OFFICIAL STATEMENT DATED MARCH 30, 2004

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.

$3,500,000
TEXAS PUBLIC FINANCE AUTHORITY
TEXAS SOUTHERN UNIVERSITY REVENUE FINANCING SYSTEM BONDS, SERIES 2004

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

The Series 2004 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 fifth 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) financing the restoration of University facilities and related infrastructure damaged by Tropical Storm Allison and (ii) paying the costs of issuance of the Bonds. *See* "PLAN OF FINANCING."

Interest on the Bonds will accrue from the date of delivery, and is payable initially on November 1, 2004 and each May 1 and November 1 thereafter until maturity, 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 not subject to optional or mandatory redemption prior to maturity.

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation ("Ambac Assurance" 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 counsel, Vinson & Elkins L.L.P. The Bonds are expected to be available for delivery through the facilities of DTC on or about April 14, 2004.

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

MATURITY SCHEDULE

$3,500,000
TEXAS PUBLIC FINANCE AUTHORITY
TEXAS SOUTHERN UNIVERSITY REVENUE FINANCING SYSTEM BONDS
SERIES 2004

Serial Bonds

Maturity Date (May 1)	Principal Amount	Interest Rate	Yield	CUSIP[(1)]
2006	$345,000	2.500%	1.700%	882756SE0
2007	$355,000	2.500%	2.050%	882756SF7
2008	$365,000	2.750%	2.410%	882756SG5
2009	$375,000	2.750%	2.700%	882756SH3
2010	$385,000	3.250%	3.010%	882756SJ9
2011	$400,000	3.200%	3.270%	882756SK6
2012	$410,000	3.400%	3.500%	882756SL4
2013	$425,000	3.550%	3.650%	882756SM2
2014	$440,000	3.700%	3.800%	882756SN0

The Bonds are not subject to optional or mandatory redemption prior to maturity.

[(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

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	

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)
J. Paul Johnson, Chair	Fresno, Texas	2007
Regina Giovannini, Vice Chair	Houston	2005
George M. Williams, 2nd Vice Chair	Houston	2007
David Diaz, Secretary	Corpus Christi	2005
Robert E. Childress	Missouri City, Texas	2009
Belinda M. Griffin	Dallas	2009
Harry E. Johnson, Sr.	Houston	2009
Gerald E. Wilson	Houston	2007
(Vacant)		

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.

TABLE OF CONTENTS

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, 2004, and on each May 1 and November 1 thereafter until maturity.
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 fifth supplemental resolution, which was approved and adopted by the Authority on March 16, 2004 and by the Board on March 30, 2004 (the "Fifth Supplement," and collectively with the Master Resolution, the "Resolution"). The Texas Bond Review Board has approved the issuance of the Bonds as required by law. Because each of the individual projects to be financed with the proceeds of the Bonds is less than $2,000,000, the Texas Higher Education Coordinating Board is not required to approve the projects.
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 Bonds are not subject to optional or mandatory redemption prior to maturity.
Use of Proceeds	Proceeds from the sale of the Bonds will be used for the purpose of financing the restoration of University facilities and related infrastructure damaged by Tropical Storm Allison. 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 financial guaranty insurance policy to be issued for the Bonds by Ambac Assurance Corporation. *See* "RATINGS" and "MUNICIPAL BOND INSURANCE."

OFFICIAL STATEMENT

relating to

$3,500,000
TEXAS PUBLIC FINANCE AUTHORITY
TEXAS SOUTHERN UNIVERSITY REVENUE FINANCING SYSTEM BONDS
SERIES 2004

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 2004 Semester, the University had a total enrollment of approximately 10,567 students. The Board is the governing body of the University and its members are officers of the State, appointed by the Governor with the advice and consent of the State Senate. For a general description of the University and its financial condition, see "THE UNIVERSITY" and "SELECTED FINANCIAL INFORMATION."

This Official Statement contains summaries and descriptions of the plan of financing, the Bonds, the University, the Authority, and other related matters. All references to and descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of 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 55.17491, and Chapters 1232 and 1371, Texas Government Code, as amended (collectively, the "Authorizing Law"), and additionally pursuant to a master resolution, as amended, adopted by the Board on October 19, 1998 and approved by the Authority on October 21, 1998 (the "Master Resolution"), and a fifth supplemental resolution approved and adopted by the Authority on March 16, 2004 and by the Board on March 30, 2004 (the "Fifth Supplement" and collectively with the Master Resolution, the "Resolution").

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

Purpose

Proceeds from the sale of the Bonds will be used for the purpose of financing the restoration of University facilities and related infrastructure damaged by Tropical Storm Allison. 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	$3,500,000.00
Net Premium	$ 9,378.70
Total	$3,509,378.70
Uses:	
Deposit to Project Fund	$3,335,239.56
Costs of Issuance[1]	$ 174,139.14
Total	$3,509,378.70

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

DESCRIPTION OF THE BONDS

General

The Bonds will be issued only as fully registered bonds, without coupons, in any integral multiple of $5,000 principal amount within a stated maturity, will accrue interest from their date of delivery, and will bear interest at the per annum rates shown on the inside cover page hereof. Interest on the Bonds is payable on May 1 and November 1 of each year, commencing November 1, 2004, 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

The Bonds are not subject to optional or mandatory redemption prior to maturity.

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* "Appendix B - EXCERPTS OF CERTAIN PROVISIONS OF THE RESOLUTION – Defeasance of Obligations."

SECURITY FOR THE BONDS

The Revenue Financing System

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

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

The Resolution provides that each Participant of the Revenue Financing System is responsible for its Direct Obligation. The Board 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.

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

Pledge Under Resolution

The Outstanding Parity Obligations and any additional obligations issued on a parity with the Bonds and the Outstanding Parity Obligations (referred to herein collectively as “Parity Obligations”) are special obligations of the Board equally and ratably secured solely by and payable solely from a pledge of and lien on the Pledged Revenues. Pledged Revenues consist of the Revenue Funds, including all of the funds, and balances now or hereafter lawfully available to the Board and derived from or attributable to any Participant of the Revenue Financing System 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 BONDS ARE NOT GENERAL OBLIGATIONS OF THE BOARD, THE AUTHORITY, THE UNIVERSITY OR ANY PART THEREOF, THE STATE OF TEXAS, OR ANY POLITICAL SUBDIVISION OF THE STATE. NEITHER THE BOARD NOR THE AUTHORITY HAS ANY TAXING POWER, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OR ANY OTHER AGENCY, POLITICAL CORPORATION OR POLITICAL SUBDIVISION OF THE STATE IS PLEDGED AS SECURITY FOR THE BONDS. THE BREACH OF ANY COVENANT, AGREEMENT, OR OBLIGATION CONTAINED IN THE RESOLUTION WILL NOT IMPOSE OR RESULT IN GENERAL LIABILITY ON OR A CHARGE AGAINST THE GENERAL CREDIT OF THE STATE, THE AUTHORITY, OR THE UNIVERSITY. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THE BONDS FROM ANY SOURCE OTHER THAN PLEDGED REVENUES.

See “Appendix B - EXCERPTS OF CERTAIN PROVISIONS OF THE RESOLUTION.”

Pledged Revenues

The following table contains a summary of the Pledged Revenues for Fiscal Years 2000 through 2003, including pledged unappropriated fund balances available at the beginning of each year, and the amounts budgeted for Fiscal Year 2004. 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 C - FINANCIAL REPORT OF TEXAS SOUTHERN UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2003”. *See* “SELECTED FINANCIAL INFORMATION.”

TABLE 1 - Pledged Revenues

	Fiscal Years				
	2000	2001	2002	2003	2004*
Available Pledged Revenues	$17,907,525	$17,303,324	$17,086,884	$23,327,060	$28,399,681

*Budgeted for FY 2004.

Maximum annual debt service on a fiscal year basis over the life of the Bonds is $458,107.50.
Maximum annual debt service on a fiscal year basis over the life of the Outstanding Parity Obligations and the Bonds is $10,774,785.04.

Certain Covenants

Rate Covenant

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

Tuition

The Board covenants and agrees in the Resolution to fix, levy, charge, and collect student tuition charges required or authorized by law to be imposed on students enrolled at each Participant at each regular fall and spring semester and at each term of each summer session, for the use and availability of such institution or branch thereof, respectively, in such amounts, without any limitation whatsoever, as will be at least sufficient at all times, together with other legally available funds, including other Pledged Revenues, to provide the money to make or pay the principal of, interest on, and other payments or deposits with respect to Outstanding Parity Obligations when and as required. Provided however, that students exempt by law or by the Board may be excluded from the requirement to pay student tuition.

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

Waiver of Covenants

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

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

Reserve Fund

The Resolution requires the establishment of a Reserve Fund for the Bonds in an amount equal to the Required Reserve Amount. The Fifth Supplement authorizes the Board to obtain a surety bond in lieu of funding the Reserve Fund with cash. 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. The premium on any such surety bond is to be fully paid at or prior to the issuance and delivery of the Bonds. To the extent that any amounts in the Reserve Fund are used to make debt service payments, the Board covenants 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 following information has been furnished by Ambac Assurance Corporation ("Ambac Assurance") for use in this Official Statement.

Debt Service Reserve Fund Ambac Assurance Surety Bond.

Application has been made to Ambac Assurance Corporation ("Ambac Assurance") for the issuance of a Surety Bond for the purpose of funding the Reserve Fund (see "—Reserve Fund" herein). The Bonds will only be delivered upon the issuance of such Surety Bond. The premium on the Surety Bond is to be fully paid at or prior to the issuance and delivery of the Bonds. The Surety Bond provides that upon the later of (i) one (1) day after receipt by Ambac Assurance of a demand for payment executed by the Paying Agent/Registrar certifying that provision for the payment of principal of or interest on the Bonds when due has not been made or (ii) the interest payment date specified in the Demand for Payment submitted to Ambac Assurance, Ambac Assurance will promptly deposit funds with the Paying Agent sufficient to enable the Paying Agent to make such payments due on the Bonds, but in no event exceeding the Surety Bond Coverage, as defined in the Surety Bond.

Pursuant to the terms of the Surety Bond, the Surety Bond Coverage is automatically reduced to the extent of each payment made by Ambac Assurance under the terms of the Surety Bond and the Obligor is required to reimburse Ambac Assurance for any draws under the Surety Bond with interest at a market rate. Upon such reimbursement, the Surety Bond is reinstated to the extent of each principal reimbursement up to but not exceeding the Surety Bond Coverage. The reimbursement obligation of the Obligor is subordinate to the Obligor's obligations with respect to the Bonds.

In the event the amount on deposit, or credited to the Reserve Fund, exceeds the amount of the Surety Bond, any draw on the Surety Bond shall be made only after all the funds in the Reserve Fund have been expended. In the event that the amount on deposit in, or credited to, the Reserve Fund, in addition to the amount available under the Surety Bond, includes amounts available under a letter of credit, insurance policy, Surety Bond or other such funding instrument (the "Additional Funding Instrument"), draws on the Surety Bond and the Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency. The Resolution provides that the Reserve Fund shall be replenished in the following priority: (i) principal and interest on the Surety Bond shall be paid from first available Pledged Revenues; (ii) after all such amounts are paid in full, amounts necessary to fund the Reserve Fund to the required level, after taking into account the amounts available under the Surety Bond shall be deposited from next available Pledged Revenues.

The Surety Bond does not insure against nonpayment caused by the insolvency or negligence of the Paying Agent.

Ambac Assurance Corporation.

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately $7,278,000,000 (audited) and statutory capital of approximately $4,490,000,000 (audited) as of December 31, 2003. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of a Bond by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such Bond and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Bonds.

Ambac Assurance makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "—Debt Service Reserve Fund Policy".

Available Information.

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York, 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference.

The following document filed by the Company with the SEC (File No. 1-10777) is incorporated by reference in this Official Statement:

The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 and filed on March 15, 2004.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information".

Additional Parity Obligations

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

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

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

Reserve Funds – Parity Obligations

In addition to the Reserve Fund created with respect to the Bonds, the Master Resolution and the first, second, third and fourth supplements thereto, create a separate reserve fund 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. With respect to the Series 2003 Bonds, Financial Guaranty Insurance Company provided a surety bond in the amount of $2,296,000, with an expiration date of the earlier of (i) the scheduled final maturity date of the Series 2003 Bonds or (ii) the date on which no Series 2003 Bonds are outstanding.

Each series of Parity Obligations has a separate Reserve Fund securing only the payment of that series of the Parity Obligations and not the payment of any other series of Parity Obligations issued under the Master Resolution. **Thus, the Reserve Funds for each respective series of Outstanding Parity Obligations are not available for payment of the Bonds.** The 2004 Reserve Fund created under the Fifth Supplement is only available for payment of the Bonds. See "SECURITY FOR THE BONDS--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.

Remedies

Any owner of Parity Obligations in the event of default in connection with any covenant contained in the Resolution or in any resolution adopted hereafter authorizing the issuance of Parity Obligations, or default in the payment of said obligations, or of any interest due thereon, or other costs and expenses related thereto, may require the Board, the Authority, their respective officials and employees, and any appropriate official of the State of Texas, to carry out, respect, or enforce the covenants and obligations of the Resolution by all legal and equitable means, including the use and filing of mandamus proceedings in any court of competent jurisdiction against the Board, the Authority, their respective officials and employees, or any appropriate official of the State of Texas. The principal of the Bonds cannot be accelerated in the event of default, and the Board has not granted a lien on any physical property which may be levied or foreclosed against. *See* "Appendix B - EXCERPTS OF CERTAIN PROVISIONS OF THE RESOLUTION."

Debt Service Schedule

Fiscal Year (August 31)	Parity Obligation Debt Service	The Bonds Principal	The Bonds Interest	The Bonds Annual Debt Service	Total Debt Service
2004	$9,045,601.48	---	---	---	$9,045,601.48
2005	9,232,222.54	---	$113,592.19	$113,592.19	9,345,814.73
2006	10,316,655.04	$345,000.00	108,470.00	453,470.00	10,770,125.04
2007	10,315,802.54	355,000.00	99,845.00	454,845.00	10,770,647.54
2008	10,318,815.04	365,000.00	90,970.00	455,970.00	10,774,785.04
2009	10,306,675.04	375,000.00	80,932.50	455,932.50	10,762,607.54
2010	10,067,818.78	385,000.00	70,620.00	455,620.00	10,523,438.78
2011	10,064,971.28	400,000.00	58,107.50	458,107.50	10,523,078.78
2012	10,068,544.40	410,000.00	45,307.50	455,307.50	10,523,851.90
2013	10,063,739.39	425,000.00	31,367.50	456,367.50	10,520,106.89
2014	10,061,958.13	440,000.00	16,280.00	456,280.00	10,518,238.13
2015	10,067,133.76	---	---	---	10,067,133.76
2016	10,067,443.76	---	---	---	10,067,443.76
2017	10,069,468.75	---	---	---	10,069,468.75
2018	10,067,843.75	---	---	---	10,067,843.75
2019	8,478,362.50	---	---	---	8,478,362.50
2020	7,068,837.50	---	---	---	7,068,837.50
2021	7,070,175.00	---	---	---	7,070,175.00
2022	7,071,943.75	---	---	---	7,071,943.75
2023	3,208,762.50	---	---	---	3,208,762.50
2024	915,137.50	---	---	---	915,137.50
TOTAL	$183,947,912.43	$3,500,000.00	$715,492.19	$4,215,492.19	$188,163,404.62

MUNICIPAL BOND INSURANCE

The following information has been furnished by Ambac Assurance Corporation ("Ambac Assurance" or the "Insurer") for use in this Official Statement. Reference is made to Appendix E for a specimen of the Insurer's policy.

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the Bonds effective as of the date of issuance of the Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Paying Agent/Registrar. The insurance will extend for the term of the Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Paying Agent/Registrar has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.

2. payment of any redemption, prepayment or acceleration premium.

3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Bond and will be fully subrogated to the surrendering Holder's rights to payment.

Ambac Assurance Corporation

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately $7,278,000,000 (audited) and statutory capital of $4,490,000,000 (audited) as of December 31, 2003. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its Financial Guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Bonds.

Ambac Assurance makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "MUNICIPAL BOND INSURANCE".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York, 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following document filed by the Company with the SEC (File No. 1-10777) is incorporated by reference in this Official Statement:

The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 and filed on March 15, 2004.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information".

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)	-	-

*Member continues to serve until a successor qualifies for office.

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 March 18, 2004. Because each of the individual projects to be financed by the Bonds is less than $2,000,000, the Texas Higher Education Coordinating Board is not required to approve the projects.

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 10,567 students for the Spring 2004 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 Dietetic Association. The College of Science and Technology holds certifications and/or accreditations from the American Chemical Society, the Technology Accreditation Commission of the Accreditation Board for Engineering and Technology and the National Association of Industrial Technology.

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. There is currently one vacancy on the Board.

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:

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

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

GEORGE M. WILLIAMS, *2nd Vice Chair and Board Member*. Managing Partner and Chief Executive Officer, 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.

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.

ROBERT E. CHILDRESS, *Board Member.* Senior Pastor, Covenant Glen United Methodist Church. Mr. Childress is a resident of Missouri City, Texas. His current term on the Board expires on February 1, 2009.

BELINDA M. GRIFFIN, *Board Member.* Vice President & Managing Executive, Northern Trust Bank. Ms. Griffin is a resident of Dallas, Texas. Her current term on the Board expires on February 1, 2009.

HARRY E. JOHNSON, SR., *Board Member*. Attorney, Law Offices of Harry E. Johnson, Sr. Mr. Johnson is a resident of Houston, Texas. His current term on the Board expires on February 1, 2009.

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-one percent (51%) 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. As a result of the University's initial downpayment, subsequent payments, and an evaluation of certain evidence provided by the University, the DOE has prepared an addendum to the Settlement Agreement. When executed, the addendum will provide that the Settlement Agreement has been satisfied in its entirety.

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 (the "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 was issued as the Series 2003 Bonds. Certain items in the Priority Plan are being funded with a portion of the proceeds of the Series 2002 Bonds and the Series 2003 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 1999-2004:

			Summer Session	
Fiscal Year	Fall Semester	Spring Semester	First Term	Second Term
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	1,527	1,597
2004	10,888	10,567	---	---

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

Student Housing

Several student housing projects located on or near the University's campus have recently been constructed or are currently being constructed or renovated. These projects have been designed to meet the University's objectives of increasing the ratio of students living on campus and attracting and retaining students. Three hundred student housing units were constructed in 2001 by private developers. In addition, 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. HSH is a limited liability company whose sole member is a Texas non-profit corporation incorporated for the purpose of acquiring, owning, maintaining and operating student housing facilities on or in close proximity to the University's campus for primary occupancy by University students. Construction on the Richfield Project and the Tierwester Project is under way, and it is anticipated that the Tierwester Project will be completed in time for student occupancy for the Fall 2004 Semester. The University is not obligated to pay debt service on the bonds relating to the Richfield Project and the Tierwester Project.

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. 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.

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 C – FINANCIAL REPORT OF TEXAS SOUTHERN UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2003" are the most recent primary statements of the unaudited combined annual financial reports of the University for the Fiscal Year ended August 31, 2003. The University's unaudited combined primary financial statements consist of the Statement of Net Assets as of August 31, 2003, the Combined Statement of Revenues, Expenses and Changes in Net Assets for the Year Ended August 31, 2003, and the Combined Statement of Cash Flows for the Year Ended August 31, 2003. See "Appendix C – FINANCIAL REPORT OF TEXAS SOUTHERN UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2003."

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

The table below presents the Statement of Revenues, Expenses and Changes in Net Assets for Fiscal Years 2002 and 2003:

	2002	2003
Operating Revenues:		
Sales of Goods and Services (PR - Chgs for Services)		
Net Tuition and Fees	$14,431,202	$20,087,639
Net Professional Fees		
Net Auxiliary Enterprise	2,655,682	3,239,421
Net Other Sales of Goods and Svcs	3,827,131	1,451,754
Net Other Sales of Goods and Svcs--Pledged		3,367,462
Interest and Investment Income		57,579
Net Increase (Decrease) Fair Market Value		
Federal Revenue -Operating (PR -OP Grants/Contributions)	27,214,217	29,427,429
Federal Pass Through Revenue (PR - OP Grants/Contributions)	51,196	914,120
State Grant Revenue (PR-OP Grants/Contributions	2,073,112	1,998,615
State Grant Pass Through Revenue (PR -OP Grants/Contributions)	236,656	220,769
Other Contract and Grants - Operating (PR-OP Grants/Contributions)	2,963,308	3,395,576
Other Operating Revenues (PR - Chgs for Services)	2,184,851	1,807,726
Total Operating Revenues	$55,637,355	$65,968,090
Operating Expenses:		
Cost of Goods Sold		
Salaries and Wages	$49,118,175	$56,337,529
Payroll Related Costs	11,348,712	13,351,404
Professional Fees and Services	6,401,214	6,160,873
Travel	1,578,204	1,569,044
Materials and Supplies	4,150,116	6,195,530
Communication and Utilities	3,183,578	4,679,725
Repairs and Maintenance	1,249,206	961,935
Rentals and Leases	924,313	1,331,957
Printing and Reproduction	616,619	920,462
Depreciation	5,086,221	5,030,366
Bad Debt Expense	555,865	557,601
Interest	8,786	3,384
Scholarships	12,952,586	17,825,661
Other Operating Expenses	7,005,809	9,640,332
Total Operating Expenses	$104,179,404	$124,565,803
Operating Income (Loss)	$(48,542,049)	$(58,597,713)

*Table continued on following page

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

	2002	2003
Nonoperating Revenues (Expenses):		
Legislative Revenue (GR)	$44,015,636	$46,314,677
Additional Appropriations	7,376,793	8,205,255
State Pass Through (GR)	2,097,141	3,204,486
HEAF Appropriation Revenue (GR)	7,191,493	
Federal Revenue Non-Operating (PR-OP Grants/Contributions)		
Gifts (PR-OP Grants/Contributions)	5,210,481	1,500,000
Investment Income (PR-OP Grants/Contributions)	1,344,453	1,139,582
Investing Activities Expenses	(1,000,000)	(1,000,000)
Interest Expenses and Fiscal charges	(2,850,880)	(3,102,985)
Net Increase (Decrease) in Fair Value of Investments (PR-OP Grants/Contributions)	(1,562,428)	500,867
Net Increase (Decrease) in Fair Value of Investments (GR)		
Settlement of Claims (PR-Chgs for Services)	(667,755)	(550,905)
Settlement of Claims (GR)	(16,197)	
Other Nonoperating Revenues (Expenses) (PR-Chgs for Services	143,826	1,554,695
Other Nonoperating Revenues (Expenses) (GR)	255,882	(911,879)
Total Nonoperating Revenues (Expenses)	$61,538,445	$56,853,793
Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers	$12,996,396	($1,743,920)
Other Revenues, Expenses, Gains/Losses and Transfers:		
Capital Contributions		
Capital Appropriations (HEAF)		$7,191,493
Additions to Permanent and Term Endowments	$1,433,998	1,178,718
Extraordinary Items (FEMA)	2,186,034	
Transfers-In	245,801	295,484
Transfers-Out		
Legislative Transfer-In	215,621	87,149
Total Other Revenue, Expenses, Gain/Losses and Transfers	$4,081,454	$8,752,844
Change in Net Assets:	$17,077,850	$7,008,924
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	
Total net assets, September 1, 2002		$92,703,094
Restatements		3,896,416
Total net assets, September 1, 2002, as Restated		$96,599,510
Total net assets, August 31, 2003		$103,608,434

*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 and August 31, 2003, respectively.

	Amounts (in Thousands) 2002	2003
Assets:		
Current Assets	$ 87,469	$102,754
Capital Assets, Net	134,017	150,938
Other Assets	15,987	20,731
Total Assets	$237,473	$274,422
Liabilities:		
Current Liabilities	$ 33,359	$48,166
Non-Current Liabilities	112,238	122,648
Total Liabilities	$145,597	$170,814
Net Assets:		
Invested in Capital Assets, Net of Related Debt	$ 79,597	$81,920
Restricted		
Expendable		
Non-Expendable	16,373	20,504
Unrestricted	(4,094)	1,184
Total Net Assets	$ 91,876	$103,608
Total Liabilities and Net Assets	$237,473	$274,422

Funding for the University

Funding for the University for the Fiscal Year ended August 31, 2003 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 51% 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 determined by the Texas Legislature and the Board under Chapters 54 and 55 of the Texas Education Code. Prior to a change in law effective for the Fall 2003 semester, the amount charged by the University for tuition and fees was subject to a per-semester-credit-hour cap set by the Texas Legislature, which permitted undergraduate tuition applicable to State residents to be charged up to $92 per semester credit hour for the 2003-2004 academic year, up to $96 per semester credit hour for the 2004-2005 academic year and up to $100 per semester credit hour for the 2005-2006 academic year.

However, notwithstanding such limitations, the Texas Education Code also permitted the Board to set the tuition and any other necessary fees, rentals, rates, or other Revenue Funds of the Board at the level necessary, without limit, to enable the Board to meet its obligations with respect to the payment of debt service on the Parity Obligations. Thus, the rate of the tuition pledged as a Revenue Fund actually imposed to secure the Parity Obligations was not limited by law or the Resolution, to the extent necessary to raise such rates if there were insufficient Pledged Revenues to pay debt service on Parity Obligations.

Effective for the Fall 2003 semester, total tuition charges are comprised of "State Mandated Tuition" and "Designated Tuition," as further described below. Under current law, as more fully set forth below, the total tuition (including both the State Mandated Tuition and the Designated Tuition) to be charged to the University's students for the 2003-2004 academic year is (i) $92 per semester hour for undergraduate resident students and (ii) $328 per semester hour for non-resident undergraduate students. The total tuition to be charged for the 2004-2005 academic year is (i) $114 per semester hour for undergraduate resident students and (ii) $416 per semester hour for non-resident undergraduate students.

State Mandated Tuition. Section 54.0512 of the Texas Education Code, currently provides for (i) undergraduate tuition applicable to State residents to be charged at a rate of $46 per semester credit hour for the 2003-2004 academic year, $48 per semester credit hour for the 2004-2005 academic year, and $50 per semester credit hour for the 2005-2006 academic year; and (ii) tuition applicable to nonresident students to be increased to an amount equal to the average of the nonresident undergraduate tuition charged to a resident of the State at a public state university in each of the five most populous states other than the State (such amount to be computed by the Texas Higher Education Coordinating Board for each academic year). For the 2003-2004 academic year, the Texas Higher Education Coordinating Board has computed $282 per semester credit hour for nonresident undergraduate tuition.

Designated Tuition. In addition to the State mandated tuition described above, amendments to Section 54.0513 of the Texas Education Code, effective September 1, 2003, now permit each institution of higher education in the State, including the University, to charge tuition in any additional amount deemed necessary by the respective governing board thereof for effective operation of such institution ("Designated Tuition"). The Board has adopted a resolution authorizing the administration to increase tuition rates up to levels authorized by State law. The Designated Tuition rate for the 2003-2004 academic year is (i) $46 per semester hour for undergraduate resident students and (ii) $46 per semester hour for nonresident undergraduate students. The Designated Tuition rate for the 2004-2005 academic year is $66 per semester hour for undergraduate resident students and (ii) for nonresident undergraduate students, such amount as will, when combined with the State Mandated Tuition amount calculated by the Texas Higher Education Coordinating Board, provide for a total charge of $416 per semester hour.

Information Relating to Fiscal Years 1999 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 Years ended August 31, 2002 or 2003.

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 C."

Unrestricted Current Funds Revenues

Unrestricted funds are funds over which the Board retains full control in achieving institutional purposes. Not all unrestricted funds constitute Pledged Revenues. *See* "SECURITY FOR THE BONDS - Pledge Under Resolution." 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 three year period ended August 31, 2001. *See* "Appendix C." 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 Years ended August 31, 2002 or 2003.

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 1999 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
Tuition and Fees	28.4%	27.4%	26.7%
State Appropriations	59.2	59.4	62.8
Gifts, Grants, and Contracts	4.7	3.2	1.5
Endowment/Investment/Interest Income	1.2	1.8	.9
Sales and Service	4.7	6.0	4.7
Other Sources	1.8	2.3	3.4
Total Unrestricted Current Funds Revenues	100.0%	100.0%	100.0%

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

Source: Unaudited Annual Financial Reports for Fiscal Years 1999 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 three 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 Years ended August 31, 2002 or 2003.

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 1999 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
Instruction	38.3%	34.8%	35.0%
Research	*	*	*
Public Service	1.0	*	*
Academic Support	8.8	7.4	7.0
Student Services	4.5	3.0	3.7
Institutional Support	18.5	28.1	27.9
Operation and Maintenance of Plant	9.5	7.0	7.0
Scholarships and Fellowships	3.0	3.1	3.1
Auxiliary Enterprises Expenditures	8.8	8.2	10.9
Mandatory Transfers	7.7	7.9	4.7
Total Unrestricted Current Funds Expenditures and Mandatory Transfers	100.0%	100.0%	100.0%

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

Source: Unaudited Annual Financial Reports for Fiscal Years 1999 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
$22,760,372	$18,253,982	$17,667,417

Historical Summary Balance Sheet

The following table sets forth a Historical Summary Balance Sheet for the University for the Fiscal Years 1999 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
Current Funds:			
Educational and General	$ 8,751,922	$ 15,358,779	$ 13,442,293
Designated Funds	10,547,768	11,954,827	13,182,624
Auxiliary Funds	(533,062)	(702,853)	740,216
Restricted Current	87,905	308,361	4,006,873
Total Current Funds	$ 18,854,533	$ 26,919,114	$ 31,372,006
Loan Funds	$ 2,991,113	$ 2,854,742	$ 2,821,465
Endowment Funds	11,389,718	14,577,666	11,631,207
Plant Funds			
Unexpended	19,408,373	38,798,691	54,468,240
Renewals and Replacement	-0-	-0-	-0-
Retirement of Debt	235,976	-0-	2,413,930
Investment in Plant	260,357,734	228,570,484	212,441,318
Total Plant Funds	280,002,083	267,369,175	269,323,488
Agency Funds	437,406	2,117,265	392,763
Total Assets	$313,674,853	$ 313,837,962	$ 315,540,929
LIABILITIES AND FUND BALANCES			
Total Liabilities	$ 90,469,141	$ 108,322,047	$ 115,435,733
Total Fund Balances	223,205,712	205,515,915	200,105,196
Total Liabilities & Fund Balances	$313,674,853	$ 313,837,962	$ 315,540,929

Source: Unaudited Annual Financial Reports for Fiscal Years 1999 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 1999 through 2001 computed in accordance with the accounting principles in existence before the new accounting standards of GASB 35 were adopted.

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

Source: Unaudited Annual Financial Reports for Fiscal Years 1999 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, 2003, the University had $4,010,000 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	Principal Amount Outstanding
Texas Public Finance Authority Texas Southern University Revenue Financing System Refunding Bonds, Series 1998A-1	$ 20,305,000	$ 16,365,000
Texas Public Finance Authority Texas Southern University Revenue Financing System Improvement Bonds, Series 1998A-2	$ 18,000,000	$ 15,055,000
Texas Public Finance Authority Texas Southern University Revenue Financing System Improvement Bonds (Recreational Facility Project), Series 1998B*	$ 12,920,000	$ 11,880,000
Texas Public Finance Authority Texas Southern University Revenue Financing System Improvement Bonds (Medical Services Facility Project), Series 1998C*	$ 1,705,000	$ 1,125,000
Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2002	$ 48,065,000	$ 45,090,000
Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2003	$ 27,240,000	$ 27,240,000
Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2004	$ 3,500,000	$ 3,500,000
TOTAL	$131,735,000	$120,255,000

*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 November 2003. 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 quarterly reports regarding asset allocation, investment returns, and comparative investment results of other indices.

Authorized Investments

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

Investment Programs

Specific investment ranges and investment policy limitations are as follows:

	Operating Funds		Endowment Funds	
	Minimum	Maximum	Minimum	Maximum
U.S. Treasury Obligations	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, 2003, was $13,356,602 and market value was $13,771,082.

As of August 31, 2003, the asset allocation of the pool was as follows:

	Percentage Allocation	Book Value	Market Value
U.S. Government Treasury Obligations	18.73%	$2,620,101	$2,579,010
Federal Agency Obligations	13.50%	1,828,850	1,859,230
Corporate Stock	65.79%	8,634,871	9,060,062
Cash Equivalents	1.98%	272,780	272,780
Totals	100%	$13,356,602	$13,771,082

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.

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 D.

Certain legal matters will be passed upon for the Underwriters by Vinson & Elkins L.L.P. The Underwriters were selected by the governing board of the Authority. The senior managing underwriter selected Vinson & Elkins L.L.P. to serve as 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 D - 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 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 Discount

Certain of the Bonds (the “Discount Bonds”) may be offered and sold to the public at an “original issue discount” (“OID”). OID is the excess of the stated redemption price at maturity (the principal amount) over the “issue price” of such Bonds. The issue price of Discount Bonds is the initial offering price to the public (other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers) at which a substantial amount of Discount Bonds of the same maturity are sold pursuant to that offering.

For federal income tax purposes, OID accrues to the owner of a Discount Bond over such Discount Bond’s period to maturity based on the constant interest rate method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). Bond Counsel is of the opinion that the portion of OID that accrues during the ownership period of a Discount Bond (i) is interest excludable from the owner’s gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as is other interest on the Bonds, and (ii) is added to the owner’s tax basis for purposes of determining gain or loss on the maturity, redemption, sale, or other disposition of that Discount Bond. OID may be treated as continuing to accrue even if payment of the Discount Bonds becomes doubtful in the event that the University encounters financial difficulties, and it is treated as interest earned by cash-basis owners (with possible tax consequences under the corporate alternative minimum tax as discussed above), even though no cash corresponding to the accrual is received in the year of accrual. A purchaser of a Discount Bond at its issue price in the initial public offering who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of such Discount Bond.

The federal income tax consequences of the acquisition, ownership, redemption, sale, or other disposition of Discount Bonds not purchased in the initial offering at the initial offering price may be determined according to rules different from those described above. Owners of such Discount Bonds should consult their tax advisors regarding the federal, state, and local income tax treatment and consequences of acquisition, ownership, redemption, sale, or other disposition of such Discount Bonds.

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 prices (the principal amount) payable at maturity ("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 a Premium Bond 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 financial guaranty insurance policy to be issued for the Bonds by Ambac Assurance Corporation. Moody's and Fitch have provided underlying ratings of "A3" 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 C. The Board will update and provide this information within 180 days after the end of each Fiscal Year ending in or after 2004. 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 (except for the Series 2003 Bonds), 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 C (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 C – 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" contains financial information and operating data for the years ended August 31, 2002 and August 31, 2003, 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 prior three 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 $3,475,924.77 (which represents the par amount of the Bonds, plus a net premium of $9,378.70, less an underwriter's discount of $33,453.93). 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

The University

As of March 1, 2004, various lawsuits and claims involving the University were pending. While the ultimate liability with respect to such litigation and claims asserted against the University cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise and except as set forth below, is not likely to have a material effect on the University or the Pledged Revenues.

The University is currently negotiating the terms of a settlement in a third party action brought against it by Viron Energy Service for breach of contract, quantum meruit and indemnification involving an energy savings and retrofit contract entered into in 1998. While the ultimate liability of the University with respect to such litigation is not yet final, such liability is unlikely to have a material effect on the University or the Pledged Revenues.

The Authority

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

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from the University's 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.

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

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 2004 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.

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

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

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

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

"General Revenue Funds" means the general revenue funds appropriated biennially to the Board by the Legislature of the State of Texas, excluding those funds appropriated to the Board 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.

"*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");

Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2002 (the "Series 2002 Bonds"); and

Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2003 (the "Series 2003 Bonds").

"*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 Fifth 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 2004 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.

"*2004 Costs of Issuance Account*" means the *Texas Southern University Revenue Financing System Bonds, Series 2004 Cost of Issuance Account* created within the 2004 Project Fund pursuant to the Fifth Supplement.

"*2004 Fund(s)*" means collectively or individually the Interest and Sinking Fund, the 2004 Project Fund, the 2004 Costs of Issuance Account and the 2004 Reserve Fund.

"*2004 Project*" means the project described in Exhibit C to the Fifth Supplement.

"*2004 Project Fund*" means the *Texas Southern University Revenue Financing System Bonds, Series 2004 Project Fund* created pursuant to the Fifth Supplement.

"2004 Reserve Fund" means the *Texas Southern University Revenue Financing System Bond, Series 2004 Reserve Fund* created pursuant to the Fifth Supplement.

"*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

EXCERPTS OF CERTAIN PROVISIONS OF THE RESOLUTION

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

CERTAIN PROVISIONS OF THE MASTER RESOLUTION

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

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

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

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

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

Section 3. **COVENANTS RELATING TO PLEDGED REVENUES**. (a) ***Rate Covenant***. In each Fiscal Year, the Board shall establish, charge, and use its reasonable efforts to collect at each Participant the Pledged Revenues which, if collected, would be sufficient to meet all financial obligations of the Board for such Fiscal Year relating to the Financing System including all deposits or payments due on or with respect to (i) the Prior Encumbered Obligations and (ii) all Outstanding Parity Obligations.

(b) ***Tuition***. Subject to the provisions of the resolutions authorizing Prior Encumbered Obligations and to the other provisions of this Resolution, the Board covenants and agrees to fix, levy, charge and collect at each Participant student tuition charges required or authorized by law to be imposed on students enrolled at each Participant (excepting, with respect to each series or issue of Parity Obligations, any student in a category which, at the time of adoption of a resolution relating to such Parity Obligations, is exempt by law or by the Board from paying such tuition charges). Each student (excluding those exempt from payment as provided above), enrolled at each Participant, respectively, at each regular fall and spring semester and at each term of each summer session, shall be required to pay tuition charges in such amounts, subject to limitations imposed by law, as will be sufficient at all times, together with other legally available funds, including other Pledged Revenues, to provide the money to make or pay the principal of, interest on, and other payments or deposits with respect to Outstanding Parity Obligations when and as required. All changes in the tuition charged students at each Participant shall be made by resolution of the Board, but such procedure shall not constitute or be regarded as an amendment of this Resolution, but merely the carrying out of the provisions and requirements hereof.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

****

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

****

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

Section 21. **DEFEASANCE OF OBLIGATIONS**. (a) ***Deemed Paid***. Any Parity Obligations and the interest thereon shall be deemed to be paid, retired, and no longer Outstanding (a "Defeased Debt") within the meaning of this Resolution, except to the extent provided in subsection (d) of this Section, 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 for such Parity Obligations for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) noncallable Government Obligations which mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the Authority or the Board with each such Paying Agent for the payment of its services until after all Defeased Debt shall have become due and payable. At such time as Parity Obligations shall be deemed to be Defeased Debt 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 shall not be regarded as Outstanding for any purposes other than payment, transfer, and exchange.

(b) ***Investments***. Any money so deposited with or made available to a Paying Agent may at the written direction of the Authority or the Board also be invested in Government Obligations maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by the Paying Agent which is not required for the payment of the Parity Obligations and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Board, or deposited as directed in writing by the Authority or the Board, as provided in the agreement governing the defeasance of the Defeased Debt.

(c) ***Government Obligations***. The term "Government Obligations" as used in this Section, shall mean direct, noncallable, non-prepayable obligations of the United States of America, including obligations which are unconditionally guaranteed by the United States of America, which may be United States Treasury obligations such as its State and Local Government Series, which may be in book-entry form.

(d) ***Continuing Duty of Paying Agent and Registrar***. Until all Defeased Debt shall have become due and payable, the Paying Agent and Registrar for such Defeased Debt shall perform the services of Paying Agent and Registrar for such Defeased Debt the same as if they had not been defeased, and the Authority or the Board shall make proper arrangements to provide and pay for such services.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(f) ***Consent Irrevocable***. Any consent given by any owner of Parity Obligations pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication or other service of the notice provided for in this Section, and shall be conclusive and binding upon all future owners of the same Parity Obligations during such period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the owner who gave such consent, or by a successor in title, by filing notice thereof with the Registrar for such Parity Obligations, the Authority and the Board, but such revocation shall not be effective if the owners of a majority in Outstanding Principal Amount, prior to the attempted revocation, consented to and approved the amendment.

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

****

CERTAIN PROVISIONS OF THE FIFTH SUPPLEMENT TO THE MASTER RESOLUTION

Section 1. **MASTER RESOLUTION TO REMAIN IN EFFECT; ADDITIONAL PARITY OBLIGATIONS.** Except as supplemented or amended herein, the Master Resolution shall remain in full force and effect, it being the intention of the Board and the Authority to provide for the issuance of the Series 2004 Bonds on a parity with the Prior Bonds such that the Series 2004 Bonds shall be considered Additional Parity Obligations under the Master Resolution. The Authority and the Board hereby agree that the Series 2004 Bonds are to be secured by the Pledged Revenues to the same extent the Prior Bonds are secured and to the same extent any other Additional Parity Obligations, including any refunding bonds, may be secured under the Master Resolution. As Additional Parity Obligations under the Master Resolution, the Series 2004 Bonds are entitled to the benefits of and governed by the provisions, agreements, covenants and warranties contained in the Master Resolution which relate to Parity Obligations and Bonds, to the extent that such provisions, agreements, covenants and warranties are not in conflict or inconsistent with this Fifth Supplement.

****

Section 5. **MANAGEMENT OF 2004 FUNDS.** (a) **Creation of Funds.** The following 2004 Funds are hereby created: (i) the 2004 Reserve Fund and (ii) the 2004 Project Fund. A 2004 Costs of Issuance Account within the 2004 Project Fund shall be maintained by the Board and shall be applied to pay the costs of issuing the Series 2004 Bonds as approved by the Executive Director and as provided in this Fifth Supplement. The 2004 Reserve Fund may be funded with a deposit of cash in an amount equal to the Required Reserve Amount for the Series 2004 Bonds or by a Surety Policy issued in an amount equal to the Required Reserve Amount for the Series 2004 Bonds or a combination of cash and a Surety Policy equal in amount to the Required Reserve Amount for the Series 2004 Bonds. The University shall maintain a balance in the 2004 Reserve Fund equal to the Required Reserve Amount. The 2004 Funds shall be held by the University with its depository bank, currently JPMorgan Chase Bank, Dallas, Texas, separate from any other funds, or as otherwise directed by the University in accordance with this Fifth Supplement. The Designated Financial Officer shall provide JPMorgan Chase Bank, Dallas, Texas with such instructions as are necessary to effect the proper application of such 2004 Funds as provided by this Fifth Supplement.

****

(c) **Application of Interest and Sinking Fund.** Amounts on deposit in the Interest and Sinking Fund shall be applied at such times and in such amounts as required for the timely payment of the interest and principal of, and premium, if any, due on the Series 1998A Bonds, the Series 2002 Bonds, the Series 2003 Bonds, the Series 2004 Bonds, and any Additional Parity Obligations issued pursuant to the provisions of Sections 55.17391 or 55.17491 of the Texas Education Code, as amended, whether by reason of stated maturity or redemption prior to stated maturity.

****

Section 10. **SECURITY FOR THE SERIES 2004 BONDS.** The Series 2004 Bonds are special obligations payable from and secured by the Pledged Revenues pursuant to this Fifth Supplement and the Master Resolution. The Pledged Revenues are hereby pledged, subject to the liens securing the Prior Encumbered Obligations, to the payment of the principal of, premium, if any, and interest on the Series 2004 Bonds, on a parity with all other Parity Obligations, as the same shall become due and payable. The Board agrees to pay from Pledged Revenues the principal of, premium, if any, and the interest on the Series 2004 Bonds when due, whether by reason of stated maturity or redemption prior to stated maturity.

****

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

APPENDIX C

FINANCIAL REPORT OF TEXAS SOUTHERN UNIVERSITY

FOR THE YEAR ENDED AUGUST 31, 2003

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

Texas Southern University
Annual Financial Report
For the Year Ended August 31, 2003

TABLE OF CONTENTS

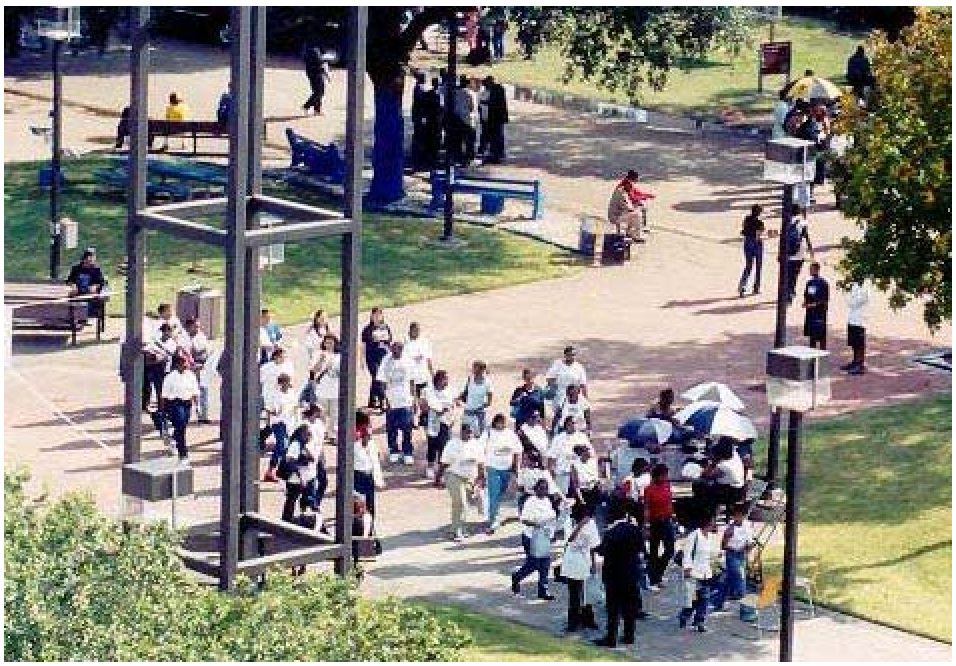
INTRODUCTORY SECTION

FINANCIAL SECTION

STATISTICAL SECTION

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

Introductory Section



(THIS PAGE IS INTENTIONALLY LEFT BLANK)

November 20, 2003

Honorable Rick Perry, Governor
Honorable Carole Keeton Strayhorn, Texas 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, 2003, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with requirements established by the Comptroller of Public Accounts.

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

If you have any questions, please contact Quintin Wiggins, Senior Vice President for Business and Finance, at (713) 313-7050.

Sincerely,

Priscilla D. Slade, PhD
President

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

Texas Southern University

BOARD OF REGENTS

As of August 31, 2003

Officers

Alphonso Jackson, Chair
Fred Zeidman, Vice Chair
J. Paul Johnson, Second Vice Chair
David Diaz, Secretary

Members

Term Expire February 1, 2003

Alphonso Jackson……………………………………………………………………………………..………………..Dallas

A. Martin Wickliff, Jr……………………………………………………………………………..…….………..Houston

Fred Zeidman……………………………………………………………………………….……….……….……Houston

Term Expire February 1, 2005

Regina Giovannini……………………………………………………………………………..………………..Houston

Willard L. Jackson, Jr…………………………………………………………….……………..……………..…..Houston

Term Expire February 1, 2007

David Diaz………………………………..……………………………………………………………………..Corpus Christi

J. Paul Johnson…………………………..…………………………………………………………….………..Houston

George M. Williams……………………………………………………………………………...……………...Houston

Gerald Wilson…………………………………………………………………………………...……………….Houston

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

Texas Southern University

UNIVERSITY ADMINISTRATION

As of August 31, 2003

Priscilla D. Slade, Ph.D.	President
Charlene T. Evans, Ph.D.	Executive Vice President
Bobby L. Wilson, Ph.D.	Senior Vice President for Academic Affairs and Provost
Quintin F. Wiggins, CPA	Senior Vice President of Business and Finance
Gayla B. Thomas, Ph.D.	Senior Vice President of Enrollment Management and Planning
Bruce A. Wilson	Senior Vice President of Administration
William E. Beckham	Vice President of Architectural, Engineering, and Construction Services
Richard Pitre, Ph.D.	Associate Provost for Academic Affairs
Willie H. Marshall, Ph.D.	Associate Provost for Student Services
Joseph Jones, Ph.D.	Associate Provost for Research and Dean of the Graduate School
Nina Wilson Jones	Assistant Vice President of Development
J.T. Glover	Assistant Vice President of Maintenance and Operations
Dwight A. Boykins	Director of Community Relations and Governmental Affairs
Keffus S. Falls	Director, Human Resources
LaChanda J. Jenkins	Director of Communications
Terry L. Holderman	Director of Internal Audit
E. Lynn Rodriguez	General Counsel

FISCAL ADMINISTRATION

Quintin F. Wiggins, CPA	Senior Vice President for Business and Finance
Bobby J. Johnson, CPA	Assistant Vice President for Business and Finance
Dennis M. Walls, CPA	Accounting Manager
Sushil K. Khandelwal	Assistant Vice President for Budget
Alice M. Rosemon	Assistant Vice President for Purchasing and Procurement Services
Effie G. Lark	Director of Financial Reporting
Diane W. Lewis	Director of Grants and Contract Administration
Jocelyn M. Burris	Comptroller

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

Financial Section

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

THIS PAGE LEFT BLANK INTENTIONALLY

TEXAS SOUTHERN UNIVERSITY
Statement of Net Assets
August 31, 2003

	FY2003
ASSETS	
Current Assets:	
Cash and Cash Equivalents	
Cash on Hand	$ 3,250
Cash in Bank	1,220,708
Cash Equivalents	10,543,093
Cash in Transit/Reimburse from Treasury	93,507
Cash in State Treasury	2,346,986
Short Term Investments	
Restricted:	
Cash and Cash Equivalents:	
Cash in Bank	268,964
Cash Equivalents	394,677
Short Term Investments	60,597,466
Legislative Appropriations	4,314,028
Receivables from:	
Federal	2,798,835
Other Intergovermental Receivables	
Interest and Dividends	
Accounts Receivables	14,690,416
Gifts Receivable	1,725,000
Other Receivables	294,178
Interfund Receivables	
Due From Other Agencies	25,396
Consumable Inventories	222,289
Merchandise Inventories	187,940
Other Current Assets	3,027,407
Total Current Assets	102,754,140
Noncurrent Assets:	
Restricted:	
Cash and Cash Equivalents	
Investments	13,618,050
Loans & Contracts	2,562,459
Receivables:	
Gift Receivable	4,550,000
Capital Assets, non-depreciable:	
Land and Land Improvements	15,483,433
Construction in Progress	16,469,207
Other Capital Assets	20,109,176
Capital Assets, depreciable	
Building and Building Improvements	200,949,629
Facilities and Other Improvements	9,060,338
Furniture and Equipment	20,497,537
Vehicles, Boats, and Aircraft	1,424,279
Other Capital Assets	89,747
Less Accumulated Depreciation	(133,145,663)
Total Noncurrent Assets	171,668,192
Total Assets	**$ 274,422,332**

TEXAS SOUTHERN UNIVERSITY
Statement of Net Assets
August 31, 2003

		FY2003
LIABILITIES		
Current Liabilities:		
Payables:		
Accounts Payable	$	2,987,315
Payroll Payable		4,224,960
Interfund Payables		
Due to Other Agencies		
Deferred Revenue		29,778,827
Employees' Compensable Leave		1,173,515
Interest Payable		1,779,356
Revenue Bonds Payable		3,645,000
G. O. Bonds Payable-Current Portion		1,950,000
Funds Held in Custody for Others		828,254
Other Current Liabilities		1,799,063
Total Current Liabilities		48,166,290
Noncurrent Liabilities:		
Interfund Payables		
Claims and Judgments		
Employees' Compensable Leave		1,043,800
Revenue Bonds Payable		116,755,000
G. O. Bonds Payable		2,060,000
Payable From Restricted Assets		
U.S. Government Grants Refundable		2,788,808
Other Non-current Liabilities		
Total Non-Current Liabilities		122,647,608
Total Liabilities	$	170,813,898
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$	81,919,962
Restricted for:		
Debt Service		
Capital Projects		
Other		
Endowment Funds		
Expendable		
Nonexpendable		20,503,983
Unrestricted		1,184,489
Total Net Assets		103,608,434
TOTAL LIABILITIES AND NET ASSETS	**$**	**274,422,332**

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

UNAUDITED

TEXAS SOUTHERN UNIVERSITY
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended August 31, 2003

	FY2003
Operating Revenues:	
Tuition and Fees - Pledged	
(Discounts and Allowances, $ 12,707,099)	$ 20,087,639
Auxiliary Enterprises	
(Discounts and Allowances, $ 513,802)	3,239,421
Other Sales of Goods and Services	1,451,754
Other Sales of Goods and Services - Pledged	3,367,462
Interest and Investment Income	57,579
Interest and Investment Income (GR)	
Net Increase(Decrease) in Fair Value	
Federal Revenue - Operating	29,427,429
Federal Pass Through Revenue	914,120
State Grant Revenue	1,998,615
State Pass Through Revenue	220,769
Other Contract and Grants - Operating	3,395,576
Other Operating Revenue	1,807,726
Total Operating Revenue	65,968,090
Operating Expenses:	
Salaries and Wages	56,337,529
Payroll Related Costs	13,351,404
Professional Fees and Services	6,160,873
Travel	1,569,044
Materials and Supplies	6,195,530
Communication and Utilities	4,679,725
Repairs and Maintenance	961,935
Rentals and Leases	1,331,957
Printing and Reproduction	920,462
Depreciation and Amortization	5,030,366
Bad Debt Expense	557,601
Interest	3,384
Scholarships	17,825,661
Other Operating Expenses	9,640,332
Total Operating Expenses	124,565,803
Operating Loss	$ (58,597,713)

UNAUDITED

TEXAS SOUTHERN UNIVERSITY
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended August 31, 2003

	FY2003
Nonoperating Revenues (Expenses):	
Legislative Revenue	$ 46,314,677
Additional Appropriations	8,231,277
Federal Revenue Non-Operating	
State Pass Through Non-Operating	3,204,486
Gifts	1,500,000
Investment Income	1,139,582
Investing Activities Expense	(1,000,000)
Interest Expense and Fiscal Charges	(3,102,985)
Net Increase(Decrease) in Fair Value of Investments	500,867
Settlement of Claims	(550,905)
Other Nonoperating Revenues	1,528,673
Other Nonoperating Expenses	(902,683)
Total Nonoperating Revenues (Expenses)	56,862,989
Income(Loss) Before Other Revenues, Expenses, Gains/(Losses)	(1,734,724)
Other Revenues, Expenses, Gains/Losses, and Transfers:	
Capital Contributions	
Capital Appropriations (HEAF)	7,191,493
Additions to Permanent and True Endowments	1,178,718
Extraordinary Items	
State Appropriations Lapsed	(9,196)
Legislative Transfer In	87,149
Transfer In	295,484
Total Other Revenue, Expenses, Gains/Losses and Transfers	8,743,648
Change in Net Assets	7,008,924
Net Assets - September 1, 2002 - As Previously Reported	92,703,094
Restatement	3,896,416
Net Assets - September 1, 2002 - As Restated	96,599,510
Net Assets - August 31, 2003	$ 103,608,434

UNAUDITED

TEXAS SOUTHERN UNIVERSITY
Statements of Cash Flows
For the Fiscal Year Ended August 31, 2003

	FY2003
Cash Flows from Operating Activities	
Proceeds from Tuition & Fees	$ 9,681,703
Proceeds from Research Grants & Contracts	33,321,125
Proceeds from Loan Programs	41,488,804
Proceeds from Auxiliaries	6,606,883
Proceeds from Other Revenues	8,296,200
Payments to Suppliers for Goods and Services	(32,596,940)
Payments to Employees for Salaries	(53,778,003)
Payments to Employees for Benefits	(13,351,404)
Payments for Loans Provided	(28,561,597)
Payments for Other Expenses	(18,638,083)
Net Cash Provided (Used) by Operating Activities	(47,531,312)
Cash Flows from Noncapital Financing Activities	
Proceeds from Debt Issuance	
Proceeds from State Appropriations	54,545,954
Proceeds from Gifts	1,500,000
Proceeds from Endowments	1,178,718
Proceeds of Transfers from Other Funds	373,437
Proceeds from Other Revenues	5,623,091
Payments of Interest	(3,384)
Payments for Other Uses	(550,905)
Net Cash Provided by Noncapital Financing Activities	62,666,911
Cash Flows from Capital and Related Financing Activities	
Proceeds from Capital Appropriations	7,191,493
Proceeds from Debt Issuance	29,545,466
Payments for Additions to Capital Assets	(29,766,154)
Payments of Principal on Debt Issuance	(5,315,000)
Payments of Interest	(5,014,290)
Payments of Other Costs of Debt Issuance	(679,216)
Other sources	
Net Cash Used by Capital and Related Financing Activities	(4,037,701)
Cash Flows from Investing Activities	
Proceeds from Sales of Investments	22,745,642
Proceeds from Interest and Investments Income	105,678
Payments to Acquire Investments	(31,272,311)
Net Cash Provided by Investing Activities	(8,420,991)
Net Increase (Decrease) in Cash and Cash Equivalents	2,676,907
Cash and Cash Equivalents, September 1, 2002	12,194,278
Cash and Cash Equivalents, August 31, 2003	$ 14,871,185

UNAUDITED

TEXAS SOUTHERN UNIVERSITY
Statements of Cash Flows
For the Fiscal Year Ended August 31, 2003

		FY2003
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	$	(58,597,713)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense		5,030,366
Bad Debt Expense		557,601
Operating Income and Cash Flow Categories		
Changes in Assets and Liabilities:		
Increase in Receivables		(9,308,830)
Decrease in Inventories		31,031
Increase in Prepaid Expenses		(130,762)
Decrease in Due from Other Agencies		169,216
Decrease in Accounts Payable		(1,201,349)
Increase in Accrued Liabilities		2,489,469
Increase in Deferred Revenue		14,016,347
Increase in Compensable Absences		401,180
Decrease in Deposits Payable		(987,868)
Total Adjustments		11,066,401
Net Cash Provided by Operating Activities	$	(47,531,312)

Note 1
Summary of Significant Accounting Policies

FINANCIAL REPORTING ENTITY

Texas Southern University is an agency of the State of Texas and its financial records comply with 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 by providing education, research, and extension work in the fields of the Arts, Business, Education, Law, Pharmacy, Public Affairs, Science, and Technology.

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

No component units have been identified which should have been blended into an appropriate fund.

FINANCIAL REPORTING 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 University's general activities. It accounts for all financial resources except those accounted for in other funds.

BASIS OF ACCOUNTING, MEASUREMENT FOCUS, AND FINANCIAL STATEMENT PRESENTATION

For financial reporting purposes, Texas Southern University is considered a special-purpose government engaged only in business-type activities. Accordingly, the Texas Southern University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Budgets and Budgetary Accounting

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

Cash and Cash Equivalents

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

Investments

In accordance with GASB 31, Texas Southern University reports investments at fair value in the Statement of Net Assets. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets.

Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of general obligation and revenue bonds, as well as certain revenues set aside for statutory or contractual requirements. Assets held in reserve for guaranteed student loan defaults are also included.

Inventories and Prepaid Items

Inventories include both merchandise inventories on hand and consumable inventories. Inventories are valued at cost, generally utilizing the first-in, first-out method. The consumption method of accounting is used, meaning these items are expensed when the items are consumed.

Capital Assets

Capital assets are defined by the state as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. These assets are capitalized at cost or, if any purchased, at appraised fair value as of the date of acquisition. Purchases of assets are reported as expenditures. Depreciation is reported on all "exhaustible" assets. "Inexhaustible" assets such as works of art and historical treasures are not depreciated. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

Current Receivables – Other

Other receivables include year-end revenue accruals.

Account Payable

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

Current Payables – Other

Payables are the accrual at year-end of expenditure transactions.

Non-Current Payables – Other

Payables not expected to be paid within the next fiscal cycle include $2,788,808 due to U.S. Government Grants, and $1,043,800 due for Employees' Compensable Leave.

Employees' Compensable Leave Balances

Employees' Compensable Leave Balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or non-current in the Statement of Net Assets.

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 non-current in the Statement of Net Assets.

Bonds payable are recorded at par. The bond proceeds are accounted for as an "Other Financing Source" 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 (if greater than 10%). Interest expense is reported on the accrual basis, with amortization of discount or premium. Payables are reported separately as either current or non-current in the Statement of Net Assets.

Fund Balance/Net Assets

Net Assets is the difference between fund assets and liabilities.

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

Texas Southern University reports net assets as restricted when constraints placed on net assets are (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets consist of net assets that do not meet the definition of Invested in Capital Assets, Net of Related Debt or Restricted Net Assets.

When both restricted and unrestricted net assets are available for use, it is the university's policy to use restricted resources first, and then unrestricted resources as they are needed.

Interfund Activity and Balances

Texas Southern University has the following types of transactions between funds:

Transfers

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

Reimbursements

Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.

Interfund Receivables and Payables

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

Interfund Sales and Purchases

Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

The composition of Texas Southern University's Interfund activities and balances are presented in Note 7.

Note 2
Capital Assets

A summary of changes in Capital Assets for the year ended August 31, 2003, is presented below:

Capital Asset Activity
For the Year Ended August 31, 2003

	PRIMARY GOVERNMENT					
	Balance 9/1/2002	Adjustments	Reclassifications	Additions	Deletions	Balance 8/31/2003
Non-Depreciable Assets						
Land and Land Improvements	$ 13,239,331			$ 2,244,102		$ 15,483,433
Construction in Progress	17,089,467	(311,937)		21,161,783	(21,470,107)	16,469,207
Other Capital Assets	18,406,137	-	(54,676)	1,757,714	-	20,109,176
Total Non-Depreciable Assets	48,734,935	(311,937)	(54,676)	25,163,599	(21,470,107)	52,061,816
Depreciable Assets						
Buildings and Building Improvements	186,963,825	(7,484,304)		21,470,107		200,949,629
Facilities and Other Improvements	9,060,338					9,060,338
Furniture and Equipment	16,658,123	(38,297)	(10,371)	4,556,540	(668,458)	20,497,537
Vehicle, Boats & Aircraft	1,454,524	-	(24,700)	46,015	(51,560)	1,424,279
Other Capital Assets	-	-	89,747	-	-	89,747
Total Depreciable Assets at Historical Costs	214,136,810	(7,522,601)	54,676	26,072,662	(720,018)	232,021,530
Less Accumulated Depreciation for						
Buildings and Improvements	(112,152,436)	23,716		(3,430,603)		(115,559,325)
Facilities and Other Improvements	(906,034)			(906,034)		(1,812,068)
Furniture & Equipment	(14,969,041)	6,700	(45,434)	(579,109)	668,458	(14,918,426)
Vehicle, Boats & Aircraft	(827,487)		103,646	(108,245)	51,560	(780,526)
Other Capital Assets	-	(10,731)	(58,212)	(6,374)	-	(75,318)
Total Accumulated Depreciation	(128,854,998)	19,685	-	(5,030,365)	720,018	(133,145,663)
Depreciable Assets, Net	85,281,813	(7,502,916)	54,676	21,042,297	(0)	98,875,867
Capital Assets, Net	$134,016,747	$ (7,814,852)	$ -	$46,205,896	$(21,470,107)	$150,937,683

Note 3
Deposits, Investments, and Repurchase Agreements

LEGAL AND CONTRACTUAL PROVISIONS

Authority for Investments

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

Deposits

(A) The carrying amount of $14,871,185 for Cash in Bank is presented below.

(B) The bank balance of Texas Southern 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 department or agent but not in the governmental entity's name).

Investments

The fair values of investments as of August 31, 2003 are shown below. Investments are categorized to give an indication of the level of risk assumed by Texas Southern University at year-end. The three categories are:

- **1** - Insured or registered, or securities held by Texas Southern University or its agent in Texas Southern University's name.
- **2** - Uninsured and unregistered investments with securities held by the broker's or dealer's trust department or agent in Texas Southern University's name.
- **3** - Uninsured and unregistered, with securities held by the broker or dealer, or by its trust department or agent, but not in Texas Southern University's name.

Category 1	Category 2	Category 3	Carrying Amount
$ 14,871,185			$ 14,871,185

Consisting of the following:	
Current Demand Deposits	1,489,672
Money Market	10,937,770
Cash in State Treasury	2,346,986
Total Cash in Bank per Financial Statements	**$ 14,774,428**
Reimbursements in Transit	93,507
Petty Cash	3,250
Total Deposits Carrying Amounts	**$ 14,871,185**

Fair Value of Investments
For the Year Ended August 31, 2003

	Category 1	Category 2	Category 3	Fair Value
U.S. Government and Agency Obligations	42,466,500	-	-	42,466,500
U.S. Government Agency Mortgage Obligations	2,204,506	-	-	2,204,506
Commercial Paper	20,619,876	-	-	20,619,876
Corporate Stock	8,431,682	-	-	8,431,682
Corporate Obligations	492,951	-	-	492,951
Total Investments	74,215,515			74,215,515

Reverse Repurchase Agreements

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

Securities Lending

Not applicable.

Derivative Investing

Not applicable.

Note 4
Summary of Long-Term Liabilities

CHANGES IN LONG-TERM LIABILITIES

The long-term liabilities activity for the fiscal year ended August 31, 2003 is shown in the table below:

Long-Term Liabilities Activity
For the Year Ended August 31, 2003

Long-term Liabilities	Beginning Balance 9/1/2002	Additions	Reductions	Ending Balance 8/31/2003	Amounts Due within One Year
Notes and Loans Payable	$ 11,264,101	$	$(11,264,101)	$ -	$
General Obligation Bonds Payable	5,860,000		(1,850,000)	4,010,000	1,950,000
Revenue Bonds Payable	96,625,000	27,240,000	(3,465,000)	120,400,000	3,645,000
Compensable Leave	1,816,135	401,180		2,217,315	1,173,515
U.S. Government Refundable Loans	2,788,808			2,788,808	
Other Long-term Liabilities	160,957		(160,957)	-	
				-	
Total Long-term Liabilities	$118,515,001	$27,641,180	$(16,740,058)	$129,416,123	$ 6,768,515

Employees' Compensable Leave

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

Note 5
Capital Leases

Certain leases to finance the purchase of property are capitalized at the present value of future minimum lease payments. As of August 31, 2003, Texas Southern University had not entered into any contractual agreements that could be deemed a capital lease obligation.

Note 6
Operating Lease Obligations

Total operating lease expenses are immaterial to the overall financial activity of Texas Southern University; and therefore, amounts paid for this category of expenses are not disclosed.

Note 7
Interfund Balances/Activities

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

- Legislative Transfers In or Legislative Out

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

The following interfund examples are for note presentation purposes only.

Individual balances and activity at August 31 2003, follows:

Legislative Transfers In/Out

Fund Type	Transfers In	Out
Legislative Transfer In (SORM)	87,149	-
Total Legislative Transfers	$ 87,149	$ -

Note 8
Contingent Liabilities

At August 31, 2003, various lawsuits and claims involving the University were pending. There is a third party action brought against the University alleging breach of a performance-based energy conservation agreement for an energy conservation program on the campus. The contract is valued at $11.1 million; the University hopes to settle the case for substantially less than that amount.

Note 9
Continuance Subject to Review

Not Applicable

Note 10
Risk Financing and Related Insurance

Texas Southern University is exposed to a variety of civil claims resulting from the performance of its duties. It is Texas Southern 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.

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

Texas Southern 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, 2003.

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/$300,000 bodily injury and $100,000 property damage, the extent of the waivers of state sovereign immunity specified in the tort claims act.

Note 11
Segment Information

Not applicable.

Note 12
Bonded Indebtedness

BONDS PAYABLE

General Obligation Bond
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 Amt of Issue	$15,090,000
Issue Date	09/01/96
Interest Rates	4.75%-5.50%
Maturity Date	1997-2005
Type of Bond	General Obligations Bond
Source of Revenue	Constitutional Appropriations
Authorized but Unissued	All authorized have been issued
as of 8/31/03	($15,090,000)
Change in Debt	None

Debt Service

	Principal	Interest	Total
2004	$ 1,950,000	$ 210,800	$ 2,160,800
2005	2,060,000	113,300	2,173,300
Total Requirements	$ 4,010,000	$ 324,100	$ 4,334,100

Note 12 (cont'd)

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

Purpose	To defease 1993 lender, renovate educational facilities, construct recreation and health facilities.
Original Amt of Issue	$52,930,000
Issue Date	12/01/98
Interest Rates	3.10%-5.125%
Maturity Date	1999-2023
Type of Bond	Revenue Bond
Source of Revenue	General Fees
Authorized but Unissued	All authorized have been issued
as of 8/31/03	($52,930,000)
Change in Debt	None

Debt Service

	Principal	Interest	Total
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	2,465,000	1,694,253	4,159,253
2009-2013	12,905,000	6,866,590	19,771,590
2014-2018	16,060,000	3,468,485	19,528,485
2019-2023	5,280,000	692,150	5,972,150
2024-2028	895,000	20,138	915,138
Total Requirements	$ 46,530,000	$20,431,740	$66,961,740

Texas Southern University Revenue Financing System Revenue Financing System Bonds, Series 2002

Purpose	To construct and equip a new science building, renovate student center, law school, and other campus facilities
Original Amt of Issue	$48,065,000
Issue Date	04/25/02
Interest Rates	4.00%-5.50%
Maturity Date	2002-2021
Type of Bond	Revenue Bond
Source of Revenue	Pledged Revenues
Authorized but Unissued	All authorized have been issued
as of 8/31/03	($48,065,000)
Change in Debt	None

Debt Service

	Principal	Interest	Total
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	1,825,000	2,040,356	3,865,356
2009-2013	10,610,000	8,725,991	19,335,991
2014-2018	13,670,000	5,663,863	19,333,863
2019-2023	13,960,000	1,503,431	15,463,431
Total Requirements	$ 46,630,000	$26,837,403	$73,467,403

Note 12 (cont'd)

Texas Southern University Revenue Financing System Revenue Financing System Bonds, Series 2003

Purpose	To finance the renovation of the student life center, law, technology building and other campus facilities
Original Amt of Issue	$27,240,000
Issue Date	6/26/03
Interest Rates	2.00%-5.00%
Maturity Date	2006-2023
Type of Bond	Revenue Bond
Source of Revenue	Pledged Revenues
Authorized but Unissued as of 8/31/03	All authorized have been issued ($27,240,000)
Change in Debt	None

Debt Service

	Principal	Interest	Total
2004	$ -	$ 1,025,790	$ 1,025,790
2005	-	1,210,769	1,210,769
2006	1,085,000	1,210,769	2,295,769
2007	1,105,000	1,189,069	2,294,069
2008	1,130,000	1,164,206	2,294,206
2009-2013	6,210,000	5,254,169	11,464,169
2014-2018	7,785,000	3,686,500	11,471,500
2019-2023	9,925,000	1,537,500	11,462,500
Total Requirements	$ 27,240,000	$16,278,772	$43,518,772

DEFEASED BONDS OUTSTANDING

Description of Issue	Year Refunded	Par Value Outstanding
Revenue Bond		
Building Revenue Bonds, Series 1963	1994	$ 380,000
		$ 380,000

Note 13
Subsequent Events

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

Note 14
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."

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 15
Steward, Compliance and Accountability

For the year ended August 31, 2003, Texas Southern University is now reporting financial information in accordance with requirements set by GASB No. 34 and 35. Changes to the financial reports of Texas Southern University are discussed in Note 1. Texas Southern University has no material violations of finance related legal and contract provisions and no new component units are included in the financial report. Per the laws of the State of Texas, Texas Southern University cannot spend amounts in excess of appropriations granted by the Texas Legislature and there are no deficits reported in net assets.

Note 16
The Financial Reporting Entity and Joint Ventures

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 17
Restatement of Fund Balances/Net Assets

During FY2003, adjustments were made which required the restatement of the amounts in fund balances and fund equity to correct errors in the financial statements of a prior period.

Restatements to Fund Balance/Net Assets

	Total
Fund Balance/Equity August 31, 2002	92,703,094
Restatements:	3,896,416
Fund Balance/Equity Sept. 1, 2002 As Restated	96,599,510

Note 18
Employees Retirement Plans (administering agencies only)

Not applicable

Note 19
Deferred Compensation (administering agencies only)

Not applicable

Note 20
Donor-Restricted Endowments

Texas Southern University has donor-restricted endowments with net appreciation of $500,867 on investments which are available for authorization for expenditure. Details for the amounts of the net appreciation on investments and how they are reported in net assets can be found in the Donor-Restricted Endowments Schedule. The target distribution rate per unit of spendable income is 5 percent of the average market value of the endowment fund for the preceding 12 quarters.

Donor-Restricted Endowments

Donor-Restricted Endowments	Amounts of Net Appreciation	Reported in Net Assets
True Endowments	$ 457,792	Restricted for Nonexpendable
Term Endowments	43,075	Restricted for Nonexpendable
	$ 500,867	

Note 21
Management Discussion and Analysis

OVERVIEW

Texas Southern University presents its financial statements for fiscal year 2003. For comparative purposes, fiscal years 2003 and 2002 data will be presented in our discussions. These discussions will focus on current year data. Three primary financial statements are presented: the Statement of Net Assets; the Statements of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

This discussion and analysis of Texas Southern University financial statements provides an overview of the financial activities of the year.

STATEMENT OF NET ASSETS

The Statement of Net Assets presents the assets, liabilities, and net assets of Texas Southern University as of the end of the fiscal year. The Statement of Net Assets presents information in current and non-current format for both assets and liabilities. The net assets section presents assets minus liabilities. The Notes to the Financial Statements will discuss current and non-current definitions.

The total assets of Texas Southern University increased by $37 million. The following items primarily drove this change:

- Account Receivables increased by $12 million resulting from balances with higher tuition and fees
- Cash and Short-term Investments increased by $3 million due to higher tuition and fees collections
- Gift Receivables increased by $1 million as a result of the Capital Campaign Program
- Land purchased of $2 million for further campus development
- Buildings up $14 million, a result of substantial amount of construction of academic facilities

Statement of Net Assets
(thousands of dollars)

	2003	2002	Variance
Assets			
Currents Assets	$102,754	$ 87,469	$15,285
Capital Assets, Net	150,938	134,017	16,921
Other Assets	20,731	15,987	4,744
Total Assets	$274,422	$237,473	$36,949
Liabilities			
Current Liabilities	$ 48,166	$ 33,359	$14,807
Non-Current Liabilities	122,648	112,237	10,410
Total Liabilities	$170,814	$145,596	$25,217
Net Assets			
Invested in Capital Assets, Net of Debt	$ 81,920	$ 79,597	$ 2,323
Restricted			
Expendable	-		-
Non-Expendable	20,504	16,373	4,131
Unrestricted	1,184	(4,093)	5,278
Total Net Assets	$103,608	$ 91,876	$11,732
Total Liabilities & Net Assets	$274,422	$237,473	$36,949

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented on the Statement of Revenues, Expenses, and Changes in Net Assets. The statement presents operation and non-operating revenues, expenses, and other revenues, expenses, gains and losses for the University.

Statement of Revenues, Expenses and Changes in Net Assets
(thousands of dollars)

	2003	2002	Variance
Operating Revenues	$ 65,968	$ 55,637	$ 10,331
Operating Expenses	124,566	104,179	20,386
Operating Income (Loss)	(58,598)	(48,542)	(10,056)
Non-Operating Revenues and (Expenses)	56,863	61,538	(4,675)
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	(1,735)	12,996	(14,731)
Other Revenues, Expenses, Gains or Losses	8,744	4,081	4,662
Increase in Net Assets	$ 7,009	$ 17,078	$ (10,069)
Net Assets, at Beginning of Year	$ 92,703	$224,032	$(131,329)
Restatement	3,896	(148,407)	152,304
Net Assets, at End of Year	$103,608	$ 92,703	$ 10,905

The Statement of Revenues, Expenses, and Changes in Net Assets approximately $11 million increase over the fiscal year 2002 despite a 7% Reduction in State Appropriation. This increase directly related to:

- **Operating Income**
  - Increased Enrollment
  - Increased Tuition and Fees for Law and Pharmacy School students
  - Pell Grants Increase
- **Operating Expense**
  - Salary and Wages Increase
  - New Academic Programs
  - Additional Scholarships
  - Pell Grants and Texas Grants
  - Information Technology upgrades
  - Maintenance and Operations

STATEMENT OF CASH FLOWS

The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year.

Cash Flows for the Year Ended August 31, 2003
(thousands of dollars)

	2003	2002	Variance
Cash Provided (used) by:			
Operating Activities	$(47,531)	$(42,579)	$(4,952)
Non-Capital Financing Activities	62,667	55,403	7,264
Capital and Related Financing Activities	(4,038)	24,295	(28,333)
Investing Activities	(8,421)	(36,330)	27,909
Net Change in Cash	2,677	789	1,888
Cash, Beginning of Year	12,194	11,405	789
Cash, End of Year	$ 14,871	$ 12,194	$ 2,677

CAPITAL ASSETS AND DEBT ADMINISTRATION

Texas Southern University is committed to continuing to improve the quality of its academic, research, and service programs through the development and renewal of its capital assets. The University's Campus Planning Committee continues to implement its long-range plan to modernize our facilities along with the new construction.

The University had significant capital assets additions for facilities in the fiscal year 2003. There were 3 major projects receiving Substantial Completion designation this fiscal year: (1) Student Recreation Center, (2) Gray Hall, and (3) Lanier Hall Project.

The following are major construction in progress:

- Sterling Student Center
- Thurgood Marshall Law School
- KTSU Radio
- Texas Medical Center
- Science Building
- Texas Medical Center Project
- Campus Infrastructure

The University understands its role of financial stewardship and works to manage its resources effectively, including the prudent use of debt to finance capital projects. To the point, the University's Credit Rating improved to **Baa1** during fiscal year 2003.

On June 26, 2003, the University issued $27,240,000 revenue bonds for construction efforts of a Student Life Center, Law School, and Technology Renovation and other maintenance.

In a letter dated April 28, 2003, the U.S. Department of Education and the University reached an agreement to eliminate the $11,264,101 debt the University reflected in its 2002 financials.

ECONOMIC OUTLOOK

The University is not aware of any known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the 2004 fiscal year beyond the unknown variations having a global effect on all types of business operations.

The overall financial position of the University is strong. The institution employed new fund managers, which benefited the University greatly in fiscal year 2003. The University expects continued healthy performances in the coming year. The University will continue to monitor resources to maintain its ability to respond to internal and external issues.

UNAUDITED

TEXAS SOUTHERN UNIVERSITY
Schedule 1A - Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2003

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Pass Through From: Agy./ Univ. #	Pass Through From: Agencies Or Univ. Amount	Pass Through 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			$ 32,295	
United Negro College Fund						
Promoting Community Learning Opportunities for Develop	02.000	HNEA0098001560			17,770	
Total U.S. Agency for International Development				0	50,065	0
U.S. Department of Housing & Urban Development						
Direct Program:						
Historically Black Colleges and Universities Program	14.237					92,141
Other Federal Awards Expended						
Office Automation Skilled Services Program	14.000	HBCU-TX-01-019				188,492
HUD Interest Grant	14.000	CH-TEX-2925				43,275
Total U.S. Department of Housing and Urban Development				0	0	323,908
U.S. Department of Justice						
Direct Program:						
Public Safety Partnership & Community Policing Grants	16.710					53,895
Total U.S. Department of Justice				0	0	53,895
U. S. Department of Labor						
Pass Through From:						
Houston Galveston Area Council	17.249	219-01/AH108510060			5,352	
Employment Services & Job Training Pilots						
Total U. S. Department of Labor				0	5,352	0
U.S. Department of Transportation						
Other Federal Awards Expended						
Direct Program:						
Eisenhower Fellowships	20.000	DDEHBC-03X-00154				25,911
Pass Through From:						
South Carolina State University						
Summer Transportation Institute	20.000	02-4479419-NST-TS-TX			36,355	
Total U.S. Department of Transportation				0	36,355	25,911

Total PT From & Direct Program	Pass Through To Agy./ Univ. #	Pass Through To Agencies Or Univ. Amount	Pass Through To Non-State Entities Amount	Expenditures Amount	Total PT To & Expenditures
$ 32,295				$ 32,295	$ 32,295
17,770				17,770	17,770
50,065		0	0	50,065	50,065
92,141				92,141	92,141
188,492				188,492	188,492
43,275				43,275	43,275
323,908		0	0	323,908	323,908
53,895				53,895	53,895
53,895		0	0	53,895	53,895
5,352				5,352	5,352
5,352		0	0	5,352	5,352
25,911				25,911	25,911
36,355				36,355	36,355
62,266		0	0	62,266	62,266

UNAUDITED

TEXAS SOUTHERN UNIVERSITY

Schedule 1A - Schedule of Expenditures of Federal Awards *continued*

For the Fiscal Year Ended August 31, 2003

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Pass Through From Agy./ Univ. #	Pass Through From Agencies Or Univ. Amount	Pass Through From Non-State Entities Amount	Direct Program Amount
National Endowment For The Humanities						
Pass Through From:						
United Negro College Fund						
Promotion of the Humanities: Federal/State Partnership	45.129	2001-2777			2,428	
Total National Endowment for the Humanities				0	2,428	0
National Science Foundation						
Pass Through From:						
United States Military Academy						
Computer & Information Science & Engineering	47.070	DUE9455980			3,431	
University of Houston						
Education & Human Resources	47.076	HRD-9900893	797-730	384,580		
Other Federal Awards Expended						
Houston Independent School District						
Institute for Middle School Mathematics Teachers	47.000	HU-LNC 2003			18,560	
COMAP HBCU College Algebra	47.000	DUE-9555414			66,750	
Total National Science Foundation				384,580	88,741	0
U. S. Environmental Protection Agency						
Direct Program:						
Surveys, Studies, Investigations and Special Purpose Grants	66.606					42,943
Total U. S. Environmental Protection Agency				0	0	42,943
U.S. Department of Energy						
Pass Through From:						
Clark-Atlanta University						
Academic Partnerships	81.102	OSP90668022			208,788	
Total U. S. Department of Energy				0	208,788	0

Total PT From & Direct Program	Pass Through To Agy./ Univ. #	Agencies Or Univ. Amount	Non-State Entities Amount	Expenditures Amount	Total PT To & Expenditures
2,428				2,428	2,428
2,428		0	0	2,428	2,428
3,431				3,431	3,431
384,580				384,580	384,580
18,560				18,560	18,560
66,750				66,750	66,750
473,322		0	0	473,322	473,322
42,943				42,943	42,943
42,943		0	0	42,943	42,943
208,788				208,788	208,788
208,788		0	0	208,788	208,788

TEXAS SOUTHERN UNIVERSITY
Schedule 1A - Schedule of Expenditures of Federal Awards *continued*
For the Fiscal Year Ended August 31, 2003

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Pass Through From Agy./ Univ. #	Pass Through From Agencies Or Univ. Amount	Pass Through From Non-State Entities Amount	Direct Program Amount
Federal Emergency Management Agency						
Pass-Through From:						
Texas Department of Public Safety						
Public Assistance Grants	83.544	FEMA-1379-DR	405	252,244		
Total Federal Emergency Management Agency				252,244	-	-
U.S. Department of Education						
Direct Program:						
Undergraduate Internatl Studies & Foreign Language Prgm	84.016					57,925
Higher Education-Institutional Aid	84.031					4,637,197
Fund for the Improvement of Postsecondary Education	84.116					66,175
Minority Science and Engineering Improvement	84.120					212,368
National Institute on Disability & Rehabilitation Research	84.133					220,592
Eisenhower Professional Development State Grants	84.281					86
Pass Through From:						
University of Houston						
Teacher Quality Enhancement Grants	84.336	K155022	797-730	68,949		
Total U.S. Department of Education				68,949	0	5,194,343
Department of Health and Human Services						
Direct Program:						
Centers for Disease Control & Prevention: Investigation and Technical Assistance	93.283					13,752
Head Start	93.600					200,559
Health Career Opportunity Program	93.822					4,032

	Pass Through To				
Total PT From & Direct Program	Agy./ Univ. #	Agencies Or Univ. Amount	Non-State Entities Amount	Expenditures Amount	Total PT To & Expenditures
252,244				252,244	252,244
252,244		0	0	252,244	252,244
57,925				57,925	57,925
4,637,197				4,637,197	4,637,197
66,175				66,175	66,175
212,368				212,368	212,368
220,592				220,592	220,592
86				86	86
68,949				68,949	68,949
5,263,292		0	0	5,263,292	5,263,292
13,752				13,752	13,752
200,559				200,559	200,559
4,032				4,032	4,032

UNAUDITED

TEXAS SOUTHERN UNIVERSITY
Schedule 1A - Schedule of Expenditures of Federal Awards *continued*
For the Fiscal Year Ended August 31, 2003

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Pass Through From: Agy./ Univ. #	Pass Through From: Agencies Or Univ. Amount	Pass Through From: Non-State Entities Amount	Direct Program Amount
Pass Through From:						
Baylor College of Medicine						
Grants for Geriatric Education Centers	93.969	5 D31 HP 70112-04			27,697	
Pass Through From:						
National Youth Sports Program	93.570	NYSPF269			100,673	
International Resource Group						
Family Planning: Services	93.217	6FPHPA061197			325	
Total Department of Health and Human Services				0	128,696	218,343
Student Financial Assistance Cluster						
U. S. Department of Education						
Direct Program:						
Federal Supplemental Educational Opportunity Grants	84.007					814,053
Federal Family Education Loans	84.032					41,488,804
Federal Perkin Loans Program: Fed Capital Contribution	84.038					185,375
Administrative Cost Recovered	84.038					9,757
Federal Work-Study Program	84.033					647,002
Federal Pell Grant Program	84.063					16,139,191
U.S. Department of Health and Human Services						
Direct Program:						
Scholarships For Health Professions Students						
From Disadvantaged Backgrounds	93.925					596,443
Total Student Financial Assistance Cluster				0	0	59,880,624
Research and Development (R&D) Cluster						
U. S. Department of Transportation						
Direct Program:						
Motor Carrier Safety Assistance Program	20.218					102,372
Cooperative Agreement	20.000	DTFH6101R000111/126				50,329
Pass Through From:						
Texas A&M Research Foundation	20.701	DTRS99-G-0006	798-014		160,977	
Research and Special Programs Administration						
University Transportation Centers Program						

Total PT From & Direct Program	Pass Through To: Agy./ Univ. #	Pass Through To: Agencies Or Univ. Amount	Pass Through To: Non-State Entities Amount	Expenditures Amount	Total PT To & Expenditures
27,697				27,697	27,697
100,673				100,673	100,673
325				325	325
347,039		0	0	347,039	347,039
814,053				814,053	814,053
41,488,804				41,488,804	41,488,804
185,375				185,375	185,375
9,757				9,757	9,757
647,002				647,002	647,002
16,139,191				16,139,191	16,139,191
596,443				596,443	596,443
59,880,624		0	0	59,880,624	59,880,624
102,372				102,372	102,372
50,329				50,329	50,329
160,977				160,977	160,977

TEXAS SOUTHERN UNIVERSITY

Schedule 1A - Schedule of Expenditures of Federal Awards *continued*

For the Fiscal Year Ended August 31, 2003

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Pass Through From Agy./ Univ. #	Pass Through From Agencies Or Univ. Amount	Pass Through From Non-State Entities Amount	Direct Program Amount
Research and Development (R&D) Cluster (con't)						
National Aeronautics and Space Administration						
Other Federal Awards Expended						
Direct Program:						
Field Testing Battery Free Vapor Compression Solar Powered Refrigerator	43.000	NAG9-1132				2,393
Mold Development in Hydroponics by Graminacceous Crop Plants	43.000	NAG9-1194				2,290
The NASA Research Center for Biotechnology and Environmental Health	43.000	NCC 9-165				100,537
Model of Simulated Microgravity	43.000	NAG 9-1414				54,906
Center on Model-Based Simulation	43.000	NAG5-12599				494
NASA Administrator's Fellowship Program	43.000	NAFP				85,089
Develop Nat Lang Undrstndng Grammars Intell Monitoring	43.000	NAG 2-1447				27,571
High Pressure Laboratory	43.000	NCC 9-80				36,724
Harriett Jenkins Fellowship Program	43.000	NASA/UNCFSPC				17,111
Pass Through From:						
Texas Engineering Experiment Station						
Aerospace Education Services Program	43.001	NCC-01-0203	712	118,019		
Pass Through From:						
The University of Houston - Downtown						
Aerospace Education Services Program	43.001	NAG-10149/UHD3554211	784	62,297		

Total PT From & Direct Program	Pass Through To: Agy./ Univ. #	Pass Through To: Agencies Or Univ. Amount	Pass Through To: Non-State Entities Amount	Expenditures Amount	Total PT To & Expenditures
2,393				2,393	2,393
2,290				2,290	2,290
100,537				100,537	100,537
54,906				54,906	54,906
494				494	494
85,089				85,089	85,089
27,571				27,571	27,571
36,724				36,724	36,724
17,111				17,111	17,111
118,019				118,019	118,019
62,297				$ 62,297	$ 62,297

UNAUDITED

TEXAS SOUTHERN UNIVERSITY
Schedule 1A - Schedule of Expenditures of Federal Awards *continued*
For the Fiscal Year Ended August 31, 2003

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Pass Through From Agy./ Univ. #	Pass Through From Agencies Or Univ. Amount	Pass Through From Non-State Entities Amount	Direct Program Amount
Research and Development (R&D) Cluster (con't)						
Department of Health and Human Services						
Pass Through From:						
Minority Health Profession Foundation						
Health Program For Toxic Substance And Disease Registry	93.161	U50AT39894808			57,208	
Direct Program:						
Mental Health Research Grants	93.242					96,046
Research Centers in Minority Institutions	93.389					1,660,054
Heart and Vascular Diseases Research	93.837					593,854
Department of Defense						
Pass Through From:						
Mathematical Association of America						
Mathematical Sciences Grant Program	12.901	NSAMDA904-03-0097			19,386	
Total Research and Development Cluster Programs				180,316	237,571	2,829,770
Other Clusters						
OCH Cluster (Child Nutrition Cluster)						
U. S. Department of Agriculture						
Pass Through From:						
Texas Department of Human Services						
Health Program For Toxic Substance And Summer Food Service Program for Children	10.559	TX1011003	324	28,030		
U. S. Department of Education						
Direct Program:						
TRIO: Student Support Services	84.042					312,015
TRIO: Talent Search	84.044					374,243
TRIO: Upward Bound	84.047					649,686
TRIO: Educational Opportunity Centers	84.066					298,355
TRIO: McNair Post-Baccalaureate Achievement	84.217					192,608
Total Other Clusters Programs				28,030	0	1,826,907
TOTAL FEDERAL FINANCIAL ASSISTANCE				914,120	757,995	70,396,645

Total PT From & Direct Program	Pass Through To Agy./ Univ. #	Pass Through To Agencies Or Univ. Amount	Pass Through To Non-State Entities Amount	Expenditures Amount	Total PT To & Expenditures
57,208				57,208	57,208
96,046				96,046	96,046
1,660,054				1,660,054	1,660,054
593,854				593,854	593,854
19,386				19,386	19,386
3,247,657		0	0	3,247,657	3,247,657
28,030				28,030	28,030
312,015				312,015	312,015
374,243				374,243	374,243
649,686				649,686	649,686
298,355				298,355	298,355
192,608				192,608	192,608
1,854,937		0	0	1,854,937	1,854,937
72,068,760		0	0	72,068,760	72,068,760

UNAUDITED

TEXAS SOUTHERN UNIVERSITY
Schedule 1A - Schedule of Expenditures of Federal Awards *continued*
For the Fiscal Year Ended August 31, 2003

Note 1 - NonMonetary Assistance

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

Note 2 - Reconciliation

Per Combined Governmental Operating Statement / Statement of Activities and
Proprietary Statement of Changes in Revenues, Expenses and Net Assets

Governmental Funds - Federal Revenue (Exh. II)001.	$29,427,429
Federal Pass Throughs From Other State Agencies	914,120
Proprietary Funds - Federal Revenue (Exh. IV)	0
Subtotal	30,341,549
RECONCILING ITEMS:	
New Loans Processed:	
Federal Family Education Loans	41,488,804
Federal Perkin Loans	195,132
HUD Interest Grants	43,275
Total Pass Through and Expenditures per Federal Schedule	$72,068,760

Note 3 - Student Loans Proceed and Administrative Cost Recovered

Federal Grantor/CFDA Number/ Program Name	New Loans Processed	Admin Costs Recovered	Total Loans Processed & Admin. Costs Recovered	Ending Balances of Previous Years' Loans
U. S. Department of Education				
84.032 Federal Family Education Loan Program	$41,488,804		$ 41,488,804	
84.038 Federal Perkins Loan Program	185,375	9,757	195,132	2,160,571
Total Department of Education	41,674,180	9,757	41,683,936	2,160,571
U. S. Department of Health and Human Services				
93.342 Health Profession Student Loans, Including Primary Care Loans/ Loans for Disadvantage Students	0	0	0	224,851
Total U. S. Department of Health and Human Services	$0	$0	$0	$224,851

TEXAS SOUTHERN UNIVERSITY
Schedule 1A - Schedule of Expenditures of Federal Awards *continued*
For the Fiscal Year Ended August 31, 2003

Note 4 - 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 5 - Unemployment Insurance Funds

N/A

Note 6 - Agency 320 Only
Not Applicable

Note 7 - Agency 501 Only
Not Applicable

Note 8 - Federal Deferred Revenue

Federal Deferred Revenue 9-1-2002	
Increase (Decrease)	
Federal Deferred Revenue 8-31-2003	$ -

UNAUDITED

TEXAS SOUTHERN UNIVERSITY
Schedule 1B - Schedule of State Grant Pass Throughs From/To State Agencies
For the Fiscal Year Ended August 31, 2003

Pass Through From:		
Office of the Governor (Agency # 300)		
Bike Patrol Project	$	29,157
Texas Education Agency (Agency # 701)		
Center for Development & Study of Effective Pedagogy for African American Learners		48,286
School Improvement Initiatives		118,308
Texas Higher Education Coordinating Board (Agency # 781)		
Pharmacy Residency Program		1,000
State Energy Conservation Office (Agency # 907)		
Renewable Energy & Environmental Protection Summer Academy		24,018
Texas Higher Education Coordinating Board (Agency # 781, Fund 0001)		3,183,612
Texas Higher Education Coordinating Board (Agency # 781, Fund 0106)		20,874
Total Pass Through From Other Agencies (Exh. II)	$	3,425,255
Pass Through To:		
Total Pass Through To Other Agencies (Exh. II)	$	-

UNAUDITED

TEXAS SOUTHERN UNIVERSITY
Schedule 2A - Miscellaneous Bond Information
For the Fiscal Year Ended August 31, 2003

Business-Type Activities

Description of Issue	Bond Issued to Date	Range of Interest Rates		Scheduled Maturities First Year	Scheduled Maturities Last Year	First Call Date
General Obligation Bonds						
Constitutional Appropriation Bonds Ser '96	$ 15,090,000	4.75%	5.50%	1997	2005	n/a
Revenue Bonds						
Rev Fin Sys Ref Bds Ser '98A-1	20,305,000	3.10%	4.75%	1999	2017	5/1/2009
Rev Fin Sys Imp Bds Ser '98A-2	18,000,000	3.10%	5.13%	1999	2018	5/1/2009
Rev Fin Sys Imp Bds Ser '98B	12,920,000	3.50%	5.13%	2001	2023	5/1/2009
Rev Fin Sys Imp Bds Ser '98C	1,705,000	3.50%	4.10%	2001	2008	n/a
Rev Fin Sys Bds Ser 2002	48,065,000	4.00%	5.50%	2002	2021	5/1/2012
Rev Fin Sys Bds Ser 2003	27,240,000	2.00%	5.00%	2006	2023	5/1/2013
	$ 143,325,000					

UNAUDITED

TEXAS SOUTHERN UNIVERSITY
Schedule 2B - Changes in Bonded Indebtedness
For the Fiscal Year Ended August 31, 2003

Business-Type Activities

Description of Issue	Bonds Outstanding 9/1/2002	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2003	Amounts Due Within One Year
General Obligation Bonds						
Constitutional Appropriation Bonds Ser '96	$ 5,860,000	-	1,850,000	-	4,010,000	1,950,000
Revenue Bonds						
Rev Fin Sys Ref Bds Ser '98A-1	18,025,000	-	815,000	-	17,210,000	845,000
Rev Fin Sys Imp Bds Ser '98A-2	16,430,000	-	675,000	-	15,755,000	700,000
Rev Fin Sys Imp Bds Ser '98B	12,585,000	-	345,000	-	12,240,000	360,000
Rev Fin Sys Imp Bds Ser '98C	1,520,000	-	195,000	-	1,325,000	200,000
Rev Fin Sys Bds Ser 2002	48,065,000	-	1,435,000	-	46,630,000	1,540,000
Rev Fin Sys Bds Ser 2003	-	27,240,000	-	-	27,240,000	-
	$ 102,485,000	$ 27,240,000	$ 5,315,000	$ -	$ 124,410,000	$ 5,595,000

THIS PAGE LEFT BLANK INTENTIONALLY

TEXAS SOUTHERN UNIVERSITY
Schedule 2C - Debt Service Requirements
For the Fiscal Year Ended August 31, 2003

Business-Type Activities

Description of Issue	2004	2005	2006	2007	2008	2009-13
General Obligation Bonds						
Constitutional Appropriation Bonds Ser '96						
Principal	$ 1,950,000	$ 2,060,000				
Interest	210,800	113,300				
Revenue Bonds						
Rev Fin Sys Ref Bds Ser '98A-1						
Principal	845,000	875,000	910,000	950,000	990,000	5,600,000
Interest	735,080	702,823	668,453	631,708	592,908	2,294,603
Rev Fin Sys Imp Bds Ser '98A-2						
Principal	700,000	730,000	755,000	785,000	820,000	4,655,000
Interest	710,979	684,159	655,566	625,144	593,044	2,405,559
Rev Fin Sys Imp Bds Ser '98B						
Principal	360,000	375,000	390,000	405,000	420,000	2,405,000
Interest	554,276	540,491	525,761	510,056	493,556	2,161,405
Rev Fin Sys Imp Bds Ser '98C						
Principal	200,000	205,000	215,000	225,000	235,000	245,000
Interest	48,320	40,725	32,638	23,945	14,745	5,023
Rev Fin Sys Bds Ser 2002						
Principal	1,540,000	1,605,000	1,675,000	1,745,000	1,825,000	10,610,000
Interest	2,326,156	2,263,256	2,193,469	2,120,881	2,040,356	8,725,991
Rev Fin Sys Bds Ser 2003						
Principal	-	-	1,085,000	1,105,000	1,130,000	6,210,000
Interest	1,025,790	1,210,769	1,210,769	1,189,069	1,164,206	5,254,169
Total	11,206,401	11,405,523	10,316,656	10,315,803	10,318,815	50,571,750
Less Interest	(5,611,401)	(5,555,523)	(5,286,656)	(5,100,803)	(4,898,815)	(20,846,750)
Total Principal	$ 5,595,000	$ 5,850,000	$ 5,030,000	$ 5,215,000	$ 5,420,000	$ 29,725,000

2014-18	2019-23	2024-28	Total Requirements
			$ 4,010,000
			324,100
7,040,000			17,210,000
866,101			6,491,676
5,935,000	1,375,000		15,755,000
1,122,106	34,375		6,830,932
3,085,000	3,905,000	895,000	12,240,000
1,480,278	657,775	20,138	6,943,737
			1,325,000
			165,395
13,670,000	13,960,000		46,630,000
5,663,863	1,503,431		26,837,403
7,785,000	9,925,000		27,240,000
3,686,500	1,537,500		16,278,772
50,333,848	32,898,081	915,138	188,282,015
(12,818,848)	(3,733,081)	(20,138)	(63,872,015)
$ 37,515,000	$ 29,165,000	$ 895,000	$ 124,410,000

UNAUDITED

TEXAS SOUTHERN UNIVERSITY
Schedule 2D - Analysis of Funds Available for Debt Service
For the Fiscal Year Ended August 31, 2003

Business-Type Activities

General Obligation Bonds

	Application of Funds	
	Principal	Interest
Constitutional Appropriation Bonds Ser '96	$ 1,850,000	$ 303,300
Total	$ 1,850,000	$ 303,300

Business-Type Activities

Revenue Bonds

	Pledged and Other Sources and Related Expenditures for FY 2003			
	Total Pledged and Other	Operating Expenses, Expenditures,	Debt Service	
Description of Issue	Sources	& Cap Outlay	Principal	Interest
Rev Fin Sys Ref Bds Ser '98A-1	1,581,910	1,325	815,000	765,383
Rev Fin Sys Imp Bds Ser '98A-2	1,421,832	2,666	675,000	736,079
Rev Fin Sys Imp Bds Ser '98B	1,203,623	12,899	345,000	567,146
Rev Fin Sys Imp Bds Ser '98C	759,587	806	195,000	55,530
Rev Fin Sys Bds Ser 2002	4,613,645	585,494	1,435,000	2,586,853
Rev Fin Sys Bds Ser 2003	-	-	-	-
Total	$ 9,580,597	$ 603,188	$ 3,465,000	$ 4,710,990

UNAUDITED

TEXAS SOUTHERN UNIVERSITY
Schedule 2E - Defeased Bonds Outstanding
For the Fiscal Year Ended August 31, 2003

Business-Type Activities

Description of Issue	Year Refunded	Par Value Outstanding
Revenue Bonds		
Building Revenue Bonds, Series 1963-B	1994	380,000
Total Defeased Revenue Bonds		$ 380,000

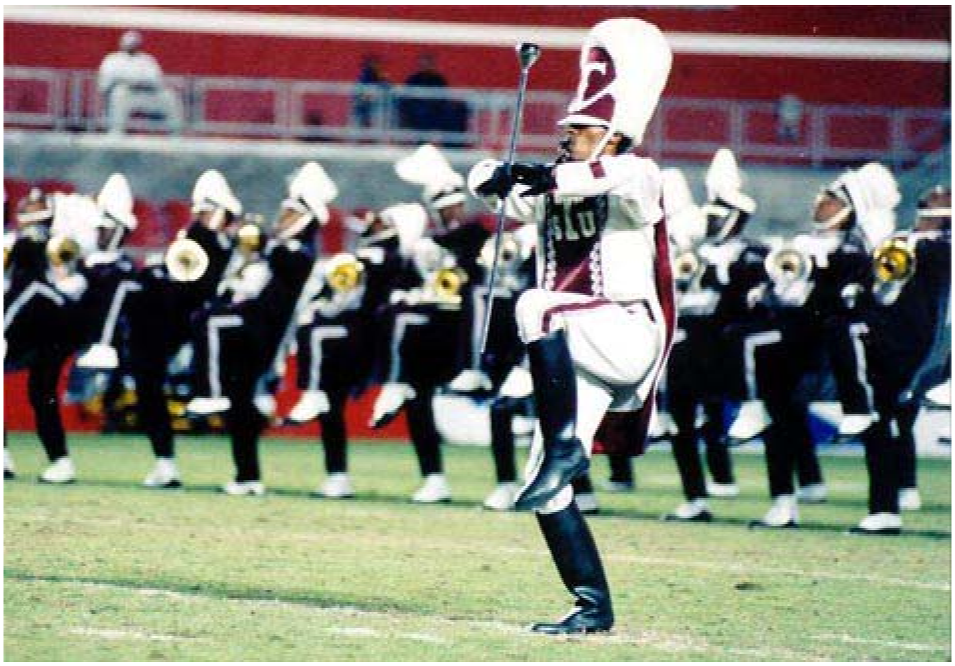
UNAUDITED

TEXAS SOUTHERN UNIVERSITY
Schedule 3 - Reconciliation of Cash in State Treasury
For the Fiscal Year Ended August 31, 2003

Business-Type Activities

Cash in State Treasury	Unrestricted	Restricted	Current Year Total
Local Revenue Fund 0247	$ 2,346,986	$ -	$ 2,346,986
Total Cash in State Treasury (Stmt of Net Assets)	$ 2,346,986	$ -	$ 2,346,986

Statistical Section



(THIS PAGE IS INTENTIONALLY LEFT BLANK)

Texas Southern University
Enrollment Data
For the Year Ended August 31, 2003

	Fall 2002	Spring 2003	Summer Terms 2003 First	Summer Terms 2003 Second
Resident	8,149	7,991	1,265	1,513
Regular	417	393	112	1
Law				
Non-Resident				
Regular	611	519	111	62
Law	143	140	16	-
Good Neighbor	-	-	-	-
Veterans-Hazelwood Act	49	47	19	-
Texas Commission for the Blind	2	14	-	-
Highest Ranking High School	-	-	-	-
Exemption	368	328	4	21
Graduate				
Total	9,739	9,432	1,527	1,597

Enrollment, For the Past Ten Years

(Fall Semester)

Fiscal Year	Students	Semester Hours
2003	9,739	121,874
2002	8,119	100,869
2001	6,886	82,996
2000	6,522	75,768
1999	6,316	76,140
1998	7,310	83,631
1997	7,980	87,765
1996	9,414	109,366
1995	10,103	120,346
1994	10,815	128,278
1993	10,725	124,117

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

APPENDIX D

FORM OF BOND COUNSEL OPINION

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

April 14, 2004

TEXAS PUBLIC FINANCE AUTHORITY
TEXAS SOUTHERN UNIVERSITY
REVENUE FINANCING SYSTEM BONDS,
SERIES 2004

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 April 1, 2004, in the par amount of $3,500,000. 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, 2014, 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,

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

APPENDIX E

FORM OF MUNICIPAL BOND INSURANCE POLICY

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor: Policy Number:

Obligations: Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer of Insurance Trustee

Form No.: 2B-0012 (1/01)