998 Bond 1998C Series Bonds.

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TEXAS SOUTHERN UNIVERSITY

Schedule 2E - Defeased Bonds Outstanding

For the Fiscal Year Ended August 31, 2002

Business-Type Activities

Description of Issue	Year Refunded		Par Value Outstanding
Revenue Bonds			
Consolidated Revenue Refunding Bonds, Series 1993	1999	$	3,720,000
Consolidated Revenue Bonds, Series 1993-A	1999		12,355,000
Building Revenue Bonds, Series 1963-B	1994		410,000
Total Defeased Revenue Bonds		$	16,485,000

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U N A U D I T E D

TEXAS SOUTHERN UNIVERSITY

Schedule 3 - Reconciliation of Cash in State Treasury (Higher Ed Only)

For the Fiscal Year Ended August 31, 2002

Cash in State Treasury	Unrestricted	Current Year Total
Local Revenue Fund 0247	$ 2,325,073	$ 2,325,073
Total Cash in State Treasury (Stmt of Net Assets)	$ 2,325,073	$ 2,325,073

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UNAUDITED

TEXAS SOUTHERN UNIVERSITY

Schedule 4 - Higher Education Assistance Fund (Higher Ed Only)

For the Fiscal Year Ended August 31, 2002

Business-Type Activities

		Total
Balance, September 1, 2001	$	3,570,973
REVENUES		
HEAF Appropriations		7,191,493
Other Revenues		0
Total Revenues		10,762,466
EXPENSES		
Salary and Wages		591,369
Payroll Related Costs		
Professional Fees and Services		298,704
Materials and Supplies		1,415,340
Communication and Utilities		0
Repairs and Maintenance		180,904
Rentals and Leases		60,582
Printing and Reproduction		0
Interest		2,312
Other Expenses		229,260
Capitalized Expenditure		5,298,206
Total Expenditures		8,076,677
OTHER REVENUE (EXPENSES), GAINS/(LOSSES) AND TRANSFERS		
Special Items		
Extraordinary items		
Transfers In		
Transfers Out		(2,140,800)
Legislative Transfers In		
Legislative Transfers Out		
Legislative Appropriations Lapsed		
Total Other Revenues (Expenses), Gains/Losses) and Transfers		(2,140,800)
Balance, August 31, 2002	$	544,989

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APPENDIX C

FORM OF BOND COUNSEL OPINION

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PROPOSED FORM OF OPINION OF BOND COUNSEL

An opinion in substantially the following form will be delivered by Winstead Sechrest & Minick P.C., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

TEXAS PUBLIC FINANCE AUTHORITY
TEXAS SOUTHERN UNIVERSITY
REVENUE FINANCING SYSTEM BONDS,
SERIES 2003

We have acted as Bond Counsel for the Texas Public Finance Authority (the "Authority") in conjunction with the issuance of the captioned bonds (the "Bonds"), dated June 15, 2003, in the par amount of $27,240,000. The Bonds are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof (within a maturity), have stated maturities of May 1, 2006 through May 1, 2023, unless redeemed prior to maturity in accordance with the optional or mandatory redemption provisions stated on the Bonds, and bear interest on the unpaid principal amount from their date of delivery at the rates per annum stated in the master resolution, the fourth supplemental resolution, and the Pricing Committee's Pricing Certificate authorizing their issuance (collectively, the "Resolution"). The Resolution was adopted separately by the Board of Directors of the Authority and the Board of Regents of Texas Southern University (the "University").

We have acted as Bond Counsel for the Authority solely to pass upon the legality and validity of the issuance of the Bonds under the Constitution and laws of the State of Texas (the "State"), and with respect to the exclusion of the interest on the Bonds from gross income of the owners thereof for federal income tax purposes. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the University, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. Our role in connection with the Authority's Official Statement (the "Official Statement") prepared for use in connection with the sale of the Bonds has been limited as described therein.

Our examination into the legality and validity of the Bonds included a review of the applicable and pertinent provisions of the Constitution and laws of the State, a transcript of certified proceedings of the Authority and the University relating to the authorization and issuance of the Bonds, and other pertinent instruments authorizing and relating to the issuance of the Bonds, and an examination of the Bonds executed and delivered initially by the Authority and the University, which we found to be in due form and properly executed.

Based on our examination, it is our opinion that, under the applicable law of the United States of America and the State in force and effect on the date hereof:

1. The Bonds have been duly authorized by the Authority and are valid, legally binding, and enforceable obligations of the Authority, issued on behalf of the University, payable from a lien on and pledge of the Pledged Revenues (as defined in the Resolution).

2. Interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and 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 any S corporation, regulated investment company, real estate investment trust, real estate mortgage investment conduit, or financial asset securitization investment trust) for purposes of computing its alternative minimum tax liability.

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

In rendering these opinions, we have relied on representations and certifications of the Authority, the University, and the Underwriters with respect to matters solely within the knowledge of the Authority, the University, and the Underwriters, respectively, which we have not independently verified, and have assumed continuing compliance by the Authority and the University with their covenants pertaining to those sections of the Code affecting the exclusion from gross income of interest on the Bonds for federal income tax purposes. If such representations and certifications are determined to be inaccurate or incomplete, or if the Authority or the University fails to comply with their covenants, interest on the Bonds could become includable in gross income retroactively to the date of issuance of the Bonds, regardless of the date on which the event causing such inclusion occurs.

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

Owners of the Bonds should be aware that ownership of obligations such as the Bonds may result in collateral federal income tax consequences to certain taxpayers, including financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, United States branches of foreign corporations, 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, and individuals otherwise qualifying for the earned income credit. Owners of the Bonds should consult their tax advisors regarding the applicability of these and other collateral tax consequences. We express no opinion regarding any such collateral tax consequences.

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 our 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 Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based on our review of existing law, and are made in reliance on 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 relating to whether interest on state or local obligations is excludable from gross income for federal income tax purposes. No assurances can be given regarding whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service would treat the Authority as the taxpayer, and owners of the Bonds would have no right to participate in the audit process. We observe that the Authority and the University have each convenanted 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.

The opinions contained herein are limited to the extent that the rights of the registered owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights or remedies generally and to the extent that certain equitable remedies, including specific performance, may be unavailable.

Respectfully submitted,

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APPENDIX D

FORM OF MUNICIPAL BOND INSURANCE POLICY

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Exhibit A

Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001

A GE Capital Company

Municipal Bond
New Issue Insurance Policy

Issuer:	**Policy Number:**
	Control Number: 0010001
Bonds:	**Premium:**

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to U.S. Bank Trust National Association, or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, 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 and means, when referring to interest on a Bond, the stated date

Financial Guaranty Insurance
Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001

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for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date: **Authorized Representative**

U.S. Bank Trust National Association, acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

Authorized Officer

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Company
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Endorsement

To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:** 0010001

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

SPECIMEN

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

Deborah M. Reif

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
U.S. Bank Trust National Association, as Fiscal Agent

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