OFFICIAL STATEMENT DATED JANUARY 19, 2011

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

In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX EXEMPTION" herein, and is not includable in the alternative minimum taxable income of individuals. See "TAX EXEMPTION" for a discussion of the opinion of Bond Counsel, including the alternative minimum tax on corporations.

$31,500,000
TEXAS PUBLIC FINANCE AUTHORITY
TEXAS SOUTHERN UNIVERSITY REVENUE FINANCING SYSTEM BONDS, SERIES 2011

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

The Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2011 (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 sixth supplemental resolution, each adopted by the Authority and the Board, which provide for the issuance of the Bonds (collectively the "Resolution"). **NEITHER THE STATE OF TEXAS, THE AUTHORITY, NOR ANY OTHER AGENCY, POLITICAL CORPORATION, OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE BONDS, OTHER THAN AS PROVIDED IN THE RESOLUTION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE AUTHORITY, NOR ANY AGENCY, POLITICAL CORPORATION OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.** *See* "SECURITY FOR THE BONDS" and "SELECTED FINANCIAL INFORMATION."

The proceeds from the sale of the Bonds, together with other lawfully available moneys of the University, will be used for the purpose of (i) constructing, equipping and furnishing the Leonard H.O. Spearman Technology Building on the University's campus in Houston, Texas, (ii) funding a debt service reserve fund for the Bonds and (iii) 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 May 1, 2011 and each November 1 and May 1 thereafter until the earlier of maturity or redemption, 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 U.S. Bank National Association, Houston, Texas, the initial Paying Agent/Registrar, to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds.

The Bonds are subject to redemption prior to stated maturity as described 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 Andrews Kurth LLP, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P. The Bonds are expected to be available for delivery through the facilities of DTC on or about January 27, 2011.

Southwest Securities

Mesirow Financial Inc.	**Siebert Brandford Shank & Co., L.L.C.**	**Stifel Nicolaus & Company, Incorporated**	**Wells Fargo Securities**

MATURITY SCHEDULE

$31,500,000
TEXAS PUBLIC FINANCE AUTHORITY
TEXAS SOUTHERN UNIVERSITY REVENUE FINANCING SYSTEM BONDS,
SERIES 2011

$18,645,000 Serial Bonds

Maturity Date (May 1)	Principal Amount	Interest Rate	Yield[1]	CUSIP No.[2]
2011	$2,260,000	4.000%	1.800%	882756T74
2012	915,000	5.000	2.220	882756T82
2013	960,000	5.000	2.690	882756T90
2014	1,005,000	5.000	3.160	882756U23
2015	1,060,000	5.000	3.720	882756U31
2016	1,110,000	5.000	4.130	882756U49
2017	1,165,000	5.500	4.470	882756U56
2018	1,230,000	5.500	4.840	882756U64
2019	1,300,000	5.250	5.180	882756U72
2020	1,365,000	5.375	5.460	882756U80
2021	1,440,000	5.625	5.710	882756U98
2022	1,520,000	5.750	5.930	882756V22
2023	1,610,000	6.000	6.100	882756V30
2024	1,705,000	6.125	6.260	882756V48

$3,740,000 6.75% Term Bonds, Due May 1, 2026, Priced to Yield 6.60%[3], CUSIP No. 882756V63[2]

$9,115,000 6.75% Term Bonds, Due May 1, 2030, Priced to Yield 7.10%, CUSIP No. 882756V71[2]

The Authority reserves the right, upon the request of the Board, to redeem Bonds having stated maturities on or after May 1, 2022, on May 1, 2021 or any date thereafter, at par plus accrued and unpaid interest to the date fixed for redemption. Additionally, the Bonds maturing on May 1 in the years 2026 and 2030 are subject to mandatory sinking fund redemption. *See* "DESCRIPTION OF THE BONDS-Redemption."

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

[2] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are included herein solely for the convenience of the owners of the Bonds. Neither the Board, the Authority nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

[3] Yield calculated based upon the assumption that the Bonds designated and sold at a premium will be redeemed on May 1, 2021, the first optional redemption date for the Bonds, at the redemption price of par plus accrued interest to the redemption date.

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 that 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, and neither 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 THAT 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 that 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; neither 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

Gary E. Wood, Chair	Rodney K. Moore, Member
Ruth C. Schiermeyer, Vice Chair	Robert T. Roddy, Jr., Member
D. Joseph Meister, Secretary	Massey Villarreal, Member
Gerald Alley, Member	

Appointed Officials

Dwight D. Burns, Executive Director	Susan K. Durso, General Counsel

TEXAS SOUTHERN UNIVERSITY

Board of Regents

Name	Place of Residence	Term Expiration[(1)]
Glenn O. Lewis, Chairman	Fort Worth, Texas	February 1, 2013
Dionicio Flores, Vice Chair	El Paso, Texas	February 1, 2015
Tracye McDaniel, 2nd Vice Chair	Houston, Texas	February 1, 2015
Richard Salwen, Secretary	Austin, Texas	February 1, 2013
Gary Bledsoe	Austin, Texas	February 1, 2013
Samuel Bryant	Austin, Texas	February 1, 2011
Richard C. Holland	Plano, Texas	February 1, 2013
Richard Knight, Jr.	Dallas, Texas	February 1, 2011
Curtistene McCowan	De Soto, Texas	February 1, 2015
Bianca Brock[(2)]	Houston, Texas	May 31, 2011

Appointed Officials

Name	Title
Dr. John M. Rudley	President
Dr. Sunny E. Ohia	Provost / Vice President for Academic Affairs and Research
Jim C. McShan	Vice President for Finance/Chief Financial Officer
Gloria J. Walker	Chief Operating Officer and Vice President, Administration
Andrew C. Hughey	General Counsel
Charla Parker-Thompson	Director of Internal Audit

Consultants and Advisors

Financial Advisor .... First Southwest Company

Bond Counsel .... Andrews Kurth LLP

(1) The actual expiration date of the term depends on the date the successor is appointed, qualified and takes the oath of office.

(2) Student Regent. State law does not allow a Student Regent to vote on any matter before the Board.

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OFFICIAL STATEMENT SUMMARY

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

The Issuer	The Texas Public Finance Authority (the "Authority" or the "Issuer") is authorized to issue bonds on behalf of the University pursuant to Section 1232.101, Texas Government Code, as amended, and 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 May 1, 2011, and on each November 1 and May 1 thereafter until the earlier of maturity or redemption.
Authority for Issuance	The Bonds are being issued pursuant to Chapters 1232 and 1371, Texas Government Code, as amended, Chapters 54 and 55, Texas Education Code, as amended, including specifically section 55.17591 of the Texas Education Code, a master resolution, as amended, adopted by the Board of Regents of the University (the "Board") on October 19, 1998 and approved by the Authority on October 21, 1998 (the "Master Resolution") and a sixth supplemental resolution, which was approved and adopted by the Authority on January 6, 2011 and by the Board on November 19, 2010 (the "Sixth Supplement," and collectively with the Master Resolution, the "Resolution"). The Texas Bond Review Board has approved the issuance of the Bonds and the Texas Higher Education Coordinating Board has approved the project to be financed with the proceeds of the Bonds, each as required by law.
Source of Payment	The Bonds constitute special obligations of the Authority and the Board payable solely from the Pledged Revenues (as defined herein) pledged thereto pursuant to the Resolution. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE AUTHORITY, NOR ANY AGENCY, POLITICAL CORPORATION OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.
Redemption	The Authority reserves the right, upon the request of the Board, to redeem Bonds having stated maturities on or after May 1, 2022, on May 1, 2021 or any date thereafter, at par plus accrued and unpaid interest to the date fixed for redemption. Additionally, the Bonds maturing on May 1 in the years 2026 and 2030 are subject to mandatory sinking fund redemption. *See* "DESCRIPTION OF THE BONDS - Redemption."
Use of Proceeds	Proceeds from the sale of the Bonds, together with other lawfully available moneys of the University, will be used for (i) constructing, equipping and furnishing the Leonard H.O. Spearman Technology Building on the University's campus in Houston, Texas, (ii) funding a debt service reserve fund for the Bonds and (iii) paying the costs of issuance of the Bonds. *See* "PLAN OF FINANCING - Purpose."

Ratings	Moody's Investors Service, Inc. and Fitch Ratings have assigned ratings of "Baa3" and "BBB," respectively, to the Bonds. *See* "RATINGS."
Tax Exemption	In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX EXEMPTION" herein, and is not includable in the alternative minimum taxable income of individuals. See "TAX EXEMPTION" for a discussion of the opinion of Bond Counsel, including the alternative minimum tax on corporations.

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OFFICIAL STATEMENT

relating to

$31,500,000
TEXAS PUBLIC FINANCE AUTHORITY
TEXAS SOUTHERN UNIVERSITY REVENUE FINANCING SYSTEM BONDS,
SERIES 2011

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 Fall 2010 Semester, the University had a total enrollment of approximately 9,557 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 Vice President for Finance/ Chief Financial Officer, Texas Southern University, 3100 Cleburne Avenue, Hannah Hall, Room 145A, Houston, Texas 77004, (713) 313-7302. 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 55.17591, 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 sixth supplemental resolution approved and adopted by the Authority on January 6, 2011, and by the Board on November 19, 2010 (the “Sixth 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

The proceeds from the sale of the Bonds, together with other lawfully available moneys of the University, will be used for the purpose of (i) constructing, equipping and furnishing the Leonard H.O. Spearman Technology Building on the University's campus in Houston, Texas, (ii) funding a debt service reserve fund for the Bonds and (iii) paying the costs of issuance of the Bonds.

Sources and Uses of Funds

The proceeds of the Bonds, together with other lawfully available moneys of the University, will be applied as follows:

Sources:	
Par Amount	$31,500,000.00
Net Original Issue Discount	($534.45)
University Contribution	$ 3,188,975.53
Total	$34,688,441.08
Uses:	
Deposit to Project Fund	$31,500,000.00
Deposit to 2011 Reserve Fund	$ 2,743,940.07
Costs of Issuance[1]	$ 444,501.01
Total	$34,688,441.08

[1] Includes Underwriter's Discount.

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 May 1, 2011, 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 that is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

Transfer, Exchange, and Registration

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

Record Date for Interest Payment

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

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

Redemption

Optional Redemption

On May 1, 2021 or on any date thereafter, the Bonds stated to mature on and after May 1, 2022 may be redeemed prior to their Stated Maturities, at the option of the Authority, upon request by the Board, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Bonds, or portions thereof, to be redeemed shall be selected by the Board (provided that a portion of a Bond may be redeemed only in an integral multiple of $5,000), at par and accrued and unpaid interest to the date fixed for redemption; provided, that during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same stated maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Authority and the securities depository.

Mandatory Sinking Fund Redemption

The Bonds stated to mature on May 1 in the years 2026 and 2030 (the "Term Bonds") are subject to mandatory sinking fund redemption, in part, prior to their Stated Maturities, in the principal amounts and on the dates set forth below:

Term Bonds Maturing on May 1, 2026

May 1 of the Year	Principal Amount	May 1 of the Year	Principal Amount
2025	$1,810,000	2026*	$1,930,000

*Final maturity

Term Bonds Maturing on May 1, 2030

May 1 of the Year	Principal Amount	May 1 of the Year	Principal Amount
2027	$2,060,000	2029	$2,350,000
2028	2,200,000	2030*	2,505,000

*Final maturity

The Authority's mandatory sinking fund obligations as set forth in this section shall be reduced on each such date by the aggregate principal amount of any Bonds that have been purchased or redeemed at the option of the Authority prior to the applicable date of such mandatory sinking fund redemption.

The Term Bonds of a maturity subject to mandatory sinking fund redemption prior to their scheduled maturity shall be redeemed by the Authority in part, prior to their scheduled maturity, with the particular Bonds or portions thereof of that maturity to be redeemed to be selected and designated by the Authority (provided that a portion of a Bond may be redeemed only in an integral multiple of $5,000), at a redemption price equal to the par or principal amount thereof plus accrued interest to the date of redemption.

On or before 30 days prior to each scheduled mandatory redemption date, the Paying Agent/Registrar shall (i) determine the principal amount of such Term Bonds that must be mandatorily redeemed on such scheduled mandatory redemption date, after taking into account deliveries for cancellation and optional redemptions, (ii) select, by lot or other customary random method, the Bonds or portions of such Bonds to be mandatorily redeemed on such scheduled mandatory redemption date, and (iii) give notice of such redemption.

Notice of Redemption

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

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

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

Paying Agent/Registrar

The Board has covenanted with the registered owners of the Bonds that at all times while the Bonds are outstanding the Board will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of Paying Agent/Registrar for the Bonds under the Resolution. The Board reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 60 days written notice to the Paying Agent/Registrar, to be effective in accordance with the requirements of the Resolution. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Board has covenanted that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under the Resolution. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the pertinent Bonds, to the new Paying Agent/Registrar designated and appointed by the Board.

Book-Entry-Only System

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

The Authority cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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 Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

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

Principal, interest and redemption payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent/Registrar, on such payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct and Indirect Participants and not of DTC nor its nominee, the Paying Agent/Registrar, 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, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Paying Agent/Registrar. Under such circumstances, in the event that a successor 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 in 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.

Notices

THE PAYING AGENT/REGISTRAR, THE BOARD, AND THE AUTHORITY, SO LONG AS THE DTC BOOK ENTRY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF PROPOSED AMENDMENT TO THE RESOLUTION OR OTHER NOTICES WITH RESPECT TO SUCH BONDS ONLY TO DTC. ANY FAILURE BY DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO NOTIFY THE BENEFICIAL OWNERS, OF ANY NOTICES AND THEIR CONTENTS OR EFFECT WILL NOT AFFECT ANY ACTION PREMISED ON ANY SUCH NOTICE.

NEITHER THE BOARD, THE AUTHORITY, NOR THE PAYING AGENT/REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM DTC PARTICIPANTS ACT AS NOMINEES, WITH RESPECT TO THE PAYMENTS ON THE BONDS OR THE PROVIDING OF NOTICE TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

Effect of Termination of Book-Entry-Only System

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

Defeasance

The Sixth Supplement provides for defeasance of the Bonds under certain circumstances. *See* “Appendix B - EXCERPTS OF CERTAIN PROVISIONS OF THE RESOLUTION – CERTAIN PROVISIONS OF THE SIXTH SUPPLEMENT TO THE MASTER RESOLUTION.”

SECURITY FOR THE BONDS

The Revenue Financing System

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

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

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

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

Pledge Under Resolution

The Outstanding Parity Obligations and any additional obligations issued on a parity with the Bonds and the Outstanding Parity Obligations (referred to herein collectively as "Parity Obligations") are special obligations of the Board equally and ratably secured solely by and payable solely from a pledge of and lien on the Pledged Revenues. Pledged Revenues consist of the Revenue Funds, including all of the funds, and balances now or hereafter lawfully available to the Board and derived from or attributable to any Participant of the Revenue Financing System that are lawfully available to the Board for the payment of Parity Obligations, subject to the provisions of the Prior Encumbered Obligations, if any.

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

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

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

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

Pledged Revenues

The following table contains a summary of the Pledged Revenues for Fiscal Years 2007 through 2010, including pledged unappropriated fund balances available at the beginning of each year, and the amounts budgeted for Fiscal Year 2011. 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, 2010." *See* "SELECTED FINANCIAL INFORMATION."

TABLE 1 - Pledged Revenues

	Fiscal Years				
	2007	2008	2009	2010	2011*
Available Pledged Revenues	$53,294,481	$47,322,711	$50,355,459	$68,115,258	$70,410,797

*Budgeted for FY 2011.

Maximum annual debt service on a fiscal year basis over the life of the Bonds is $2,743,940.07.
Maximum annual debt service on a fiscal year basis over the life of the Outstanding Parity Obligations and the Bonds is $13,112,519.

Certain Covenants

Rate Covenant

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

Tuition

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

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

Waiver of Covenants

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

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

2011 Reserve Fund

The Resolution requires the establishment of a reserve fund for the Bonds (the "2011 Reserve Fund") in an amount not less than the Required Reserve Amount (as defined below). Upon delivery of the Bonds, it is expected that the 2011 Reserve Fund will be fully funded with proceeds of the Bonds and lawfully available funds of the University. *See* "PLAN OF FINANCING – Sources and Uses of Funds."

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

The Resolution permits the University to substitute cash on deposit in the 2011 Reserve Fund with an insurance policy, surety bond or a letter or line of credit issued by a financial institution under certain circumstances.

The Resolution requires the University to maintain a balance in the 2011 Reserve Fund equal to the Required Reserve Amount while the Bonds are Outstanding. In the event of any subsequent deficiency in the 2011 Reserve Fund after the issuance of the Bonds, the Resolution requires the University to satisfy the Required Reserve Amount by depositing cash (or an eligible insurance policy, surety bond or letter or line of credit issued by a financial institution) into the 2011 Reserve Fund in monthly installments of not less than 1/12 of such deficiency on or before the last Business Day of each month following such deficiency until such deficiency is eliminated.

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

The 2011 Reserve Fund is the only debt service reserve fund that secures the payment of the Bonds and no other debt service reserve funds created for any other Parity Obligations are available for the payment of the Bonds. See "SECURITY FOR THE BONDS—Reserve Funds – Parity Obligations."

Additional Parity Obligations

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

The Authority, upon approval and consent of the Board, may execute and deliver one or more Credit Agreements to additionally secure Parity Obligations. Credit Agreements may also be secured by a pledge of Pledged Revenues on 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 that expressly provides that all payments thereon will be subordinated to the timely payment of all Parity Obligations. *See* "Appendix B - EXCERPTS OF CERTAIN PROVISIONS OF THE RESOLUTION."

Reserve Funds – Parity Obligations

In addition to the 2011 Reserve Fund created with respect to the Bonds, the Master Resolution and the applicable supplements thereto, create a separate reserve fund for each other series of Parity Obligations currently Outstanding.

Each such series of Parity Obligations has a separate reserve fund securing only the payment of that series of Parity Obligations and not the payment of any other series of Parity Obligations issued under the Master Resolution.

Thus, the reserve funds for each such respective series of Outstanding Parity Obligations are not available for payment of the Bonds. The 2011 Reserve Fund created under the Sixth Supplement is only available for payment of the Bonds. See "SECURITY FOR THE BONDS—Pledge Under Resolution" and "SECURITY FOR THE BONDS—2011 Reserve Fund."

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

With respect to the Series 1998A-1 Bonds, the Authority and Board purchased a reserve fund surety bond from National Public Finance Guarantee Corp. (formerly 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 all payments have been made on the Series 1998A-1 Bonds.

The reserve funds for the Series 1998A-2 Bonds and Series 1998B Bonds were satisfied by the deposit of cash and a surety bond from Ambac Assurance Corporation. Ambac Assurance Corporation provided a surety bond in an amount which is the lesser of (i) $722,125.00 for the Series 1998A-2 Bonds and $467,637.50 for the Series 1998B Bonds or (ii) the reserve fund requirement for the respective series of bonds. Such surety bond policies have an expiration of the earlier of (i) November 1, 2018 for the Series 1998A-2 Bonds and November 1, 2023 for the Series 1998B Bonds or (ii) the date on which all payments required to be made on each respective series are made.

With respect to the Series 2002 Bonds, National Public Finance Guarantee Corp. (formerly MBIA Insurance Corporation) provided a surety bond in an amount which is the lesser of (i) $4,021,852.61 or (ii) the reserve fund requirement for the Series 2002 Bonds. Such surety bond policy expires on the earlier of (i) November 1, 2021 or (ii) the date on which all payments have been made on the Series 2002 Bonds.

With respect to the Series 2003 Bonds, the University deposited $2,296,000 in cash on October 26, 2010 into the reserve fund for the Series 2003 Bonds held by The Bank of New York Mellon Trust Company, N.A. to replace the surety bond policy originally issued by Financial Guaranty Insurance Company, which received a rating below that required in the Fourth Supplemental Indenture.

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

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

Nonrecourse Debt and Subordinated Debt

Nonrecourse Debt and Subordinated Debt may be incurred by the University, or the Authority on behalf of the University, 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 that may be levied or foreclosed against. The Resolution does not establish other remedies or specifically enumerate the events of default with respect to the Bonds. The Resolution does not provide for a trustee to enforce the covenants and obligations of the Authority or the Board. The enforcement of the remedy of mandamus may be difficult and time consuming. No assurance can be given that a mandamus or other legal action to enforce a default under the Resolution would be successful. See "Appendix B - EXCERPTS OF CERTAIN PROVISIONS OF THE RESOLUTION."

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

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Debt Service Schedule

Fiscal Year (August 31)	Parity Obligation Debt Service	The Bonds Principal	Interest	Annual Debt Service	Total Debt Service
2011	$10,368,579	$2,260,000	$483,940	$2,743,940	$13,112,519
2012	10,369,352	915,000	1,762,988	2,677,988	13,047,339
2013	10,365,607	960,000	1,717,238	2,677,238	13,042,844
2014	10,363,738	1,005,000	1,669,238	2,674,238	13,037,976
2015	9,912,634	1,060,000	1,618,988	2,678,988	12,591,621
2016	9,912,944	1,110,000	1,565,988	2,675,988	12,588,931
2017	9,520,094	1,165,000	1,510,488	2,675,488	12,195,581
2018	8,656,344	1,230,000	1,446,413	2,676,413	11,332,756
2019	7,068,988	1,300,000	1,378,763	2,678,763	9,747,750
2020	7,068,838	1,365,000	1,310,513	2,675,513	9,744,350
2021	7,070,175	1,440,000	1,237,144	2,677,144	9,747,319
2022	7,071,944	1,520,000	1,156,144	2,676,144	9,748,088
2023	3,208,763	1,610,000	1,068,744	2,678,744	5,887,506
2024	915,138	1,705,000	972,144	2,677,144	3,592,281
2025	-	1,810,000	867,713	2,677,713	2,677,713
2026	-	1,930,000	745,538	2,675,538	2,675,538
2027	-	2,060,000	615,263	2,675,263	2,675,263
2028	-	2,200,000	476,213	2,676,213	2,676,213
2029	-	2,350,000	327,713	2,677,713	2,677,713
2030	-	2,505,000	169,088	2,674,088	2,674,088
TOTAL	$111,873,134	$31,500,000	$22,100,253	$53,600,253	$165,473,387

THE AUTHORITY

General

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

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

Name	Position	Term Expires (February 1)
Gary E. Wood	Chair	2015
Ruth C. Schiermeyer	Vice-Chair	2013
D. Joseph Meister	Secretary	2013
Gerald Alley	Member	2013
Rodney K. Moore	Member	2015
Robert T. Roddy, Jr.	Member	2011
Massey Villarreal	Member	2011

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 Dwight D. Burns, who has been employed in that position since May 2009.

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

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

Sunset Review

In 1977, the Texas Legislature enacted the Texas Sunset Act (Chapter 325, Texas Government Code, as amended) which provides that virtually all agencies of the State, including the Authority, are subject to periodic review of the Texas Legislature and that each agency subject to sunset review will be abolished unless the Texas Legislature specifically determines to continue its existence. The next scheduled review of the Authority is during the Texas legislative session in 2011. The TPFA Enabling Act, as amended by the 80th Texas Legislature, provides that if the Authority is not continued in existence, the Authority will cease to exist as of September 1, 2011; however, the Texas Sunset Act also provides, unless otherwise provided by law, that the Authority will exist until September 1 of the following year (September 1, 2012) in order to conclude its business.

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

In connection with the 2011 Sunset review of the Authority, the Sunset Advisory Commission, which is comprised of members of the Texas Senate and the Texas House of Representatives as well as public members, by a report dated as of April 2010 has recommended that the Authority be continued as an independent agency for 12 years. The continuation of the operations of the Authority must be accomplished through legislation filed and enacted by the 82nd Texas Legislature which began on January 11, 2011. Information about the Sunset process can be found at www.sunset.state.tx.us.

Relationship with other State Agencies

Under the TPFA Enabling Act, the Authority's power is limited to financing and refinancing project costs for State agencies and institutions and does not affect the power of the relevant State agency or institution to carry out its statutory authority, including its authority to construct buildings. The TPFA Enabling Act directs State agencies and institutions to carry out their authority regarding projects financed by the Authority as if the projects were financed by legislative appropriation. Accordingly, the Authority 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 November 18, 2010. The Texas Higher Education Coordinating Board has also approved projects to be financed by the Bonds by an approval letter dated March 31, 2009.

THE UNIVERSITY

General

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

The University's single campus is located on 145 acres approximately 3 miles from downtown Houston, Texas. It is one of the largest historically black institutions in the nation with an enrollment of approximately 9,557 students for the Fall 2010 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 is fully accredited by those that apply accreditation standards: Commission on Colleges of the Southern Association of Colleges and Schools; Association of Texas Colleges and Universities; American Council on Education; American Association of State Colleges and Universities; and the Association of Advanced Collegiate Schools of Business. The University's College of Education is accredited by the Texas Education Agency, the Texas Workforce Commission and the Texas Association of Colleges and holds memberships in the National Council for Accreditation of Teacher Education and the Association of Colleges for Teacher Education. The College of Pharmacy and Health Sciences is accredited by the American Council of Pharmaceutical Education and is a member of the American Association of Colleges of Pharmacy. The College of Liberal Arts and 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.

On June 24, 2010, the Commission on Colleges of the Southern Association of Colleges and Schools (the "SACS") restored full accreditation to the University. The University's accreditation was first placed on probation in December 2007 for financial and management issues related to its former president. The probation was lifted in June 2009 after an outside auditing firm completed its report on the University's finances, although the SACS continued to monitor the University's financial aid and sponsored research programs. The probation was re-instated in December 2009 because the SACS had not received copies of the State audit of the University's finances or its financial aid and research programs. The University's external auditor had completed its review of the University's finances by such time, but the State's review was not completed until January 2010. The University's current ten year accreditation with SACS is scheduled for renewal again in 2011. Such accreditation is required for the University's students to be eligible for federal financial aid. On average approximately 90% of the University's students receive some form of federal financial aid.

Administration of the University

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

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

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

GLENN O. LEWIS, *Chairman and Board Member*. Partner, law firm of Linebarger Goggan Blair and Sampson. Mr. Lewis is a resident of Fort Worth, Texas. He was appointed May 11, 2007. His current term on the Board expires on February 1, 2013.

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

TRACYE MCDANIEL, *2nd Vice Chair and Board Member*. Executive Vice President and Chief Operating Officer, Greater Houston Partnership. Ms. McDaniel is a resident of Houston, Texas. She was initially appointed on October 26, 2007 and reappointed on March 13, 2009. Her current term on the Board expires on February 1, 2015.

RICK SALWEN, *Secretary and Board Member*. Retired former Vice President, General Counsel, and Corporate Secretary, Dell Computer Corporation. Mr. Salwen is a resident of Austin, Texas. He was appointed on May 11, 2007. His current term on the Board expires on February 1, 2013.

GARY BLEDSOE, *Board Member.* President of the Texas NAACP. Mr. Bledsoe is a resident of Austin, Texas. He was appointed on May 11, 2007. His current term on the Board expires on February 1, 2013.

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

RICHARD C. HOLLAND, *Board Member.* Founder and President, Holland Advisors. Mr. Holland is a resident of Plano, Texas. He was appointed on May 11, 2007. His current term on the Board expires on February 1, 2013.

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

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

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. JOHN M. RUDLEY, President. Dr. John Rudley is the eleventh president of the University. He previously served as the Vice Chancellor for Administration and Finance for the University of Houston System and Vice President for Administration and Finance for the University of Houston. From June 2007 to January 2008, he served in the interim dual position of UH System chancellor and UH president. Dr. Rudley has held numerous leadership positions in higher education including Vice President for Business and Finance at the Tennessee Board of Regents, which is the sixth largest system of postsecondary education in the nation with six universities, thirteen community colleges and twenty-six vocational schools serving more than 187,000 students. He also served with distinction at the highest level of education as a senior technical advisor with the U.S. Department of Education. Dr. Rudley has held administrative and finance positions in Tennessee and in Texas. He acquired his public accounting experience from Coopers & Lybrand in Los Angeles and in Seattle. He is a licensed certified accountant in Tennessee. Dr. Rudley serves on the boards of the Houston Forum Board of Governors, BioHouston, Inc., and the Houston Technology Center, the Texas Council of Presidents and Chancellors, the Texas Medical Center CEO Group, the Greater Houston Partnership, and the Texas International Education Consortium. He also is chairman of the board of the Houston Chapter of 100 Black Men. He earned his Bachelor of Business Administration from the University of Toledo and his Master of Education in Administration and Supervision and his Ed.D. in Administration from Tennessee State University. He is a member of the National Association of State College and University Business Officers.

DR. SUNNY E. OHIA, Provost / Vice President for Academic Affairs and Research. Dr. Sunny E. Ohia formerly served as the dean of the College of Pharmacy at the University of Houston with 16 years of academic leadership experience. He served the last five and a half years at UH. During Dr. Ohia's tenure, the UH Pharmacy College has experienced increases in total research expenditures by more than 400 percent. The number of endowed scholarships has increased by more than 120 percent to a total of more than $1.5 million, graduate student enrollment is up approximately 70 percent, and total expenditures from State government and local sources are up more than 100 percent. Since Dr. Ohia took the helm as dean, and spearheaded the initiative to recruit high quality faculty, the college has achieved a 50% net increase in growth in faculty FTE's. Dr. Ohia received his bachelor of science degree in pharmacology and his master of science degree in pharmacology and therapeutics from the University of Ibadan, Nigeria. He received his Ph.D. in pharmacology from the University of Glasgow, in Scotland, United Kingdom. Prior to his tenure at the University of Houston, he served in a number of leadership positions at the Creighton University School of Pharmacy and Health Professions, including associate dean. He holds an adjunct professor appointment in ophthalmology at the University of Nebraska Medical Center, and in integrative biology and pharmacology at the University of Texas Health Sciences Center in Houston.

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

GLORIA J. WALKER, Chief Operating Officer and Vice President, Administration. Mrs. Gloria Walker was appointed Chief Operating Officer for the University in March 2008. Chief Operating Officer is primarily responsible for day-to-day operations of the University. Mrs. Walker sits on the President's cabinet and is responsible for assisting the President and the Board with policies and procedures governing institutional administrative operations. She has over twenty-two years of senior level management experience in higher education. Over the course of her career in the areas of fiscal affairs, accounting and financial operations, Mrs. Walker developed a solid background in higher education administration at Houston Community College as Vice Chancellor of Finance & Administration, when she served as CFO/COO. At South Florida Community College she was the Vice President for Financial Services and Chief Financial/Business Officer; and served at Midland College, Midland, Texas in a similar capacity. Mrs. Walker is a Certified Public Accountant (CPA, 1986) and holds the bachelor's degree and master's degree in Business Administration (Accounting, Finance) from the University of Houston and University of St. Thomas, respectively. She has numerous professional affiliations including Texas State Board of Public Accountancy, Texas Society of Certified Public Accountants, National Association of College & University Business Officers, Southern Association of College & University Business Officers, American Institute of Certified Public Accountants, and is listed in two Who's Who Publications.

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

CHARLA PARKER-THOMPSON, Director of Internal Audit. Charla Parker-Thompson has served in a senior management position with Sirius Solutions has and prior financial and IT management positions with Deloitte and Touche, Phillip Morris Companies, Inc. and the Coca-Cola Company with experience in internal audit, financial management, project management, Corporate and IT governance, regulatory compliance, ERP integrity, and internal controls. She is a certified internal auditor and a certified information systems auditor and is a member of the Institute of Internal Auditors and the Information Systems Audit & Control Association.

Financial Support

As a State institution, the University receives approximately forty-six percent (46%) of its operating funds from State appropriations. Other operating funds are derived from student tuition and fees and auxiliary enterprises such as dormitories and dining halls.

Future Capital Improvements

The University currently has prioritized its desired future campus improvements through Fiscal Year 2015 which include the construction and renovation of campus buildings and other campus maintenance items. However, the University only expects to incur additional capital expenditures to the extent that it can identify a source of funds other than Additional Parity Obligations or to the extent that it has been specifically directed by the Texas Legislature to finance such a project. The University currently anticipates funding maintenance costs of approximately $1 to $1.5 million per year out of available revenues over such time period.

Enrollment

TABLE 2 - University Enrollment Data

Following is headcount enrollment by semester for Fiscal Years 2006 through 2011:

Fiscal Year	Fall Semester	Spring Semester	Summer Session
2006	11,903	10,874	2,818
2007	11,224	10,170	2,331
2008	9,540	8,920	2,545
2009	9,102	8,513	2,585
2010	9,394	9,099	3,109
2011	9,557	---	---

Student Housing

The University provides several student housing facilities located on or near the University that have the capacity to house approximately 1,560 total students. These facilities have been designed to meet the University's objectives of increasing the ratio of students living on campus and attracting and retaining students. For the Fall 2010 semester, such housing facilities had a cumulative occupancy rate of approximately 95%.

The University is continuing to explore its options for development of additional student housing projects on University-owned land to accommodate between 500 to 1,000 additional students by the Fall of 2012, including housing projects developed in conjunction with third party developers. However, no assurance can be provided as to when, or if, any such housing projects ultimately will be commenced or the scope, location or financing structure of any such future housing projects.

Conduit Financings of Housing and Parking Facilities

Certain housing and parking facilities utilized by students of the University have been financed on a standalone basis through the issuance of several series of project revenue bonds issued by conduit issuers as variable rate bonds supported by certain letters of credit. Such facilities are owned by certain Texas non-profit corporations incorporated for the purpose of providing such facilities to students of the University. As of December 1, 2010, $64,620,000 in aggregate principal amount of such bonds were outstanding. Although, the University has taken over the operations of such facilities, such bonds are not Parity Obligations and are payable only from the revenues produced by the applicable facilities. Such bonds are supported by letters of credit that are currently scheduled to expire in 2011. The University is currently evaluating its options for a refunding of such bonds in calendar year 2011 with Additional

Parity Obligations to achieve an overall debt service savings, but no assurances can be provided as to when, or if, such a refunding will occur.

Retirement Systems

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

The State has also established an optional retirement program (the "ORP") for institutions of higher education. Participation in the ORP is in lieu of participation in the TRS. The ORP is an individualized defined contribution plan in which each participant selects from a variety of investments offered by several companies (authorized by the employing institution) through annuity contracts or mutual fund investments. The contributory percentages on salaries for participants entering the program prior to September 1995 are 8.5% and 6.65% by the State and each participant, respectively. The State's contribution of such percentage is comprised of 6.00% from the ORP's appropriation, 1.31% from a special appropriation to the University, and 1.19% directly by the University. The 6.00% contribution is mandatory with the other two state contributions being at the discretion of the Board. The Board has approved the additional contributions for employees of the University. The contributory percentages on salaries for participants entering the program after August 31, 1995 are 6.4% 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 the OPR.

NASA Research Grant Investigations

The National Aeronautics and Space Administration ("NASA") is currently investigating the University's use of certain research grant funds provided to the University by NASA. Specifically, NASA is investigating two grants provided to the University in the amount of $6 million and $5 million, respectively. The investigations began in April 2009 and are currently pending with no established time frame for their conclusion. To do date, NASA has not disallowed any costs associated with such grants. While the University can provide no assurances as to the ultimate outcome of NASA's investigations, based on information provided from NASA to date, the University believes that its maximum liability as a result of such investigations would not exceed $600,000. The University has set aside funds in reserve to provide for such liability.

Hurricane Ike

On September 13, 2008, Hurricane Ike hit Houston, Texas resulting in approximately $30 million in damage to University facilities. The University has secured the funding necessary to replace, restore and renovate all damaged facilities through a combination of the State, the Federal Emergency Management Agency ("FEMA") and insurance. The University has received all such funds with the exception of approximately $5 million of reimbursements due from FEMA for its final ongoing projects for which reimbursement from FEMA is currently expected to be received by the University in the second quarter of calendar year 2011. With the exception of the ongoing projects noted in the foregoing sentence, all other Hurricane Ike related damage to University facilities has been repaired.

SELECTED FINANCIAL INFORMATION

Audits and Financial Reports

The State of Texas issues audited financial statements, prepared in accordance with generally accepted accounting principles for the State government as a whole. The statements are prepared by the Texas Comptroller of Public

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

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

Beginning in Fiscal Year 2008, the Board commissioned Belt Harris Pechacek, LLLP (formerly Belt Harris & Associates, LLLP) to audit the statement of net assets and the related statements of revenues, expenses and changes in net assets and cash flow of the University. Such firm has audited such financial statements of the University for the fiscal years ended August 31, 2008 through August 31, 2010. Belt Harris Pechacek, LLLP has not undertaken any procedures in connection with this Official Statement. Although the Board and the University's staff currently anticipate that they will continue to commission such audits for future years, the Board is not legally or contractually required to do so and no assurances can be given as to whether the Board will commission audits with respect to any future fiscal years after the fiscal year ending August 31, 2010.

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

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

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

Attached to this Official Statement as "Appendix C – FINANCIAL REPORT OF TEXAS SOUTHERN UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2010" are the most recent primary statements of the audited combined annual financial reports of the University for the Fiscal Year ended August 31, 2010. The University's audited combined primary financial statements consist of the Statement of Net Assets as of August 31, 2010, the Combined Statement of Revenues, Expenses and Changes in Net Assets for the Year Ended August 31, 2010, and the Combined Statement of Cash Flows for the Year Ended August 31, 2010. See "Appendix C – FINANCIAL REPORT OF TEXAS SOUTHERN UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2010."

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 2006 through 2010:

	Unaudited 2006	Unaudited 2007	Audited 2008	Audited 2009	Audited 2010
Operating Revenues:					
Tuition and fees, pledged	$60,959,072	$60,107,462	$54,007,726	$59,420,131	$76,139,146
Discount on tuition and fees	(21,240,997)	(16,543,277)	(15,465,404)	(18,769,655)	(22,068,813)
Auxiliary enterprises, pledged	3,481,136	6,656,347	6,383,743	7,782,380	12,118,191
Other sales of goods and services	1,071,090	-	-	-	-
Other sales of goods and services, pledged	3,125,114	45,674	40,341	94,409	82,349
Interest and investment income	104,001	-	-	-	-
Federal revenue	39,272,375	37,127,433	37,805,947	41,063,512	50,586,841
Federal pass through revenue	125,004	500,494	263,056	4,212,004	10,553,849
State revenue	526,061	1,206,000	548,697	1,461,145	1,498,412
State pass through revenue	3,043,647	2,686,608	3,325,052	1,833,134	5,587,697
Other operating contract and grants, pledged	3,356,075	3,028,275	2,356,305	1,828,192	1,866,264
Other operating revenue	2,628,706	4,720,814	5,513,042	4,481,213	2,658,292
Total Operating Revenues	96,451,284	99,535,830	94,778,505	103,406,468	139,022,232
Operating Expenses:					
Salaries and wages	75,325,030	70,447,021	69,817,411	80,048,211	86,118,451
Payroll related costs	17,961,502	17,846,050	20,915,995	19,180,344	21,536,320
Professional fees and services	13,340,636	14,887,004	13,944,342	15,099,642	9,031,176
Travel	1,880,543	1,810,720	1,825,163	2,129,694	3,124,377
Materials and supplies	7,167,677	7,286,437	8,082,970	11,411,396	14,854,426
Communication and utilities	6,435,140	5,353,018	5,708,275	5,802,965	5,553,340
Repairs and maintenance	1,139,228	2,549,484	4,205,771	16,747,215	6,624,311
Rentals and leases	1,500,265	2,456,986	1,292,139	2,618,562	2,078,025
Printing and reproductions	798,369	342,966	572,316	399,244	578,284
Federal pass through expense	326,598	-	-	-	-
Bad debt expense	1,876,682	800,000	1,996,571	1,980,042	3,261,993
Interest	102	-	-	-	-
Scholarships	21,920,918	15,503,028	16,541,425	17,577,768	25,157,274
Claims and judgments	87,619	-	-	-	-
Other operating expenses	7,026,752	228,694	5,641,933	4,913,067	11,571,739
Depreciation	4,691,865	11,359,693	12,466,286	13,175,232	12,497,322
Total Operating Expenses	161,478,926	150,871,101	163,010,596	191,083,387	201,987,043
Operating Income (Loss)	($65,027,642)	($51,335,271)	($68,232,091)	($87,676,919)	($62,964,811)

*Table continued on following page

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

	Unaudited 2006	Unaudited 2007	Audited 2008	Audited 2009	Audited 2010
Nonoperating Revenues (Expenses):					
State appropriations	$56,054,517	$62,471,635	$54,692,131	$73,569,970	$57,082,216
Additional appropriations	9,065,300	3,337,201	21,798,278	9,498,332	10,987,734
Other non-operating revenue	1,768,542	577,658	-	14,978	(3,317,849)
Gifts received	-	69,886	495,001	4,542,730	1,305,397
Interest income	2,442,094	1,685,203	2,618,123	1,304,200	1,136,361
Extinguishment of debt	-	-	-	11,264,101	-
Investing expenses	(1,890,000)	(170,124)	(208,157)	(200,195)	(208,543)
Interest expense	(6,897,909)	(6,658,225)	(6,633,250)	(5,819,242)	(5,454,611)
Net increase (decrease) in fair value of investments	(269,825)	2,547,957	(3,078,470)	(2,840,666)	1,265,277
Other non-operating expense	(142,086)	(1,890,000)	-	-	-
Total Nonoperating Revenues (Expenses)	60,130,633	61,971,191	69,683,656	91,334,210	62,795,932
Income (Loss) before Other Revenues, Expenses, Gains and Transfers	(4,897,009)	10,635,920	1,451,565	3,657,291	168,879
Other Revenues, Expenses, Gains and Transfers:					
Capital appropriations, HEAF	7,437,643	7,437,642	11,156,463	11,283,387	11,283,387
Additions to endowments	1,923,665	2,671,071	659,528	124,807	30,631
Lapsed appropriations	(8)	-	-	-	-
Returned lapsed appropriations	-	-	12,295,120	(2,017,500)	(154,500)
Tranfer in	-	-	-	-	3,975,023
Operating transfers-out	(24,223)	-	-	-	(3,975,023)
Transfer to State	-	-	(574,890)	(623,137)	(687,353)
Total Other Revenues, Expenses, Gains and Transfers	9,337,077	10,108,713	23,536,221	8,767,556	10,472,164
Change in Net Assets	4,440,068	20,744,633	24,987,787	12,424,848	10,303,284
Beginning Net Assets	96,284,218	85,788,615	104,692,022	124,145,724	136,570,572
Restatements	(14,935,671)	(1,841,226)	(5,534,085)	-	-
Ending Net Assets	$85,788,615	$104,692,022	$124,145,724	$136,570,572	$146,873,857

*Table continued from prior page

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TABLE 4 - Condensed Statement of Net Assets

The table below presents the Condensed Statement of Net Assets as of August 31 in the years 2006 through 2010.

	Unaudited 2006	Unaudited 2007	Audited 2008	Audited 2009	Audited 2010
Assets:					
Current and other assets	$82,573,359	$89,505,160	$101,243,436	$100,183,061	$107,249,675
Restricted assets	26,556,270	31,692,117	46,907,489	35,251,944	37,176,942
Capital assets, net	192,326,525	189,643,268	192,266,240	188,812,390	184,244,541
Total Assets	301,456,154	310,840,545	340,417,166	324,247,396	328,671,159
Liabilities:					
Current Liabilities	70,348,754	69,091,320	81,180,737	73,610,977	78,808,653
Non-Current Liabilities	147,160,011	137,057,203	135,090,704	114,065,846	102,988,648
Total Liabilities	217,508,765	206,148,523	216,271,441	187,676,823	181,797,301
Net Assets:					
Invested in capital, net of related debt	32,103,729	47,236,818	55,913,422	64,348,006	64,030,540
Restricted for:					
Capital projects	26,991,792	13,380,434	5,938,868	5,748,032	1,756,419
Debt service	329,829	110,291	143,159	362,919	449,337
Other	25,117,697	30,197,937	32,950,153	32,009,715	31,494,538
Unrestricted	(595,658)	13,766,542	29,200,123	34,101,898	49,143,021
Total Net Assets	$83,947,389	$104,692,022	$124,145,724	$136,570,572	$146,873,857

Funding for the University

Funding for the University for the Fiscal Year ended August 31, 2010, 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 46% of its operating funds from State appropriations. The Texas Legislature adopted a budget for the State for the 2010-2011 biennium beginning September 1, 2009, which appropriated approximately $74,563,702 for the University from the general revenue fund for Fiscal Year 2010 and $69,951,560 for Fiscal Year 2011.

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 Texas Comptroller of Public Accounts, which is filed quarterly with the MSRB.

Due to the ongoing national economic recession, in January 2010 the State's Governor, Lieutenant Governor and Speaker of the House of Representatives jointly requested that each state agency, including the University, submit a plan to the Legislative Budget Board and the Office of the Governor's Budget, Planning and Policy division to identify reductions in priority increments totaling 5 percent of its general revenue appropriations for the 2010-2011 biennium. With respect to the University, such 5 percent reduction equates to approximately $4.9 million. In order to achieve the requested reductions, the University submitted a plan identifying potential 5 percent reductions by implementing a hiring freeze and reducing salaries, travel and other operating expenses.

On May 27, 2010, the Legislative Budget Board and the State's Governor Office of Budget, Planning and Policy issued a letter directing the process by which each state agency, including the University, would develop its legislative appropriations request for the 2012-2013 biennial budget (the "LAR Letter"). The LAR Letter required that an agency's baseline for such request should not exceed the sum of amounts expended in fiscal year 2010 and budgeted in fiscal year 2011 adjusted to take into account the 5 percent reductions discussed in the preceding paragraph. The LAR Letter also directed each agency to submit a supplemental schedule detailing how it would reduce its baseline request by an additional 10 percent (in 5 percent increments) in general revenue-related funding if the Texas Legislature were to require further reductions in 2012-2013 funding. The University's Legislative Appropriations Request for the 2012-2013 biennium in accordance with the LAR Letter provides for such reductions by continuing its current hiring freeze, further reductions in operating expenses, reducing and consolidating administrative positions and reducing its faculty salary budgets in various programs such as adjunct and visiting faculty.

The University receives state appropriations through formula-based appropriations and also through specific non-formula appropriations. For the 2010-11 biennium the University received approximately 63.6% of its total State appropriations pursuant to formula based distributions and approximately 36.4% of its total State appropriations pursuant to specific non-formula appropriations. The requests for funding and the reduction plans requested pursuant to the LAR Letter were only with respect to non-formula appropriations. Any funding decisions or reductions related to formula based appropriations for institutions of higher education will be taken up by the Texas Legislature in the current legislative session that began on January 11, 2011 and are not contemplated in the Legislative Appropriations Request submitted by the University pursuant to the LAR Letter. Any reductions made by the Texas Legislature in the current legislative session through the formula based appropriations process could have a significant impact on operations of the University.

Additionally, on December 6, 2010, the State's Governor, Lieutenant Governor and Speaker of the House of Representatives issued a letter jointly requesting that each state agency, including the University, plan on a further reduction in its general revenue appropriations for the remainder of Fiscal Year 2011 equal to 2.5 percent of its original general revenue appropriations for such fiscal year. The letter cited the State's $2 billion shortfall in overall revenue receipts in Fiscal Year 2010 and noted that although the first two months of Fiscal Year 2011 showed more than 6% growth compared to Fiscal Year 2010, it was still anticipated that the State's revenues would be insufficient to cover its general revenue spending for the remainder of Fiscal Year 2011. With respect to the University, such 2.5 percent reduction equates to approximately an additional $1.2 million. The University anticipates that such amount will be within the amount of its appropriations that are expected to lapse at the end of Fiscal Year 2011 and that as a result no additional reductions from its currently budgeted expenditures will be required for Fiscal Year 2011.

Estimated Revenue Shortfall for 2012-2013

Budgeting for the State is handled through the Governor’s Office of Budget, Planning, and Policy (the “GOBPP”) and the State Legislative Budget Board (the "LBB"). By statute, the Governor is the chief budget officer of the State and this function is carried out through the GOBPP. The LBB is the budget agency of the Texas Legislature. The GOBPP and the LBB generally cooperate with respect to matters pertaining to preparation of budgets and prepare uniform instructions and forms for budget requests.

The Texas Constitution requires the Comptroller to submit to the Governor and the Texas Legislature, at the commencement of each regular session of the Texas Legislature, a statement that contains, among other things, an itemized estimate of anticipated revenues, based on laws then in effect, that will be received by the State during the succeeding biennium. The Texas Constitution also requires the Comptroller to submit supplementary statements at any special session of the Texas Legislature and at such other times as may be necessary to show probable changes.

On January 10, 2011, in anticipation of the start of the current Texas Legislative session as required by the Texas Constitution the Comptroller released her revenue estimates for the 2012 - 2013 biennium which provides for an approximately $27 billion shortfall between estimated available general revenue funds and projected State expenditures necessary to maintain current levels of service. The Texas Constitution requires that the Texas

Legislature pass a balanced budget for each biennium. Accordingly, no assurances can be provided as to how the Texas Legislature will balance the State's budget for the 2012 - 2013 biennium.

Article III, Section 49-g of the State Constitution establishes the Economic Stabilization Fund ("rainy day fund") which can be used to help balance the State's budget. If an estimate of anticipated revenues for a succeeding biennium prepared by the Comptroller is less than the revenues that are estimated at the same time by the Comptroller to be available for the current biennium, the Texas Legislature may, by a three-fifths vote of the members present in each house, appropriate for the succeeding biennium from the Economic Stabilization Fund an amount not to exceed this difference. In addition to such appropriation authority, the Texas Legislature may, by a two-thirds vote of the members present in each house, appropriate amounts from the Economic Stabilization Fund at any time and for any purpose. Pursuant to the Comptroller's January 10, 2011 revenue estimate, the Comptroller estimates that the ending balance in such rainy day fund will be approximately $8.2 billion at the end of fiscal year 2011. No assurances can be given as to whether the Texas Legislature will appropriate all or any the Economic Stabilization Fund to help balance the 2012-2013 budget or as to what type of savings plan or other actions the Texas Legislature may take during the 2011 Legislative Session to balance the budget and/or address any revenue shortfalls.

For financial information concerning the State of Texas, reference is made to "Appendix A," the disclosure appendix published by the State Comptroller of Public Accounts of the State of Texas, which is filed quarterly with the MSRB.

Tuition and Fees

The University charges tuition and fees as determined by the Texas Legislature and the Board under Chapters 54 and 55 of the Texas Education Code. Prior to a change in law effective for the Fall 2003 semester, the amount charged by the University for tuition and fees was subject to a per-semester-credit-hour cap set by the Texas Legislature. Total tuition charges are now comprised of "State Mandated Tuition" and "Designated Tuition," as further described below. Under current law, as more fully set forth below, the total tuition (including both the State Mandated Tuition and the Designated Tuition) to be charged to the University's students for the 2010-2011 academic year is (i) $241 per semester hour for resident undergraduate students and (ii) $468 per semester hour for non-resident undergraduate students.

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

State Mandated Tuition. Section 54.051, Texas Education Code requires (i) undergraduate tuition applicable to state residents to be charged at $50 per semester credit hour; and (ii) tuition of a nonresident student at a general academic teaching institution or medical and dental unit to be an amount per semester credit hour equal to the average of the nonresident undergraduate tuition charged to a resident of the State at a public state university in each of the five most populous states other than the State (the amount of which would be computed by the Coordinating Board for each academic year). For the 2010-11 academic year, the Coordinating Board has computed $360 per semester credit hour for nonresident undergraduate tuition. The tuition rates described above are referred to in this document as "State Mandated Tuition."

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

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

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

Current Funds

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

Unrestricted Current Funds Revenues

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

Financing Programs

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

Higher Education Assistance Fund Bonds

Pursuant to the Higher Education Assistance Fund ("HEAF") program, the University is qualified to receive an annual allocation from amounts constitutionally appropriated to institutions of higher education that are not entitled to participate in Permanent University Fund bond financing in order to fund permanent improvements (except those for auxiliary enterprises). Under the constitutional provision authorizing HEAF, the Board is authorized to issue bonds and notes to finance permanent improvements at the University and to pledge up to 50% of its allocation to secure the payment of principal of and interest on the bonds and notes. As of November 30, 2010, the University had $20,060,000 outstanding under this program.

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TABLE 5 - Outstanding Indebtedness

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

Revenue Financing System	Par Amount Originally Issued	Principal Amount Outstanding
Texas Public Finance Authority Texas Southern University Revenue Financing System Refunding Bonds, Series 1998A-1	$ 20,305,000	$ 9,430,000
Texas Public Finance Authority Texas Southern University Revenue Financing System Improvement Bonds, Series 1998A-2	$ 18,000,000	$ 6,205,000
Texas Public Finance Authority Texas Southern University Revenue Financing System Improvement Bonds (Recreational Facility Project), Series 1998B*	$ 12,920,000	$ 8,915,000
Texas Public Finance Authority Texas Southern University Revenue Financing System Improvement Bonds (Medical Services Facility Project), Series 1998C	$ 1,705,000	- 0 -
Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2002	$ 48,065,000	$ 32,180,000
Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2003	$ 27,240,000	$ 21,580,000
Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2004	$ 3,500,000	$ 1,675,000
Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2011	$ 31,500,000	$ 31,500,000
TOTAL	$162,253,000	$111,485,000

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

Investment Policy and Procedures

Management of Investments

The Board approved the University's Investment Policy in February 2010. As provided in State law and University policy, each member of the Board has the legal responsibilities of a fiduciary in the management of funds under the control of the University. All investments are made in accordance with applicable State and federal regulations. The Board has contracted with Gray & Company to provide investment management consulting with respect to the University's endowment funds and the Board relies on the University's administrative staff to manage its operating funds internally. Cash on hand is invested in overnight collateralized repurchase agreements. The Board receives quarterly reports regarding asset allocation, investment returns, and comparative investment results of other indices.

Authorized Investments

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

Investment Programs

Specific investment ranges and investment policy limitations are as follows:

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

The University's pooled investment fund is comprised primarily of operating funds and fund balance equity that carries forward from year to year. As noted in the table below, the University's investments in Federal Agency Obligations in its pooled investment fund have exceed the University's stated policy maximums of 80% for such obligations. The University's finance staff intends to bring the asset allocation in the University's pooled investment fund into compliance with its investment policy by recommencing that the Board increase the policy limits for Federal Agency Obligations from 80% to 100%. As of August 31, 2010, the asset allocation of the pool was as follows:

	Percentage Allocation	Book Value	Market Value
Federal Agency Obligations	99%	$5,732,352	$5,733,596
Cash Equivalents	1%	$51,642	$51,642
Totals	100%	$5,783,995	$5,785,239

Endowment funds are invested separately from the University's investment pool. The book value of Endowment Funds at August 31, 2010, was $30,812,993 and the market value was $31,017,463.

Debt Management

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

LEGAL MATTERS

Legal Opinion

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

Bond Counsel has reviewed the information under the captions "PLAN OF FINANCING" (except for the information under "Sources and Uses of Funds" as to which no opinion is expressed), "DESCRIPTION OF THE BONDS" (except for the information under "Book-Entry-Only System" as to which no opinion is expressed), "SECURITY FOR THE BONDS," "LEGAL MATTERS," "TAX EXEMPTION," "TAX TREATMENT OF

ORIGINAL ISSUE DISCOUNT AND PREMIUM BONDS," "LEGAL INVESTMENTS IN TEXAS," "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under "Compliance with Prior Undertakings" as to which no opinion is expressed), "APPENDIX A - DEFINITIONS," and "APPENDIX B - EXCERPTS OF CERTAIN PROVISIONS OF THE RESOLUTION," in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the Resolution contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. The payment of legal fees to Bond Counsel in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the Authority.

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

Registration and Qualification of Bonds for Sale

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

Forward Looking Statements

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

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

TAX EXEMPTION

In the opinion of Andrews Kurth LLP, Austin, Texas, Bond Counsel, (1) interest on the Bonds is excludable under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), from gross income of the owners thereof for federal income tax purposes, and (2) interest on the Bonds is not includable in the alternative minimum taxable income of individuals or corporations, except as described below.

The foregoing opinions of Bond Counsel are based on the Code and the regulations, rulings and court decisions thereunder in existence on the date of issue of the Bonds. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, Bond Counsel has assumed continuing compliance by the Board and the Authority with certain covenants of the Resolution adopted by the Board and the Authority and other documents related to the issuance of the Bonds. Bond Counsel has relied on representations by the Board and the Authority with respect to matters solely within the knowledge of the Board and the Authority, which Bond Counsel has not independently verified. The covenants and representations relate to, among other things, the use of Bond proceeds and any facilities financed therewith, the source of repayment of the Bonds, the investment of Bond proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of Bond proceeds and certain other amounts be paid periodically to the United States and that the Authority file an information report with the Internal Revenue Service (the "Service"). If the Board or the Authority should fail to comply with the covenants in the Resolution, or if their representations relating to the Bonds that are contained in the Resolution 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.

Interest on all tax-exempt obligations, such as the Bonds, owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT)) will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed.

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

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Board and the Authority described above. No ruling has been sought from the Service with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the Authority as the "taxpayer," and the owners of the Bonds may have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Authority may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Under the Code, taxpayers are required to provide information on their returns regarding the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a financial asset securitization investment trust

(FASIT) that holds tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. Such prospective purchasers should consult their tax advisors as to the consequences of investing in the Bonds.

TAX TREATMENT OF ORIGINAL ISSUE DISCOUNT AND PREMIUM BONDS

Discount Bonds

Some of the Bonds may be offered at an initial offering price that is less than the stated redemption price at maturity of such Bonds. If a substantial amount of any maturity of the Bonds is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesalers or underwriters) at such initial offering price, an initial owner who purchases the Bonds of that maturity (the "Discount Bonds") will be considered to have "original issue discount" for federal income tax purposes equal to the difference between (a) the stated redemption price payable at the maturity of such Discount Bond and (b) the initial offering price to the public of such Discount Bond. Under existing law, such original issue discount will be treated for federal income tax purposes as additional interest on a Bond and such initial owner will be entitled to exclude from gross income for federal income tax purposes that portion of such original issue discount deemed to be earned (as discussed below) during the period while such Discount Bond continues to be owned by such initial owner. Except as otherwise provided herein, the discussion regarding interest on the Bonds under the caption "TAX EXEMPTION" generally applies to original issue discount deemed to be earned on a Discount Bond while held by an owner who has purchased such Bond at the initial offering price in the initial public offering of the Bonds and that discussion should be considered in connection with this portion of the Official Statement.

In the event of a redemption, sale, or other taxable disposition of a Discount Bond prior to its stated maturity, however, any amount realized by such initial owner in excess of the basis of such Discount Bond in the hands of such owner (increased to reflect the portion of the original issue discount deemed to have been earned while such Discount Bond continues to be held by such initial owner) will be includable in gross income for federal income tax purposes.

Because original issue discount on a Discount Bond will be treated for federal income tax purposes as interest on a Bond, such original issue discount must be taken into account for certain federal income tax purposes as it is deemed to be earned even though there will not be a corresponding cash payment. Corporations that purchase Discount Bonds must take into account original issue discount as it is deemed to be earned for purposes of determining alternative minimum tax. Other owners of a Discount Bond may be required to take into account such original issue discount as it is deemed to be earned for purposes of determining certain collateral federal tax consequences of owning a Bond. See "TAX EXEMPTION" for a discussion regarding the alternative minimum taxable consequences for corporations and for a reference to collateral federal tax consequences for certain other owners.

The characterization of original issue discount as interest is for federal income tax purposes only and does not otherwise affect the rights or obligations of the owner of a Discount Bond or of the Authority. The portion of the principal of a Discount Bond representing original issue discount is payable upon the maturity or earlier redemption of such Bond to the registered owner of the Discount Bond at that time.

Under special tax accounting rules prescribed by existing law, a portion of the original issue discount on each Discount Bond is deemed to be earned each day. The portion of the original issue discount deemed to be earned each day is determined under an actuarial method of accrual, using the yield to maturity as the constant interest rate and semi-annual compounding.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Discount Bonds by an owner that did not purchase such Bonds in the initial public offering and at the initial offering price may be determined according to rules that differ from those described above. All prospective purchasers of Discount Bonds should consult their tax advisors with respect to the determination for federal, state and local income tax purposes of interest and original issue discount accrued upon redemption, sale or other disposition of such Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Discount Bonds.

Premium Bonds

Some of the Bonds may be offered at an initial offering price that exceeds the stated redemption price payable at the maturity of such Bonds. If a substantial amount of any maturity of the Bonds is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesalers or underwriters) at such initial offering price, each of the Bonds of such maturity ("Premium Bonds") will be considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis for federal income tax purposes of a Premium Bond in the hands of an initial purchaser who purchases such Bond in the initial offering must be reduced each year and upon the sale or other taxable disposition of the Bond by the amount of amortizable bond premium. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond by the initial purchaser. Generally, no corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond, which is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond), is determined under special tax accounting rules that use a constant yield throughout the term of the Premium Bond based on the initial purchaser's original basis in such Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition by an owner of Bonds, which are not purchased in the initial offering or which are purchased at an amount representing a price other than the initial offering prices for the Bonds of the same maturity, may be determined according to rules which differ from those described above. Moreover, all prospective purchasers of Bonds should consult their tax advisors with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition 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 that might limit the ability of such institutions or entities to invest in the Bonds, or that might limit the suitability of the Bonds to secure the funds of such entities. No review by the Board has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

RATINGS

Moody's Investors Service, Inc. and Fitch Ratings have assigned ratings of "Baa3" and "BBB", respectively, to the Bonds. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and neither the Authority, the Board nor the Underwriters make any representation as to the appropriateness of the ratings. There is no assurance that the ratings of the Bonds will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of any one or more of these companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The Board will provide certain updated financial information and operating data to the Authority and the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the University of the general type included in this Official Statement under the heading(s) "SECURITY FOR THE BONDS - TABLE 1 - Pledged Revenues," "THE UNIVERSITY - TABLE 2 - University Enrollment Data," "SELECTED FINANCIAL INFORMATION - TABLE 3 - Statement of Revenues, Expenses, and Changes in Net Assets; - TABLE 4 - Condensed Statement of Net Assets; - TABLE 5 - Outstanding Indebtedness," and in Appendix C. The Board will update and provide this information within 180 days after the end of each Fiscal Year ending in or after Fiscal Year 2011.

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

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

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

Material Event Notices

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

Availability of Information

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

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

Limitations and Amendments

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

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

Compliance with Prior Agreements

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

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

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the Authority. The purchase price for the Bonds is $31,256,464.54 (which represents the par amount of the Bonds, less a net original issue discount of $534.45 and less an Underwriters discount of $243,001.01). 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.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association. Wells Fargo Bank, National Association ("WFBNA"), one of the underwriters of the Bonds, has entered into an agreement (the "Distribution Agreement") with Wells Fargo Advisors, LLC ("WFA") for the retail distribution of certain municipal securities offerings, including the Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Bonds with WFA. WFBNA and WFA are both subsidiaries of Wells Fargo & Company.

FINANCIAL ADVISOR

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

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

LITIGATION

The University

As of January 1, 2011, 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 has been a defendant in litigation originally filed in 2002 in the District Court of Harris County, Texas regarding certain energy efficiency equipment received by the University in 1998. The case is styled State Street Bank and Trust Company v. CMS Viron Corporation f/k/a Viron Energy Services v. Academic Capital Group, Inc., f/k/a Academic Capital, LLC, Academic Capital Services, Inc. f/k/a Academic Service Corp., Texas Southern University (cause no. 2002-54422). On December 16, 2009, the jury returned a unanimous verdict against the University, and on January 15, 2010, the District Court of Harris County, Texas entered a judgment against the University with damages in the amount of approximately $8.4 million and interest and fees in the current amount of approximately $9.2 million. The University has recently concluded settlement negotiations and has reached an agreement in principle pursuant to which the University will pay $2.85 million and will be relieved of any further liability under the litigation. The University currently expects that the final settlement agreement with such provisions will be executed by the parties within the next month. Such amount to be paid under the settlement agreement will not exceed the amount that the University has previously reserved to satisfy its liability under the litigation and the University does not expect such payment to have an adverse effect on its operations.

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

/s/ Dwight D. Burns
Dwight D. Burns, Executive Director
Texas Public Finance Authority

/s/ Jim C. McShan
Jim C. McShan, Vice President for Finance/ Chief Financial Officer
Texas Southern University

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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:

"*2011 Costs of Issuance Account"* means the *Texas Southern University Revenue Financing System Bonds, Series 2011 Cost of Issuance Account* created within the 2011 Project Fund pursuant to the Sixth Supplement.

"*2011 Fund(s)"* means collectively or individually the Interest and Sinking Fund, the 2011 Project Fund, the 2011 Costs of Issuance Account and the 2011 Reserve Fund.

"*2011 Project Fund"* means the *Texas Southern University Revenue Financing System Bonds, Series 2011 Project Fund* created pursuant to the Sixth Supplement.

"2011 Reserve Fund" means the *Texas Southern University Revenue Financing System Bond, Series 2011 Reserve Fund* created pursuant to the Sixth Supplement.

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

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

> (1) Committed Take Out. If the Board, or the Authority on behalf of the Board, has entered into a Credit Agreement constituting a binding commitment within normal commercial practice to discharge any of its Funded Debt at its Stated Maturity (or, if due on demand, at any date on which demand may be made) or to purchase any of its Funded Debt at any date on which such Debt is subject to required purchase, all under arrangements whereby the obligation to repay the amounts advanced for such discharge or purchase constitutes Funded Debt, then the portion of the Funded Debt committed to be discharged or purchased shall be excluded from such calculation and the principal of and interest on the Funded Debt incurred for such discharging or purchase that would be due in the Fiscal Year for which the calculation is being made, if incurred at the Stated Maturity or purchase date of the Funded Debt to be discharged or purchased, shall be added;
>
> (2) Balloon Debt. If the principal (including the accretion of interest resulting from original issue discount or compounding of interest) of any series or issue of Funded Debt due (or payable in respect of any required purchase of such Funded Debt by the Board) in any Fiscal Year either is equal to at least 25% of the total principal (including the accretion of interest resulting from original issue discount or compounding of interest) of such Funded Debt or exceeds by more than 50% the greatest amount of principal of such series or issue of Funded Debt due in any preceding or succeeding Fiscal Year (such principal due in such Fiscal Year for such series or issue of Funded Debt being referred to herein as "Balloon Debt"), the amount of principal of such Balloon Debt taken into account during any Fiscal Year shall be equal to the debt service calculated using the original principal amount of such Balloon Debt amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Debt on the date of calculation;
>
> (3) Consent Sinking Fund. In the case of Balloon Debt (as defined in clause (2) above), if the Designated Financial Officer shall deliver to the Board and the Authority an Officer's Certificate providing for the retirement of (and the instrument creating such Balloon Debt shall permit the retirement

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

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

(5) *Variable Rate*. As to any Parity Obligation that bears interest at a variable interest rate 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 Counsel"* means Andrews Kurth LLP, 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.

"*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"* or "*Series 2011 Bonds"* means the Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2011, 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.

"*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 Facility*" means (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations, provided that a Rating Agency having an outstanding rating on Parity Obligations would rate the Parity Obligations fully insured by a standard policy issued by the issuer in its two highest generic rating categories for such obligations; and (ii) a letter or line of credit issued by any financial institution, provided that a Rating Agency having an outstanding rating on the Parity Obligations would rate the parity obligations in its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the Parity Obligations and the interest thereon; and, in any case, no lower than the rating assigned by a Rating Agency to the Parity Obligations.

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

“*Designated Payment Office*” shall have the meaning ascribed to said term in the Resolution.

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

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

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

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

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

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

"*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 Bonds, Series 2002 (the "Series 2002 Bonds");
>
> Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2003 (the "Series 2003 Bonds"); and
>
> Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2004 (the "Series 2004 Bonds").

"*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 Sixth Supplement that 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.

"Rating Agency" means Fitch Ratings and Moody's Investors Service and their respective successors.

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

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

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

"*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.

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

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

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

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

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

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

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APPENDIX B

EXCERPTS OF CERTAIN PROVISIONS OF THE RESOLUTION

This Appendix contains excerpts of certain provisions of the Master Resolution and the Sixth 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.

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

****

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 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 SIXTH 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 2011 Bonds on a parity with the Prior Bonds such that the Series 2011 Bonds shall be considered Additional Parity Obligations under the Master Resolution. The Authority and the Board hereby agree that the Series 2011 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 2011 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 Sixth Supplement; provided, however, that to the extent of any conflict between the Master Resolution and this Sixth Supplement as they relate to the covenants of Sections 16, 17 and 18 of this Sixth Supplement, the covenants set forth in Section 16, 17 and 18 of this Sixth Supplement shall control.

****

Section 5. **MANAGEMENT OF 2011 FUNDS.** (a) **Creation of Funds**. The following 2011 Funds are hereby created: (i) the 2011 Reserve Fund and (ii) the 2011 Project Fund. A 2011 Costs of Issuance Account within the 2011 Project Fund shall be maintained by the Board and shall be applied to pay the costs of issuing the Series 2011 Bonds as approved by the Executive Director and as provided in this Sixth Supplement. The 2011 Funds shall be held by the University with its depository bank, currently JPMorgan Chase Bank, Houston, Texas, separate from any other funds, or as otherwise directed by the University in accordance with this Sixth Supplement. The Designated Financial Officer shall provide JPMorgan Chase Bank, Houston, Texas with such instructions as are necessary to effect the proper application of such 2011 Funds as provided by this Sixth 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, the Series 2011 Bonds and any Additional Parity Obligations issued pursuant to the provisions of Section 55.17591 of the Texas Education Code, as amended, whether by reason of stated maturity or redemption prior to stated maturity.

****

(f) **2011 Reserve Fund**. The 2011 Reserve Fund may be funded with a deposit of cash in an amount equal to the Required Reserve Amount for the Series 2011 Bonds or by a Credit Facility issued in an amount equal to the Required Reserve Amount for the Series 2011 Bonds or a combination of cash and a Credit Facility equal in amount to the Required Reserve Amount for the Series 2011 Bonds. The University shall maintain a balance in the 2011 Reserve Fund equal to the Required Reserve Amount. The University may, upon passage of a resolution by the Board, replace or substitute a Credit Facility for cash on deposit in the 2011 Reserve Fund or in substitution for or replacement of any existing Credit Facility. Upon such replacement or substitution, cash in excess of the Required Reserve Amount may be withdrawn by the University at its option, and transferred to the 2011 Project Fund Fund; provided that the face amount of any Credit Facility may be reduced at the option of the University in lieu of such transfer.

When and if the 2011 Reserve Fund contains less than the Required Reserve Amount due to the issuance of the Series 2011 Bonds, beginning on the last Business Day of the month following the delivery of the Series 2011 Bonds to the purchasers thereof, and continuing for sixty (60) months, the University shall deposit to the credit of the 2011 Reserve Fund an amount equal to 1/60th of the difference determined as of such delivery date between the amount in the 2011 Reserve Fund and the Required Reserve Amount. In the event of a deficiency in the 2011 Reserve Fund, or in the event that on the date of termination or expiration of any Credit Facility there is not on deposit in the 2011 Reserve Fund sufficient cash or Credit Facilities, all in an aggregate amount at least equal to the Required Reserve Amount, then the University shall, after making required deposits to the Interest and Sinking Fund in accordance with the terms of this Resolution, satisfy the Required Reserve Amount by depositing cash or a Credit Facility into the 2011 Reserve Fund in monthly installments of not less than 1/12 of such deficiency on or before the last Business Day of each month following such deficiency, termination or expiration.

Section 10. **SECURITY FOR THE SERIES 2011 BONDS**. The Series 2011 Bonds are special obligations payable from and secured by the Pledged Revenues pursuant to this Sixth 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 2011 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 2011 Bonds when due, whether by reason of stated maturity or redemption prior to stated maturity.

****

Section 11. **ISSUANCE OF SERIES 2011 BONDS AS PARITY OBLIGATIONS PURSUANT TO THE MASTER RESOLUTION**. The Series 2011 Bonds shall be issued as Parity Obligations pursuant to the Master Resolution. The Board has determined that there will be sufficient funds to meet the financial obligations of each Participant in the Financing System, including sufficient Pledged Revenues to satisfy the annual debt service requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System. The Board has also received and approved all certifications and estimates from the Designated Financial Officer that are required by the Master Resolution as a condition to the authorization of the Series 2011 Bonds.

****

Section 17. **DEFEASANCE OF OBLIGATIONS**. (a) Any Series 2011 Bond may be defeased (a "Defeased Bond") within the meaning of this Sixth Supplement, except to the extent provided in subsections (c) and

(e) of this Section, in any manner provided by law, when payment of the principal of such Series 2011 Bond, plus interest thereon to the due date or dates (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the Authority with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable or (3) any combination of (1) and (2). At such time as a Series 2011 Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Series 2011 Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the revenues herein pledged as provided in this Sixth Supplement, and such principal and interest shall be payable solely from such money or Defeasance Securities.

(b) The deposit under clause (ii) of subsection (a) shall be deemed a payment of a Series 2011 Bond as aforesaid when proper notice of redemption of such Series 2011 Bonds shall have been given, in accordance with this Sixth Supplement. Any money so deposited with the Paying Agent/Registrar as provided in this Section may at the written discretion of the Authority also be invested in Defeasance Securities, maturing in the amounts and at the times as hereinbefore set forth, and all income from all Defeasance Securities in possession of the Paying Agent/Registrar pursuant to this Section which is not required for the payment of such Series 2011 Bond and premium, if any, and interest thereon with respect to which such money has been so deposited, shall be turned over to the Authority.

(c) The term "Defeasance Securities" as used in this section means (i) means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America (including Interest Strips of the Resolution Funding Corporation), (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Authority adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Series 2011 Bonds are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Authority adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Series 2011 Bonds, are rated as to investment quality by a nationally recognized investment rating firm no less than "AAA" or its equivalent.

(d) Notwithstanding any provision of any other Section of this Sixth Supplement which may be contrary to the provisions of this Section, all money or Defeasance Securities set aside and held in trust pursuant to the provisions of this Section for the payment of principal of the Series 2011 Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Series 2011 Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Authority shall make proper arrangements to provide and pay for such services as required by this Sixth Supplement.

(e) Notwithstanding anything elsewhere in this Sixth Supplement, if money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar pursuant to this Section for the payment of Series 2011 Bonds and such Series 2011 Bonds shall not have in fact been actually paid in full, no amendment of the provisions of this Section shall be made without the consent of the registered owner of each Series 2011 Bond affected thereby.

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

(g) In the event that the Authority elects to defease less than all of the principal amount of Series 2011 Bonds of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Series 2011 Bonds by such random method as it deems fair and appropriate.

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APPENDIX C

FINANCIAL REPORT OF TEXAS SOUTHERN UNIVERSITY

FOR THE YEAR ENDED AUGUST 31, 2010

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ANNUAL FINANCIAL REPORT

of

TEXAS SOUTHERN UNIVERSITY

(An Agency of State of Texas)

For the Year Ended
August 31, 2010

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TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

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For the Year Ended August 31, 2010

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INTRODUCTORY SECTION

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

VICE PRESIDENT FOR FINANCE/CFO
OFFICE: 713-313-7302; FAX: 713-313-7070

November 18, 2010

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

We are pleased to submit this independently audited Annual Financial Report for the fiscal year ended August 31, 2010 for Texas Southern University ("TSU"). There have been many positive outcomes that have occurred during the fiscal year 2010:

- The confirmation of the Southern Association of Colleges and Schools (SACS) accreditation; and
- Both Moody's and Fitch rating agencies increased the University's bond rating.

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

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

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

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

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

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

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

Sincerely,

Jim McShan

Jim C. McShan
Vice President for Finance

TEXAS SOUTHERN UNIVERSITY

(An Agency of State of Texas)

BOARD OF REGENTS

August 31, 2010

Officers

Glenn O. Lewis, Chair
Dionicio Flores, Vice Chair
Tracye McDaniel, Second Vice Chair
Richard Salwen, Secretary
Bianca Brock, Student Regent

Members

Samuel Bryant	Austin
Richard Knight, Jr.	Dallas

Terms Expire February 1, 2011

Glenn O. Lewis, Chair	Fort Worth
Richard Salwen, Secretary	Austin
Gary Bledsoe	Austin
Richard C. Holland	Plano

Terms Expire February 1, 2013

Tracye McDaniel, Second Vice Chair	Houston
Dionicio Flores	El Paso
Curtistene McCowan	De Soto

Terms Expire February 1, 2015

Bianca Brock, Student Regent	Houston

Term Expire May 31, 2011

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TEXAS SOUTHERN UNIVERSITY
(An Agency of State of Texas)
UNIVERSITY ADMINISTRATION
August 31, 2010

University Administration

John M. Rudley, Ed.D	President
Janis J. Newman	Chief of Staff
Sunny E. Ohia, Ph.D	Provost/ Vice President for Academic Affairs and Research
James M. Douglas, Ph.D	Executive Vice President
Andrew C. Hughey	General Counsel
Jim C. McShan, CPA	Vice President for Finance/CFO
Gloria J. Walker, CPA	Vice President for Administration/COO
William T. Saunders, Ph.D	Vice President for Student Services and Dean of Students
Wendy H. Adair	Vice President for University Advancement
Charla Parker-Thompson	Director of Internal Audit
Charles F. McClelland	Athletics Director
Edieth Y. Wu, Ph.D	Chair, Faculty Assembly/Senate

Fiscal Administration

Beverly W. Ruffin, CPA	Executive Director of Business Affairs
Gregory L. Williams	Executive Director of Purchasing and Procurement
Louis Edwards	Treasurer
Lavonda Horn	Associate Director, General Accounting
Errol J. Thomas	Accounting Manager
Chinye M. Onwuemene	Accounting Manager

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Regents of
Texas Southern University:

We have audited the accompanying Statement of Net Assets of Texas Southern University ("TSU"), an Agency of the State of Texas, as of August 31, 2010, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of TSU's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements of TSU are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the State of Texas that is attributable to the transactions of TSU. They do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2010, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of TSU as of August 31, 2010, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2010 on our consideration of TSU's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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

Counsel of Counsel
John R. Pechacek, CPA

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

Bellville
6100 Windy Hill Lane
Bellville, TX 77418
979.865.3160

Austin
100 Congress Ave., Ste. 2000
Austin, TX 78701
512.381.0222

All Offices
www.texasauditors.com
info@texasauditors.com
713.263.1550 fax

Governmental Audit Quality Center
AICPA

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

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

Belt Harris Pechacek, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
November 12, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

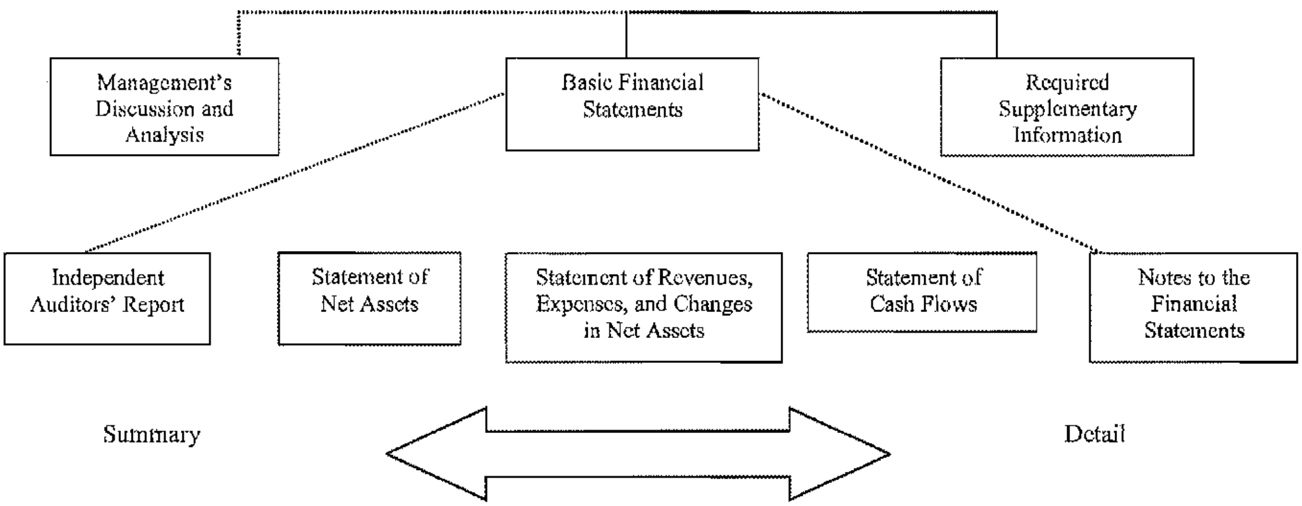
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

August 31, 2010

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

THE STRUCTURE OF OUR ANNUAL REPORT

Components of the Financial Section



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

Basic Financial Statements

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

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

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

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

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

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

FINANCIAL ANALYSIS OF TSU

As noted earlier, net assets may serve over time as a useful indicator of TSU's financial position. Assets exceed liabilities by $146,873,857.45 of August 31, 2010. As required by GASB Statement No. 34, a comparative analysis has been presented as a component of the MD&A. The largest portion of TSU's net assets (43%) reflects its investments in capital assets (e.g., land, buildings and improvements, equipment, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. TSU uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although TSU's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Condensed Statement of Net Assets

The following table reflects the condensed Statement of Net Assets:

CONDENSED STATEMENT OF NET ASSETS

	2010	2009
Current and other assets	$ 107,249,675.44	$ 100,183,061.95
Restricted assets	37,176,942.01	35,251,944.24
Capital assets, net	184,244,541.70	188,812,390.27
	328,671,159.15	324,247,396.46
Total Assets		
Current liabilities	78,808,653.69	73,610,977.14
Noncurrent liabilities	102,988,648.01	114,065,846.64
Total Liabilities	181,797,301.70	187,676,823.78
Invested in capital assets, net of related debt	64,030,540.18	64,348,006.61
Restricted for:		
Capital projects	1,756,419.73	5,748,032.77
Debt service	449,337.73	362,919.34
Other	31,494,538.50	32,009,715.26
Unrestricted	49,143,021.31	34,101,898.70
Total Net Assets	$ 146,873,857.45	$ 136,570,572.68

Unrestricted net assets increased by $15,041,122.61 from $34,101,898.70 to $49,143,021.31 at year end. Unrestricted net assets are assets that can be used to finance day-to-day operations without constraints established by debt covenants and enabling legislation. The majority of this increase can be attributed to increase in tuition, federal awards and Hurricane Ike reimbursements.

Statement of Revenues, Expenses, and Changes in Net Assets

	2010	2009
Operating Revenues		
Tuition and fees, pledged	$ 76,139,146.44	$ 59,420,131.89
Discount on tuition and fees	(22,068,813.00)	(18,769,655.00)
Auxiliary enterprises, pledged	12,118,191.03	7,782,380.80
Other sales of goods and services, pledged	82,349.59	94,409.05
Federal revenue	50,586,841.93	41,063,512.79
Federal pass through revenue	10,553,849.34	4,212,004.08
State revenue	1,498,412.00	1,461,145.32
State pass through revenue	5,587,697.24	1,833,134.00
Other operating contract and grants, pledged	1,866,264.67	1,828,192.01
Other operating revenue	2,658,292.78	4,481,213.10
Total Operating Revenues	**139,022,232.02**	**103,406,468.04**
Operating Expenses		
Salaries and wages	86,118,451.31	80,048,211.47
Payroll related costs	21,536,320.43	19,180,344.29
Professional fees and services	9,031,176.09	15,099,642.44
Travel	3,124,377.49	2,129,694.04
Materials and supplies	14,854,426.50	11,411,396.48
Communication and utilities	5,553,340.06	5,802,965.71
Repairs and maintenance	6,624,311.11	16,747,215.19
Rentals and leases	2,078,025.43	2,618,562.54
Printing and reproductions	578,284.23	399,244.12
Bad debt expense	3,261,993.72	1,980,042.66
Scholarships	25,157,274.92	17,577,768.93
Other operating expenses	11,571,739.31	4,913,067.21
Depreciation	12,497,322.99	13,175,232.24
Total Operating Expenses	**201,987,043.59**	**191,083,387.32**
Operating (Loss)	**$ (62,964,811.57)**	**$ (87,676,919.28)**

Statement of Revenues, Expenses, and Changes in Net Assets, *Continued*

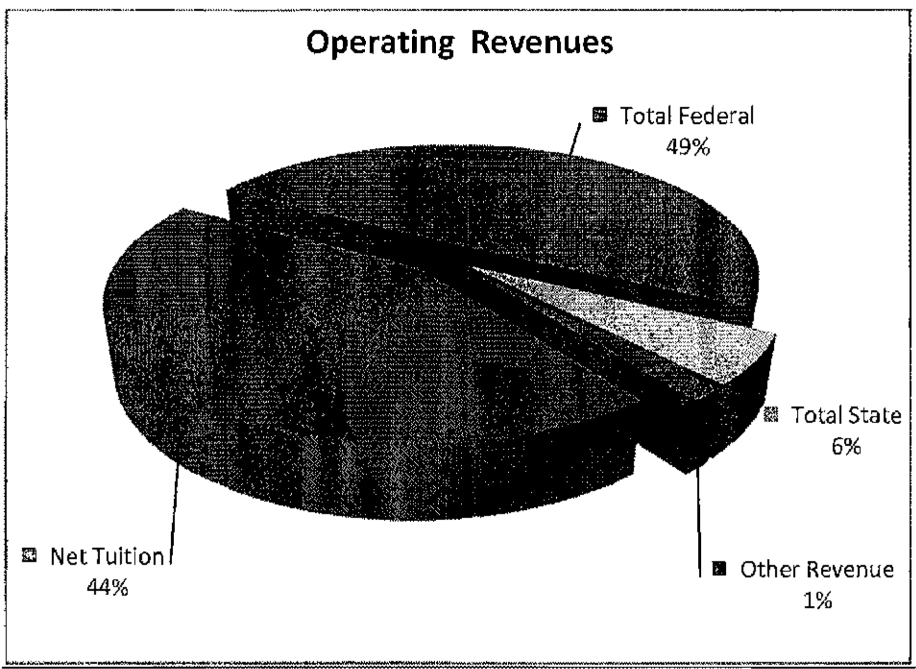
	2010	2009
Nonoperating Revenues (Expenses)		
State appropriations	$ 57,082,216.00	$ 73,569,970.00
Additional appropriations	10,987,734.02	9,498,332.79
Other non-operating revenue (expenses)	(3,317,849.10)	14,978.70
Gifts received	1,305,397.19	4,542,730.46
Interest income	1,136,361.93	1,304,200.95
Extinguishment of debt		11,264,101.00
Investing expenses	(208,543.00)	(200,195.00)
Interest expense	(5,454,611.81)	(5,819,242.04)
Net increase (decrease) in fair value of investments	1,265,227.00	(2,840,666.00)
Total Nonoperating Revenues (Expenses)	62,795,932.23	91,334,210.86
Income Before Other Revenues, Expenses, Gains, and Transfers	(168,879.34)	3,657,291.58
Other Revenues, Expenses, Gains, and Transfers		
Capital appropriations, HEAF	11,283,387.00	11,283,387.00
Additions to endowments	30,631.32	124,807.62
Returned lapsed appropriations	(154,500.73)	(2,017,500.00)
Transfer to state	(687,353.48)	(623,137.76)
Appropriations Transfer-In	3,975,023.00	0.00
Appropriations Transfer-Out	(3,975,023.00)	0.00
Total Other Revenues, Expenses, Gains, and Transfers	10,472,164.11	8,767,556.86
Change in Net Assets	10,303,284.77	12,424,848.44
Beginning net assets	136,570,572.68	124,145,724.24
Ending Net Assets	$ 146,873,857.45	$ 136,570,572.68

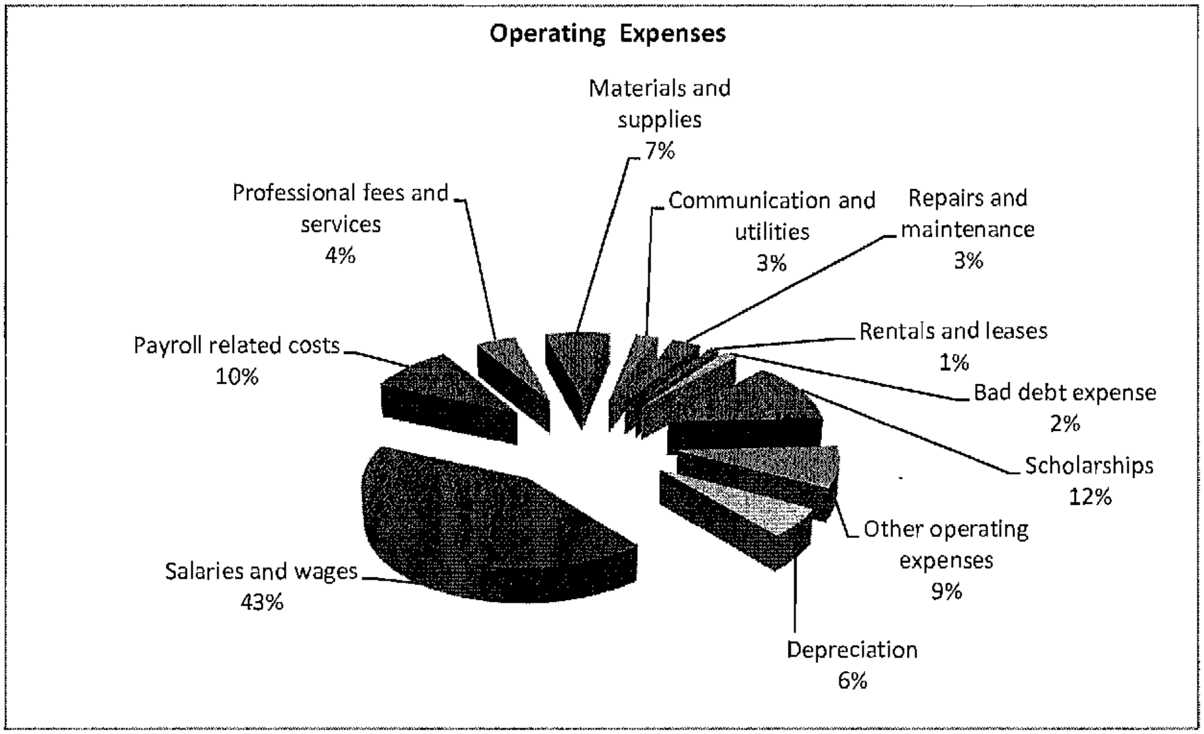
For the year ended August 31, 2010, revenues totaled $217,953,483.17. Total revenues increased by $2,944,506.61 or 1%. TSU's total net assets increased by $10,303,284.77 or 8%. This primary increase was due to increase in auxiliary tuition and fees, as well as an increase in Pell awards by $7,000,000.

Expenses totaled $207,650,198.40 for the year ended August 31, 2010. This represents an increase of $7,083,570.28 from last year. The majority of this increase can be attributed to increases in scholarships related to Pell awards, as well as a reclassification of expenditures from professional fees per state classification.
Key elements to these changes are as follows:

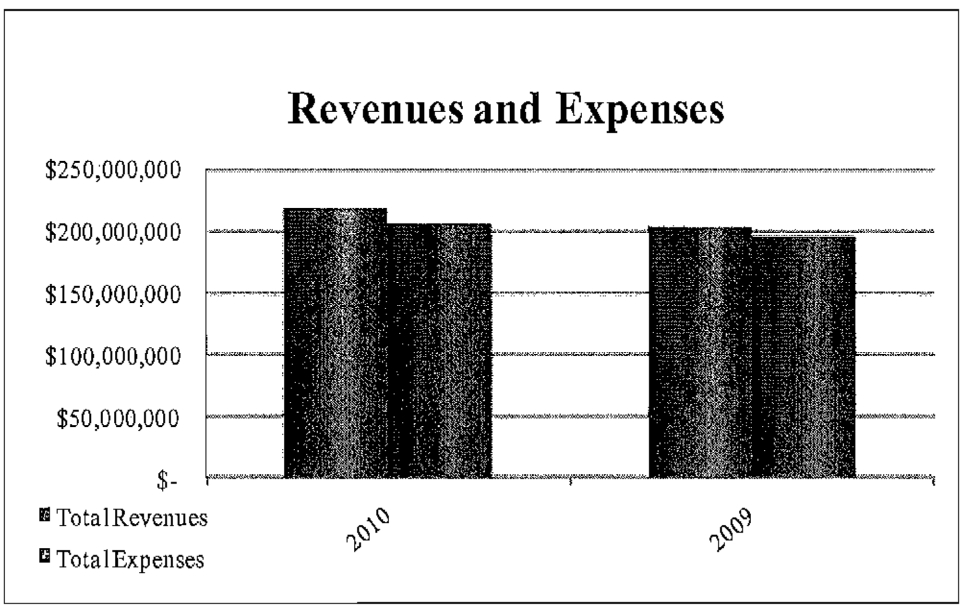
- Operating revenues increased by $35,615,763.98 due to increased tuition and federal award revenue.
- Non-operating revenues (expenses) decreased by $32,671,257.37 (29%) due to decrease in appropriations received from the State, the release of Department of Education debt in FY 09, and gifts contributed to TSU.
- Operating expenses increased by $11,581,565.52 (7%) as a result of increase in Pell award scholarships awarded to students and increases spending on material and supplies.
- Nonoperating expenses decreased $3,820,085.99 (40%) due to a reduction in interest expense and smaller investment losses.

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





Operating Expenses
Materials and supplies 7%
Communication and utilities 3%
Repairs and maintenance 3%
Rentals and leases 1%
Bad debt expense 2%
Scholarships 12%
Other operating expenses 9%
Depreciation 6%
Salaries and wages 43%
Payroll related costs 10%
Professional fees and services 4%



Revenues and Expenses
$250,000,000
$200,000,000
$150,000,000
$100,000,000
$50,000,000
$-
2010
2009
Total Revenues
Total Expenses

CAPITAL ASSETS

At year end, TSU had invested $184,244,541.70 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net decrease of $4,567,848.57. Depreciation is included with the capital assets as required by GASB Statement No. 34.

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

- Building improvements completed at a cost of $8,446,255.29.
- Various building renovations were added as construction in progress at a total cost of $657,204.19.
- The Leonard Spearman Technology building with a net book value of $7,605,371 was demolished during the year.

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

LONG-TERM DEBT

TSU's Revenue Bonds carry the rating of "Baa3" with Moody's Investors Service. At year end, TSU had $86,812,825.48 in revenue bonds outstanding versus $93,001,741.00 last year. TSU had $23,732,379.72 in general obligation bonds outstanding compared to $28,212,975.00 last year. More detailed information about TSU's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS

TSU was removed from probation in June 2010 by the Southern Association of College and Schools (SACS), the accreditation body. In addition, like other entities along the Texas Gulf Coast, TSU suffered damages from Hurricane Ike. However, the institution is recovering and replacement costs were covered by FEMA, insurance coverage, or a special appropriation from the State.

CONTACTING TSU'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF NET ASSETS

As of August 31, 2010

		2010
Assets		
Current Unrestricted Assets		
Cash on hand	$	2,225.00
Cash in bank		32,478,665.53
Cash in state treasury		13,711,241.76
Balance in state appropriations		10,960,025.53
Accounts receivable, net		19,193,019.83
Due from federal government		11,919,562.52
Due from state government		16,400.76
Other receivables		827,601.56
Gifts receivable, net		996,894.64
Due from other agencies		14,512.31
Inventories		217,830.79
Prepaid items		13,659,593.03
Total Current Unrestricted Assets		**103,997,573.26**
Current Restricted Assets		
Cash and cash equivalents		427,407.87
Investments		5,785,241.79
Total Current Restricted Assets		**6,212,649.66**
Total Current Assets		**110,210,222.92**
Noncurrent Restricted Assets		
Noncurrent investments		30,964,292.35
Total Noncurrent Restricted Assets		**30,964,292.35**
Noncurrent Unrestricted Assets		
Notes receivable, net		2,224,933.00
Deferred charges		1,027,169.18
Nondepreciable capital assets:		
Land		15,877,301.13
Construction in progress		657,204.19
Historical treasures and works of art		2,868,943.42
Total Nondepreciable Capital Assets		**19,403,448.74**
Depreciable capital assets:		
Buildings and building improvements		311,998,083.80
Infrastructure		6,528,360.95
Equipment		24,318,322.09
Library books		28,147,087.63
Less accumulated depreciation		(206,150,761.51)
Total Net Depreciable Capital Assets		**164,841,092.96**
Total Noncurrent Assets		**218,460,936.23**
Total Assets	$	**328,671,159.15**

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF NET ASSETS (Continued)

As of August 31, 2010

		2010
Liabilities		
Current Liabilities		
Accounts payable	$	(6,314,048.58)
Salaries payable		(6,589,384.84)
Due to state		(2,887.50)
Interest payable		(1,740,593.08)
Escheat payable		(87,509.44)
Deferred revenue		(42,259,356.51)
Student refunds payable		(2,467,426.35)
Other payables		(5,608,216.13)
Notes payable due in one year		(240,900.05)
Revenue bonds due in one year		(6,458,915.06)
General obligation bonds due in one year		(4,640,594.93)
Compensated absences payable due in one year		(2,398,821.22)
Total Current Liabilities		**(78,808,653.69)**
Noncurrent Liabilities		
Notes payable due in more than one year		-
Revenue bonds due in more than one year (net of premiums and discounts)		(80,353,910.42)
General obligation bonds due in more than one year (net of premiums and discounts)		(19,091,784.79)
Compensated absences payable due in more than one year		(2,110,258.77)
Arbitrage payable		(622,694.03)
Due to Perkins Loan Program		-
Accrued claims and judgments		(810,000.00)
Total Noncurrent Liabilities		**(102,988,648.01)**
Total Liabilities		**(181,797,301.70)**
Net Assets Represented by:		
Invested in capital assets, net of related debt		(64,030,540.18)
Restricted for:		
Capital projects		(1,756,419.73)
Debt service		(449,337.73)
Loans		(159,353.06)
Other purposes		(370,893.09)
Endowments		(30,964,292.35)
Unrestricted		(49,143,021.31)
Total Net Assets	$	**(146,873,857.45)**

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS

As of August 31,2010

		2010
Operating Revenues		
Tuition and fees, pledged	$	76,139,146.44
Discount on tuition and fees		(22,068,813.00)
Auxiliary enterprises, pledged		12,118,191.03
Other sales of goods and services, pledged		82,349.59
Federal revenue		50,586,841.93
Federal pass through revenue		10,558,265.34
State revenue		1,498,412.00
State pass through revenue		5,587,697.24
Other operating contract and grants, pledged		1,866,264.67
Other operating revenue		2,653,876.78
Total Operating Revenues		**139,022,232.02**
Operating Expenses		
Salaries and wages		86,118,451.31
Payroll related costs		20,754,008.20
Professional fees and services		9,031,176.09
Travel		3,124,377.49
Materials and supplies		14,854,426.50
Communication and utilities		5,553,340.06
Repairs and maintenance		6,624,311.11
Rentals and leases		2,078,025.43
Printing and reproductions		578,284.23
Bad debt expense		3,261,993.72
Scholarships		25,157,274.92
Other operating expenses		12,354,051.54
Depreciation and amortization		12,497,322.99
Total Operating Expenses		**201,987,043.59**
Operating (Loss)	$	**(62,964,811.57)**

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

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

As of August 31, 2010

		2010
Nonoperating Revenues (Expenses)		
State appropriations	$	57,082,216.00
Additional appropriations		10,987,734.02
Gifts received		1,305,397.19
Interest income		1,136,361.93
Investing expenses		(208,543.00)
Interest expense		(5,454,611.81)
Net increase (decrease) in fair value of investments		1,265,227.00
Other non-operating		(3,317,849.10)
Total Nonoperating Revenues		62,795,932.23
Income Before Other Revenues, Expenses, Gains, and Transfers		(168,879.34)
Other Revenues, Expenses, Gains, and Transfers		
Capital appropriations, HEAF		11,283,387.00
Additions to endowments		30,631.32
Returned lapsed appropriations		(154,500.73)
Transfer to state		(687,353.48)
Appropriations Transfer-In		3,975,023.00
Appropriations Transfer-Out		(3,975,023.00)
Total Other Revenues, Expenses, Gains (Losses), and Transfers		10,472,164.11
Change in Net Assets		**10,303,284.77**
Beginning net assets		136,570,572.68
Ending Net Assets	$	(146,873,857.45)

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF CASH FLOWS (Continued)

For the Year Ended August 31, 2010

		2010
Cash Flows from Operating Activities		
Proceeds from tuition and fees	$	51,269,813.69
Proceeds from auxiliary enterprises		12,118,191.03
Proceeds from federal grants and contracts		56,011,629.41
Proceeds from state grants and contracts		7,084,736.74
Proceeds from other revenues		609,451.44
Payments to employees for salaries and wages		(85,123,737.33)
Payments for employee related costs		(21,536,320.43)
Payments for other expenses		(76,146,824.73)
Net Cash (Used) by Operating Activities		(55,713,060.18)
Cash Flows from Noncapital Financing Activities		
Receipts from state appropriations		93,633,818.65
Receipts from gifts and endowments		2,839,133.87
Net Cash Provided by Noncapital Financing Activities		96,472,952.52
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets		(12,996,520.62)
Principal paid on capital debt		(11,007,680.15)
Interest and fiscal agent fees paid		(5,450,518.41)
Net Cash (Used) by Capital and Related Financing Activities		(29,454,719.18)
Cash Flows from Investing Activities		
Sale of investments		1,265,227.00
Purchase of investments		(127,369.72)
Payments received on notes receivable		(185,238.42)
Interest received		927,818.93
Net Cash Provided by Investment Activities		1,880,437.79
Net (Decrease) in Cash and Cash Equivalents		13,185,610.95
Beginning cash and cash equivalents		33,433,929.21
Ending Cash and Cash Equivalents	$	46,619,540.16
Unrestricted cash and cash equivalents		46,192,132.29
Restricted cash and cash equivalents		427,407.87
Ending Cash and Cash Equivalents	$	46,619,540.16

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF CASH FLOWS (Continued)

For the Year Ended August 31, 2010

Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities		**2010**
Operating (Loss)	$	(62,964,811.57)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		12,497,322.99
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable, net		(4,806,574.09)
Due from federal government		(5,129,061.86)
Other receivables		(812,532.95)
Inventories		96,842.34
Prepaid items		140,534.65
Increase (Decrease) in:		
Accounts payable		1,161,933.37
Salaries payable		504,175.63
Due to state		
Escheat payable		(91,739.25)
Deferred revenue		(3,184,922.65)
Student refunds payable		2,004,681.84
Other current liabilities		4,380,553.02
Compensated absences		490,538.35
Net Cash (Used) by Operating Activities	$	(55,713,060.18)

See Notes to Financial Statements.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Reporting Entity

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

B. Financial Statement Presentation

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

- A Management's Discussion and Analysis ("MD&A") section providing an analysis of TSU's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of TSU's activities.

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

- **Invested in capital assets, net of related debt** - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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

C. Measurement Focus and Basis of Accounting

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

D. Budgets and Budgetary Accounting

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

E. Assets, Liabilities, and Net Assets

1. Cash and Cash Equivalents

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

2. Balance in State Appropriations

This item represents the balance of general revenue funds at August 31, 2010 as calculated in the Texas Comptroller's General Revenue Reconciliation.

3. Current Receivables – Other

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

4. Investments

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

5. Restricted Assets

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

6. Inventories and Prepaid Items

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

7. Capital Assets

Capital assets are defined by the State as follows:

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

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

Asset Description	Estimated Useful Life
Buildings and improvements	15 to 50 years
Machinery and equipment	3 to 10 years
Infrastructure	30 to 50 years
Computer Software	5 to 6 years
Land Use Rights	10 years

8. Accounts Payable

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

9. Compensated Absences

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

10. Bonds Payable – General Obligation Bonds

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

11. Bonds Payable – Revenue Bonds

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

12. Net Assets
The difference between fund assets and liabilities is "net assets."

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

G. Operating versus Non-operating Revenues
TSU categorizes revenues as operating versus non-operating following the State Comptroller of Public Account's guidelines. Generally, all revenues are considered operating revenue unless they are non-exchange transactions, such as State Appropriation, gifts, or investment related earnings.

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

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

NOTE 2: CAPITAL ASSETS

A summary of changes in capital assets for the year ended August 31, 2010 is as follows:

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ACTIVITIES	Balance 9/1/2009	Adjustments	Reclassifications Completed CIP	Additions	Deletions	Balance 8/31/2010
Non-depreciable or Non-amortizable Assets						
Land and Land Improvements	15,877,301.13					15,877,301.13
Infrastructure						-
Construction in Progress	815,065.83		(6,049,701.21)	5,971,567.88	(79,728.31)	657,204.19
Other Tangible Capital Assets	1,727,043.42			1,141,900.00		2,868,943.42
Land Use Rights - Permanent						-
Other Tangible Capital Assets- Perm						-
Total Non-depreciable Non-amortizable	18,419,410.38	$ -	(6,049,701.21)	7,113,467.88	(79,728.31)	19,403,448.74
Depreciable Assets						-
Buildings and Building Improvements	295,294,067.47		5,540,444.21	3,688,454.83	(7,668,884.63)	296,854,081.88
Infrastructure	6,528,360.95					6,528,360.95
Facilities and Other Improvements	15,033,388.92			110,613.00		15,144,001.92
Furniture and Equipment	20,737,884.02	(375,651.38)	509,257.00	1,989,450.34	(643,021.50)	22,217,918.48
Vehicle, Boats and Aircraft	1,277,422.55			436,861.68	(93,785.00)	1,620,499.23
Other Capital Assets	29,384,130.21			2,269,720.09	(3,506,762.67)	28,147,087.63
Total Depreciable Assets at Historical	368,255,254.12	(375,651.38)	6,049,701.21	8,495,099.94	(11,912,453.80)	370,511,950.09
Less Accumulated Depreciation for:						-
Buildings and Building Improvements	(161,502,161.68)	(4,402,130.59)		(7,191,540.05)	7,106,143.05	(165,989,689.27)
Infrastructure	(541,585.15)			(312,191.52)		(853,776.67)
Facilities and Other Improvements	(8,119,408.34)	(227.94)		(1,168,536.39)		(9,288,172.67)
Furniture and Equipment	(12,013,186.50)	5,494.64		(1,879,977.28)	626,098.91	(13,261,570.23)
Vehicle, Boats and Aircraft	(1,007,308.83)			(41,503.05)		(1,048,811.88)
Other Capital Assets	(17,896,518.65)	(12,601.30)		(1,223,255.30)	3,506,762.67	(15,625,612.58)
Total Accumulated Depreciation	(201,080,169.15)	(4,409,465.19)	-	(11,817,003.59)	11,239,004.63	(206,067,633.30)
Depreciable Assets, Net	167,175,084.97	(4,785,116.57)	6,049,701.21	(3,321,903.65)	(673,449.17)	164,444,316.79
Intangible Capital Assets- Amortizable						-
Land Use Rights - Term						-
Computer Software - Intangible		375,651.38		104,253.00		479,904.38
Other Intangible Capital Assets						-
Total Intangible Capital Assets	-	375,651.38	-	104,253.00	-	479,904.38
Less Accumulated Amortization for:						-
Land Use Rights - Term				(83,128.21)		(83,128.21)
Computer Software - Intangible						-
Other Intangible Capital Assets						-
Total Accumulated Amortization	-	-	-	(83,128.21)	-	(83,128.21)
Intangible Capital Assets - Amortizable	-	375,651.38	-	21,124.79	-	396,776.17
Activities Capital Assets - Net.	185,594,495.35	(4,409,465.19)	-	3,812,689.02	(753,177.48)	184,244,541.70

Construction commitments outstanding at year end were as follows:

Bldg No.	Project Description/ Project Manager		Overall Project Budget		Total Spent To Date
101	Hannah Hall, Renovation of Suite 340	$	7,410.00	$	4,816.50
101	Hannah Hall, Exterior Window Waterproofing		18,776.00		-
102	Gray Hall/Renovation and upgrades Design for Classroom		128,497.88		102,929.79
102	Gray Hall/Installation and connection upgrades for New Cage Washer		14,000.00		11,900.00
102	Gray Hall Roof Mitigation		151,000.00		15,100.00
104	Nabrit Building Room 355 Renovation		4,900.00		-
114	Domestic Water Pumps		39,418.80		-
114	UC, Sign-in (guest) Room, Mold Abatement and Build back Project		17,820.00		15,000.00
114	TO, Building # 5-Mchanical Room, Mold Abatement and Build back Project		9,720.00		7,000.00
114	TO Apt Building # 2, Elevator Repairs		850.00		-
114	University Courtyard & Tierwester Oaks/Drywall andFloor Repairs		25,000.00		15,150.00
114	University Courtyard & Tierwester Oaks Emergency Mold repairs		25,000.00		-
114	Tierwester Oaks, paint new interior doors		15,000.00		-
114	University Courtyard & Tierwester Oaks, floor repairs and drywall repairs		25,000.00		10,336.00
114	University Courtyard subfloor repairs, drywall repairs-Tierwester Oaks Mold repairs		25,000.00		-
115	UC Apt Building # 2, Elevator Repairs		900.00		-
115	UC, APT Building # 5-103, Mold Abatement and Build back Project		32,860.00		24,248.00
115	UC Apts, Building # 1, Unit 207, Mold abatement/build back		34,800.00		25,800.00
115	UC Apts, Building # 2, Unit 106, Mold abatement/build back		34,365.00		25,452.00
115	University Courtyard corridor floor repairs		25,000.00		10,000.00
115	University Courtyard, paint new interior doors		15,000.00		-
115	University Courtyard, 13 floor patches		6,600.00		-
130	Lanier West Call Center		15,771.09		-
130	Lanier West Student Lab		2,881.26		-
130	Lanier West		46,418.36		12,148.25
143	Martin Luther King		66,105.12		26,442.48
147	Law School Library Renovation		37,474.00		-
148	Sterling Student Center Grease Trap		17,495.00		-
148	Sterling Student Center, ADA Sliding door replacement		7,350.00		-
161	Campus Guard Shack Installation		116,909.00		29,845.00
161	General Service Building Kitchenette Department of Public Safety		4,950.00		-
163	Technology Building Demolition/New Construction		68,985.00		65,770.00
164	Health & Physical Education Bldg./Asst. Women basketball office		176,040.00		57,808.45
164	Boiler Renovation		168,894.40		-
164	Health and Physical Education Simplex/ Women Basketball		21,240.00		19,914.60
166	Texas Medical Center Phase 1, furniture replacement		84,999.99		-
166	Texas Medical Center Phase 2, furniture replacement		39,747.16		-
166	Texas Medical Center Phase 3, furniture replacement		46,300.00		-
	TOTAL	$	1,578,478.06	$	479,661.07

TSU's capital assets not in use had a net value of $2,912,129.33 at year end.

Buildings not used at year end are as follows:

Building		Net Book Value
Richfield Manor	$	1,825,320.41
Tennis Facility		0.00
YMCA Building		1,086,808.92
	Total $	2,912,129.33

NOTE 3: DEPOSITS AND INVESTMENTS

A. Deposits of Cash in Bank

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, TSU's deposits may not be returned to it. As of August 31, 2010, TSU was fully collateralized.

		2010
Cash and cash equivalents per statement of cash flows	$	46,619,540.16
Less:		
Cash on hand		2,225.00
Cash in treasury		13,711,241.76
Total Cash in Bank		32,906,073.40
Unrestricted cash in bank:		32,478,665.53
Restricted cash in bank:		427,407.87
Total Cash in Bank	$	32,906,073.40

B. Investments

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

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

As of August 31, 2010, TSU had the following investments:

Investment Type	Fair Value
U.S. Government Agency Obligations	7,473,821.29
U.S. Treasury Secruritics	870,531.36
Equity	15,316,277.10
Corportate Obligations	4,928,454.65
Commerical Paper	729,963.50
International Obligations	1,059,536.45
Fixed Income Money Market Funds	6,370,949.79
Total Fair Value	36,749,534.14

Credit risk. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). TSU's investment policy limits investments in obligations of states, agencies, counties, cities, and other political subdivisions of any investments rated greater than A or its equivalent. Corporate bonds, debentures, or similar debt instruments must be rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradation within those categories. The following table presents each applicable investment type grouped by rating as of August 31, 2010:

Standard & Poor

Investment Type	AAA	AA	AA+	AA-	A
U.S. Treasury Securities	$ 870,531.36	$ -	$ -	$ -	$ -
U.S. Treasury Strips	-	-	-	-	-
U.S. Government Agency Obligations	6,964,594.46	-	-	-	-
Corporate Obligations	1,519,701.04	-	240,693.32	148,839.31	554,835.61
International Obligations	-	-	-	-	-

Standard & Poor

Investment Type	A+	A-	BBB	BBB+	BBB-
U.S. Treasury Securities	$ -	$ -	$ -	$ -	$ -
U.S. Treasury Strips	-	-	-	-	-
U.S. Government Agency Obligations	-	-	-	-	-
Corporate Obligations	114,552.72	220,453.07	737,276.91	464,866.04	739,683.42
International Obligations	-	-	-	255,515.05	-

Unrated

Investment Type	
Corporate Obligations	$ 187,553.21
Fixed Income Money Market Funds	6,370,949.79
Commercial Paper	729,963.50
Equity	15,316,277.10
International Equity	804,021.40
U.S. Government Agency Obligations	509,226.83

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

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

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

The following table demonstrates TSU's interest rate risk.

		Investment Maturities (in Years)				
Investment Type	Fair Value	Stocks	Less Than 1	1 to 5	6 to 10	More than 10
Agency Discount Securi	$ 5,733,596.00	$ -	$ 5,733,596.00	$ -	$ -	$ -
Agencies	1,740,224.68	-	-	961,169.27	376,839.71	402,215.70
Treasuries	870,531.36	-	-	193,820.63	352,711.87	323,998.86
Common Stock	15,316,277.00	15,316,277.00	-	-	-	-
Corporate Obligations	4,928,454.65	-	-	1,740,951.31	1,059,064.00	2,128,439.34
Commercial Paper Securiti	729,964.00	-	729,964.00	-	-	-
Foreign Obligations	1,059,536.45	804,021.40	-	179,220.29	-	76,294.76
Money Market Funds	6,370,950.00	-	6,370,950.00	-	-	-
Total	$ 36,749,534.14	$ 16,120,298.40	$ 12,834,510.00	$ 3,075,161.50	$ 1,788,615.58	$ 2,930,948.66

NOTE 4: SHORT-TERM DEBT

TSU does not have any short-term debt.

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NOTE 5: SUMMARY OF LONG - TERM LIABILITIES

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

Long-Term Liabilities	Balance 9/1/2009	Additions	Reductions	Balance 8/31/2010		Amounts Due within One Year	Amounts Due Thereafter
General Obligation Bonds Payable							
Series 2004 Const. Approp.	$ 6,015,000.00	$ -	$ 1,110,000.00	$ 4,905,000.00		$ 1,150,000.00	$ 3,755,000.00
Series 2005 Const. Approp.	21,895,000.00		3,310,000.00	18,585,000.00		3,430,000.00	$ 15,155,000.00
Premiums	302,974.65		60,594.93	242,379.72		60,594.93	$ 181,784.79
Total general obligation bonds	$ 28,212,974.65	$ -	$ 4,480,594.93	$ 23,732,379.72	*	$ 4,640,594.93	$ 19,091,784.79
Revenue Bonds Payable							
Series 1998 A-1	11,615,000.00		1,070,000.00	10,545,000.00		1,115,000.00	$ 9,430,000.00
Series 1998 A-2 Improvement	8,025,000.00		890,000.00	7,135,000.00		930,000.00	$ 6,205,000.00
Series 1998 B Improvement	9,855,000.00		460,000.00	9,395,000.00		480,000.00	$ 8,915,000.00
Series 2002	36,320,000.00		2,020,000.00	34,300,000.00		2,120,000.00	$ 32,180,000.00
Series 2003	22,765,000.00		1,185,000.00	21,580,000.00		1,235,000.00	$ 20,345,000.00
Series 2004	2,060,000.00		385,000.00	1,675,000.00		400,000.00	$ 1,275,000.00
Premiums & discounts	2,361,740.64		178,915.16	2,182,825.48		178,915.06	$ 2,003,910.42
Total revenue bonds	$ 93,001,740.64	$ -	$ 6,188,915.16	$ 86,812,825.48	*	$ 6,458,915.06	$ 80,353,910.42
Note Payable	579,070.11		338,170.06	240,900.05		240,900.05	$ -
	$ 579,070.11	$ -	$ 338,170.06	$ 240,900.05	*	$ 240,900.05	$ -
Other Liabilities:							
Accrued claims and judgements	810,000.00			810,000.00		-	$ 810,000.00
Arbitrage	612,818.51	9,875.52		622,694.03			$ 622,694.03
Compensated absences	4,018,541.64	490,538.35		4,509,079.99		2,398,821.22	$ 2,110,258.77
Total other liabilities	$ 5,441,360.15	$ 500,413.87	$ -	$ 5,941,774.02		$ 2,398,821.22	$ 3,542,952.80
Total	$ 127,235,145.55	$ 500,413.87	$ 11,007,680.15	$ 116,727,879.27		$ 13,739,231.26	$ 102,988,648.01

Long-term Debt Due in More Than One Year	$ 102,988,648.01
*Debt associated with capital assets	$ 110,786,105.25

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

Year Ending Aug. 31	Revenue Bonds	
	Principal	Interest
2011	$ 6,280,000.00	$ 4,088,578.78
2012	6,565,000.00	3,804,351.90
2013	6,860,000.00	3,505,606.89
2014	7,190,000.00	3,173,738.13
2015	7,110,000.00	2,802,633.76
2016-2020	33,685,000.00	8,542,206.26
2021-2024	16,940,000.00	1,326,018.75
Total	$ 84,630,000.00	$ 27,243,134.47

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

Year Ending Aug. 31	General Obligations Bonds	
	Principal	Interest
2011	$ 4,580,000.00	$ 868,125.00
2012	4,770,000.00	685,000.00
2013	4,960,000.00	491,400.00
2014	5,165,000.00	290,000.00
2015	4,015,000.00	80,300.00
Total	$ 23,490,000.00	$ 2,414,825.00

A. Notes and Loans Payable

Note payable consists of amounts used to finance the acquisition of land and property. The note payable has a fixed interest rate of eight percent.

Annual debt service requirements to maturity for the YMCA note payable:

Year Ending Aug. 31	Note Payable	
	Principal	Interest
2011	$ 240,900.05	$ 7,283.02
2012	0.00	0.00
2013	0.00	0.00
2014	0.00	0.00
2015	0.00	0.00
Total	$ 240,900.05	$ 7,283.02

B. Claims and Judgments

1. Student Rights

The lawsuit against TSU involves three students alleging violations of their first amendment rights and for malicious prosecution and false arrest under state law. A jury awarded compensatory and punitive damages of $600,000, not including the claimed attorney fees in excess of $150,000. TSU has filed motions for judgment or new trial, however, the courts have not ruled on TSU's motion. Although TSU is continuing to vigorously defend its position, because of the ongoing nature of the dispute, an accrued liability for claims and judgment of $750,000 has been recorded.

2. Cape Conroe

TSU reached a tentative settlement of $60,000 for ongoing dispute with a property owners association for their fees on lots owned by TSU in Montgomery County. An accrued liability for claims and judgments has been recorded.

C. Compensated Absences

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

D. Arbitrage Liability

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

NOTE 6: BONDED INDEBTEDNESS

Refunding Revenue Bonds, Series 1998A-1

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

Improvement Revenue Bonds, Series 1998A-2

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

Issue Date	01-14-1999
Type of Bond	Revenue Bond – Self Supporting
Reporting	Business-Type Activities
Source of Revenue	Pledged Revenues
Change in Debt	Defeased $3,090,000

Improvement Revenue Bonds, Series 1998B

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

Revenue Bonds, Series 2002

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

Revenue Bonds, Series 2003

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

Source of Revenue	Pledged Revenues
Change in Debt	None

Revenue Bonds, Series 2004

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

General Obligation Bonds

Constitutional Appropriation Bonds, Series 2004

Purpose	To finance the construction and equipping of buildings, including School of Public Affairs, Science Building, and a campus radio station.
Amount of Issue	$11,100,000; all authorized have been issued
Issue Date	07-27-2004
Type of Bond	General Obligation Bond – Non Self Supporting
Reporting	Business-Type Activities
Source of Revenue	Constitutional Appropriations
Change in Debt	None

General Obligation Bonds

Constitutional Appropriation Bonds, Series 2005

Purpose	To finance the construction and equipping of buildings or other permanent improvements, including a School of Public Affairs; to finance the performance of major repair or rehabilitation of buildings; to finance the purchase of capital equipment and other equipment authorized to be purchased with Higher Education Assistance Funds; and to finance the payment of certain costs related to the issuance of the bonds.
Amount of Issue	$30,935,000; all authorized have been issued
Issue Date	08-01-2005

Type of Bond	General Obligation Bond – Non Self Supporting
Reporting	Business-Type Activities
Source of Revenue	Constitutional Appropriations
Change in Debt	None

NOTE 7: CAPITAL LEASES

Capital leases are used to finance the purchase of property and are capitalized at the present value of future minimum lease payments. As of August 31, 2010, TSU had not entered into any contractual agreements that could be deemed a capital lease obligation.

NOTE 8: OPERATING LEASES

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

Year Ending Aug. 31		Minimum Lease Payments
2011	$	700,937.52
2012		700,937.52
2013		0.00
2014		0.00
2015		0.00
Total	$	1,401,875.04

Current payments under non-cancelable operating leases were $700,937.52.

NOTE 9, 10 and 11: RETIREMENT PLANS

These notes are not applicable to TSU.

NOTE 12: INTERFUND BALANCES AND ACTIVITIES

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

NOTE 13: CONTINUANCE SUBJECT TO REVIEW

TSU's continuance is not subject to review.

NOTE 14: RESTATEMENT OF NET ASSETS

Beginning net assets have been restated to correct for various items as follows:

	2009 Unaudited AFR Submitted to State	2009 Audited AFR
Prior year ending net assets as reported	$ 138,716,851.00	$ -
To adjust for Perkins loan	2,723,048.61	-
To adjust for grant receivable	(410,382.00)	-
To adjust for other receivables	(36,735.00)	-
	$ 140,992,782.61	$ 140,992,782.61
Correction for building beginning balance	(4,402,130.59)	(4,402,130.59)
Correction for accumulated depreciation for improvements	(20,078.95)	(20,078.95)
Correction for SEFA reconciliation	(0.39)	(0.39)
Restated beginning net assets	$ 136,570,572.68	$ 136,570,572.68

NOTE 15: CONTINGENT LIABILITIES

A. Grants

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

B. Performance Based Energy Conservation Agreement

The lawsuit against TSU concerns a contractual dispute involving approximately $11.1 million in equipment and services for alleged breach of a performance-based energy conservation agreement. Part of the case has been dismissed by the Court of Appeals.

C. Lawsuits

In addition to the case identified in note 5.b, TSU is a defendant in numerous lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of TSU's management that resolution of these matters will not have a material adverse effect of the financial condition of TSU.

D. Parking Garage

Effective September, 2009 Central Houston Parking, L.L.C. (CHP) terminated the management agreement with Integrity Parking Systems, L.L.C., an Ohio limited liability company, who since closing of bond transaction in 2004 acted as manager of the parking facility and Texas Southern University (TSU) assumed the role as manager. Terms of the new agreement allow for all parking receipts to be retained by TSU and all other terms and conditions remain unchanged. As a result, revenue allocations are not made to the debt service reserve fund through the trustee and TSU is obligated for any budget shortfalls related to annual debt service payments. Accordingly, TSU prepaid annual debt service payments of $1.8 million and $1.6 million in fiscal year 2009 and 2010, respectively.

Additionally, Letter of Credit renewal risk exists through BNP Paribas as the issuing bank and volatile credit markets which allow only for annual renewals. This is mitigated by the recent upgrade by Fitch and Moody's Investor Services to investment grade rating for the university's debt of "BBB and Baa3", respectively. As such, options for refinancing this debt through more traditional credit products become viable.

In conjunction with this agreement, CHP received funding in the form of a loan from bonds issued by the Crawford Education Facilities Corporation (the "Corporation") for the purposes stated above. The Corporation was created by the City of Crawford, Texas, for the purposes of aiding a borrower (one or more) as that term is defined in Sections 53.02(11) and 53A.02(11) of the Texas Education Code in providing educational facilities and housing facilities and facilities incidental, subordinate or related thereto or appropriate in connection therewith in accordance with and subject to the provisions of Chapters 53 and 53A of the Texas Education Code, as amended, all to be done on behalf of the City and as its duly constituted authority and instrumentality. The Corporation is governed by a seven member Board of Directors appointed by the City Council of the City of Crawford, Texas.

The Corporation issued Variable Rate Demand Parking System Revenue Bonds, Series 2004A (University Parking System Project) (the "2004A Bonds") and Variable Rate Demand Parking System Revenue and Refunding Bonds, Series 2004B (University System Parking Project) (Taxable) (the "2004B Bonds"), collectively referred to as the 2004 Bonds, pursuant to a Trust Indenture between CHP and The Bank of New York Trust Company, N.A., as Bond Trustee. The 2004 Bonds are payable from funds drawn on an irrevocable letter of credit issued by BNP Paribas pursuant to an Amended and Restated Letter of Credit and Reimbursement Agreement between BNP Paribas and CHP.

The 2004 Bonds are secured in part by (i) a Leasehold Deed of Trust, Security Agreement, and Assignment of Leases and Rents dated as of November 1, 2004 (the "Leasehold Deed of Trust"), pursuant to which CHP will grant for the benefit of BNP Paribas a first mortgage lien on its leasehold interest in the premises obtained under this lease and a security interest in certain personal property, and will assign and pledge to BNP Paribas, CHP's interest in the leases, rents, issues, profits, revenues, income, receipts, moneys, royalties, rights, and benefits of and derived from the premises and (ii) an Assignment of Contract Documents dated as of November 1, 2004 ("Assignment of Contracts"), pursuant to which CHP will assign certain contract documents to BNP Paribas.

The 2004 Bonds are also secured by (i) the Second Lien Leasehold Deed of Trust and Assignment of Rents and Leases, Security Agreement, and Fixture Filing dated as of November 1, 2004 (the "Subordinate Deed of Trust"), pursuant to which CHP will grant for the benefit of The Bank of New York Trust Company, N.A. a second mortgage lien on its leasehold interest in the premises and a security interest in the facility equipment and will assign and pledge to The Bank of New York Trust Company, N.A., CHP's interest in the leases, rents, issues, profits, revenues, income, receipts, monies, royalties, rights, and benefits of and derived from the premises and (ii) an Assignment of Contracts Document dated as of November 1, 2004 ("Assignment of Contracts") pursuant to which CHP will assign certain contract documents to the BNP Paribas (the Loan Agreement, the Leasehold Deed of Trust, the Subordinate Leasehold Deed of Trust, the Assignment of Contracts, the Development Agreement, the Construction Contract, the Indenture, the Letter of Credit Agreement, the Parking Management Agreement and other instruments executed by CHP in connection with the issuance of the bonds collectively referred to herein as the "Bond Documents").

In connection with the issuance of the bonds and in accordance with the trust indenture, the bond trustee will establish various accounts for the payment of project costs and debt service as well as operation and maintenance of the facilities upon completion of the project. These accounts include a replacement reserve and operation and maintenance fund.

Title to the land shall at all times be vested completely with TSU. Title to any improvements on the land, including the facilities and facilities equipment, shall at all times be vested completely in CHP.

The term of the lease is through March 1, 2033, the stated maturity date of the 2004 bonds or upon earlier or later satisfaction of all reimbursement obligations by CHP. During the term, CHP shall pay TSU base rent in the amount of $1,000 per academic year, adjusted each academic year by an amount equal to the prior Consumer Price Index for the preceding calendar year.

In addition to the base rent, CHP shall pay directly to TSU $400,000 in a manner to be agreed upon by CHP and TSU as the initial payment for additional security provided by TSU in connection with CHP's operation of the facilities and the shuttle system. Such additional payments shall be paid each September 1 and may be adjusted annually in an amount to be mutually agreed upon by both parties.

CHP shall be responsible for the leasing, management, operation, and maintenance of the land and project (parking facilities), including, but not limited to the retail space (the "Retail Space") located on the ground level of each parking garage facility, in accordance with this lease, all applicable laws and TSU regulations without cost or expense to TSU. In connection with the retail space, TSU reserves the right to approve all potential tenants before CHP may lease such premises. CHP shall have the right to delegate some or all of such responsibilities to a manager approved by TSU by entering into a management agreement.

The lease agreement also establishes a committee (the "committee") to assist with communication between TSU and CHP. The committee is composed of three representatives appointed by TSU and three representatives appointed by CHP. TSU and CHP may also each appoint an alternate. The committee is responsible for approval of an annual budget, appointment of any successors as manager, and approval of the policies and operating procedures governing the project.

During the term, TSU shall pay all parking revenues received from the sale of parking permits (on behalf of CHP) by wire transfer to the bond trustee to deposit in the pledged revenue fund, no later than 20 days after received. CHP shall deliver all revenues collected by CHP or on its behalf, in connection with the operation of the facilities, to bond trustee, on or before the 12th day of each month beginning September 12, 2004 and continuing thereafter during the term. CHP shall direct the payments as outlined in the annual budget and bond indenture through the bond trustee.

In the Transportation Agreement between TSU and CHP, it obligates TSU to pay a shuttle fee that, when combined with the revenues derived from the imposition of parking fees, will result in a combined debt service coverage ratio of at least 1:25:1.00. The debt service coverage ratio is defined as the amount required to be on deposit in the debt service fund divided by the maximum annual debt service requirement of any year in which the bonds remain outstanding. Accordingly, TSU is essentially obligated for any budget shortfalls related to debt service payments on the 2004 bonds. Interest on the debt is calculated under the terms of the agreement using a variable weekly rate, variable monthly rate, term rate and bank bond rate. A simple 5% rate is used for the purpose of estimating debt service requirements. Actual requirements could vary significantly.

Estimated debt service requirements are as follows:

Year Ending Aug.31	Principal	Variable Interest Estimated at 5%	Total Estimated Annual Amount
2011	$ 885,000	$ 1,662,500	$ 2,547,500
2012	910,000	1,618,250	2,528,250
2013	945,000	1,572,750	2,517,750
2014	970,000	1,525,500	2,495,500
2015	1,005,000	1,477,000	2,482,000
2016	1,035,000	1,426,750	2,461,750
2017	1,070,000	1,375,000	2,445,000
2018	1,105,000	1,321,500	2,426,500
2019	1,140,000	1,266,250	2,406,250
2020	1,175,000	1,209,250	2,384,250
2021	1,215,000	1,150,500	2,365,500
2022	1,255,000	1,089,750	2,344,750
2023	1,295,000	1,027,000	2,322,000
2024	1,335,000	962,250	2,297,250
2025	1,380,000	895,500	2,275,500
2026	1,425,000	826,500	2,251,500
2027	1,470,000	755,250	2,225,250
2028	1,520,000	681,750	2,201,750
2029	1,570,000	605,750	2,175,750
2030	1,620,000	527,250	2,147,250
2031	1,675,000	446,250	2,121,250
2032	1,725,000	362,500	2,087,500
2033	1,785,000	276,250	2,061,250
2034	1,840,000	187,000	2,027,000
2035	1,900,000	95,000	1,995,000
Total	$ 33,250,000	$ 24,343,250	$ 57,593,250

CHP shall be responsible for charging parking rates for the Facilities during each academic year at the rates jointly determined by the annual budget for such academic year; provided that the parking rates shall be established as shall be necessary to assure maximum occupancy and use of the facilities and the services related thereto, together with the shuttle payment, satisfy the applicable covenants contained in any permitted mortgage, including together with the other amounts available for such purpose, the payment of the debt service on any debt secured by the permitted mortgage or the bond documents.

Unless a foreclosure has occurred, and subject to the terms and conditions of the Permitted Mortgage, TSU may, at any time after the tenth anniversary of this lease, purchase CHP's leasehold estate in the premises and the facility equipment, including CHP's capital equipment which has been purchased or leased on terms exceeding ten years. The purchase price will be the fair market value of CHP's leasehold interest in the premises and facility equipment, but in no event shall the purchase price be less than the unpaid principal of the debt secured by the permitted mortgage, together with accrued interest to the date of repayment of the indebtedness and the satisfaction of any obligation related thereto.

E. Student Housing - Tierwester Oaks and Richfield Manor Apartments

On February 1, 2003, TSU entered into a lease agreement (the "Agreement") with Houston Student Housing II, LLC (HSH) for the purpose of leasing land to HSH to develop, construct, operate, and lease facilities on the land for eligible residents to provide student housing.

In conjunction with this agreement, HSH received funding in the form of a loan from bonds issued by the City of Houston Higher Education Finance Corporation (the "Corporation") for the purposes stated above. The corporation was created by the City of Houston, Texas, for the purposes of exercising powers granted under Chapter 53 Texas Education Code, as amended, including Sections 53.35(b), 53A.35 and 53B.47(e) thereof, (the "Act") including (i) aiding educational institutions specified in the act in providing educational facilities and housing facilities and facilities incidental, subordinate, or related thereto or appropriate in connection therewith and (ii) issuing securities to obtain funds to purchase or to make student or parent loans in accordance with and subject to the provisions of the act generally, all to be done on behalf of the City and as its duly constituted authority and instrumentality. The corporation is governed by a Board of Directors consisting of not less than seven, nor more than eleven directors, appointed by the Mayor and confirmed by the City Council of the City of Houston, Texas.

The corporation issued Variable Rate Demand Housing Revenue Bonds (Tierwester Oaks and Richfield Manor Projects), Series 2003A, and Variable Rate Demand Housing Revenue Bonds (Tierwester Oaks and Richfield Manor Projects), Series 2003B, pursuant to a trust indenture between the corporation and The Bank of New York Trust Company of Florida, N.A., as bond trustee.

The bonds will be payable from funds drawn on an irrevocable letter of credit issued by The Bank of New York pursuant to a Letter of Credit and Reimbursement Agreement between The Bank of New York and HSH.

The irrevocable letter of credit will be secured by (i) a Leasehold Deed of Trust and Assignment of Rents and Leases and Fixture Filing dated as of February 1, 2003 (the "Leasehold Deed of Trust"), pursuant to which HSH will grant for the benefit of the Bank of New York a first mortgage lien on its leasehold interest in the premises and a security interest in the facility equipment and will assign and pledge to the Bank of New York HSH's interest in the leases, rents, issues, profits, revenues, income, receipts, monies, royalties, rights, and benefits of and derived from the premises and (ii) an Assignment of Contracts Document dated as of February 1, 2003 ("Assignment of Contracts") pursuant to which HSH will assign certain contract documents to the Bank of New York (the Loan Agreement, this Lease, the Leasehold Deed of Trust, the Subordinate Leasehold Deed of Trust, the Assignment of Contracts, the Development Agreement, the Construction Contract, the Indenture, the Letter of Credit Agreement, the Management Agreement and other instruments executed by HSH in connection with the issuance of the bonds collectively referred to herein as the "Bond Documents").

The bonds will be secured by (i) the Subordinated Leasehold Deed of Trust and Assignment of Rents and Leases and Fixture dated as of February 1,2003 (the "Subordinate Deed of Trust"), pursuant to which HSH will grant for the benefit of The Bank of New York Trust Company of Florida, N.A., a second mortgage lien on its leasehold interest in the premises and a security interest in the facility equipment and will assign and pledge to The Bank of New York Trust Company of Florida, N.A. HSH's interest in the leases, rents, issues, profits, revenues, income, receipts, moneys, royalties, rights and benefits of and derived from the premises and (ii) an Assignment of Contracts Documents dated as of February 1 2003 ("Assignment of Contracts") pursuant to which HSH will assign certain contract documents to the Bank of New York (the Loan Agreement, the Leasehold Deed of Trust, the Subordinate Leasehold Deed of Trust, the Assignment of Contracts, the Development Agreement, the Construction Contract, the Indenture, the Letter of Credit Agreement, the Management Agreement and other instruments executed by HSH in connection with the issuance of the bonds collectively referred to herein as the "Bond Documents").

In connection with the issuance of the bonds and in accordance with the trust indenture, the bond trustee will establish various accounts for the payment of project costs and debt service as well as operation and maintenance of the facilities upon completion of the project.

The term of the lease is through March 1, 2033, the stated maturity date of the 2003 bonds or upon earlier or later satisfaction of all reimbursement obligations by HSH. During the term, HSH shall pay the TSU base rent in monthly installments not to exceed $1,000 per month, adjusted each academic year by an amount equal to the prior Consumer Price Index for the preceding calendar year.

Ownership of the land shall at all times during the term be vested completely with TSU. Ownership of any improvements on the land, including the facilities (but excluding existing improvements at Richfield Manor owned by TSU), and the facility equipment shall at all times during the term be vested completely with HSH.

Upon issuance of the bonds, HSH paid $5,150,849 to Fannie Mae to retire a loan made to TSU that was used to acquire the sites for the development of the projeet in October 2002.

HSH shall be responsible for the leasing, management, operation, and maintenance of the land and project in accordance with this lease, all applicable laws and TSU regulations without cost or expense to TSU. HSH shall have the right to delegate some or all of such responsibilities to a manager approved by TSU by entering into a management agreement.

The lease agreement also establishes a committee (the "committee") to assist with communication between TSU and HSH. The committee is composed of three representatives appointed by TSU and three representatives appointed by HSH. TSU and HSH may also each appoint an alternate. The committee is responsible for approval of an annual budget, appointment of any successors as manager, and approval of the policies and operating procedures governing the project.

Unless a foreclosure has occurred, and subject to the terms and conditions of the permitted mortgages, TSU may at any time after the tenth anniversary of this lease purchase HSH's leasehold estate in the premises and the facility equipment. The purchase price will be the fair market value of HSH's leasehold interest in the premises and facility equipment, but in no event shall the purchase price be less than the unpaid principal of the debt secured by the permitted mortgages, together with accrued interest to the date of repayment of the indebtedness and the satisfaction of any obligation related thereto.
Each semester, TSU shall assign First Priority Occupants to the facilities prior to assigning such first priority occupants to any other TSU sponsored housing facility until (based on signed housing contracts) the Facilities have achieved minimum occupancy. TSU shall notify the first priority occupants of their assignment to the facilities by written notice.

With respect to any semester for which the facilities have not achieved the minimum occupancy by the date that is fifteen (15) days prior to the commencement of such semester, and subject to TSU's right to terminate this obligation without it being a default under this lease agreement, if it does not annually appropriate permitted funds of TSU to meet the obligations, TSU shall execute and deliver housing contracts for the number of additional units in the facilities necessary for the project, when taking into account signed housing contracts, to achieve break-even occupancy. Such housing contracts will name the Director of Housing for TSU or its designated assigned occupant as the occupant under such housing contract(s). TSU shall be liable for payment of all occupancy rentals and deposits required under each such housing contract; provided, however, that upon assignment by TSU to its designated assigned occupant, such assigned occupant and not TSU shall be responsible for such charges. Upon receipt of such housing contracts, the units covered by such housing contracts shall be deemed for all purposes to have been leased to an assigned occupant and shall be included in the calculation of minimum occupancy for the project for such semester. TSU shall pay, in accordance with the terms of the housing contracts, to HSH the occupancy rental for housing contracts executed by TSU pursuant to this section which have not been assigned to an assigned occupant. TSU may, at its option, direct HSH to apply any operating reserve in excess of $25,000 to offset TSU's obligations. Notwithstanding TSU's direction for HSH to apply the operating reserve to offset TSU's obligations, any such payment by TSU shall only be made from annually appropriated funds of TSU as permitted by law.

HSH shall charge occupancy rentals to assigned occupants of the facilities during each academic year at the rates jointly determined by the annual budget for such academic year. The occupancy rentals shall be established as shall be necessary to (i) assure maximum occupancy and use of the facilities and the services related thereto; (ii) satisfy the applicable covenants contained in any permitted mortgages, including the payment of the debt service on any debt secured by the permitted mortgages or the bond documents, the reserve amounts and all other payments and charges required under the permitted mortgages and the bond documents; and (iii) generate sufficient revenues for the payment of all other annual expenses. Accordingly, TSU is essentially obligated for any budget shortfalls related to debt service payments on the bonds. Interest on the debt is calculated under the terms of the agreement using a variable rate. A simple 5% rate is used for the purpose of estimating debt service requirements. Actual requirements could vary significantly.

Estimated debt service requirements are as follows:

Year Ending Aug.31	Principal	Variable Interest Estimated at 5%	Total Estimated Annual Amount
2011	$ 670,000	$ 1,079,500	$ 1,749,500
2012	690,000	1,046,000	1,736,000
2013	710,000	1,011,500	1,721,500
2014	735,000	976,000	1,711,000
2015	755,000	939,250	1,694,250
2016	775,000	901,500	1,676,500
2017	800,000	862,750	1,662,750
2018	820,000	822,750	1,642,750
2019	845,000	781,750	1,626,750
2020	870,000	739,500	1,609,500
2021	895,000	696,000	1,591,000
2022	920,000	651,250	1,571,250
2023	950,000	605,250	1,555,250
2024	975,000	557,750	1,532,750
2025	1,005,000	509,000	1,514,000
2026	1,035,000	458,750	1,493,750
2027	1,065,000	407,000	1,472,000
2028	1,095,000	353,750	1,448,750
2029	1,130,000	299,000	1,429,000
2030	1,160,000	242,500	1,402,500
2031	1,195,000	184,500	1,379,500
2032	1,230,000	124,750	1,354,750
2033	1,265,000	63,250	1,328,250
Total	$ 21,590,000	$ 14,313,250	$ 35,903,250

HSH shall arrange for each assigned occupant to execute and deliver to HSH a housing contract. TSU will have no obligation to HSH if any assigned occupant fails to pay the occupancy rentals in accordance with the terms of its housing contract.

NOTE 16: SUBSEQUENT EVENTS

No subsequent events have occurred.

NOTE 17: RISK FINANCING AND RELATED INSURANCE

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

TSU has commercial insurance policies for general liability, directors and officers, and commercial property. There were no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements for the past three years. As disclosed in Note 16, there were no subsequent events at year end. Currently, TSU is not involved in any risk pools with other government entities.

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

The State provides coverage for workers' compensation and unemployment benefits from appropriations made to other state agencies for TSU employees. The current General Appropriations Act provides that TSU must reimburse the general revenue fund consolidated, from TSU appropriations, one-half of the unemployment benefits and 25 percent of the workers' compensation benefits paid for former and current employees. The Comptroller of Public Accounts determines the proportionate amount to be reimbursed from each appropriated fund type. TSU must reimburse the general revenue fund 100 percent of the cost for workers' compensation and unemployment compensation for any employees paid from funds held in local bank accounts and local funds held in the State treasury. Workers' compensation and unemployment plans are on a pay-as-you-go basis, in which no assets are set aside to be accumulated for the payment of claims. No material outstanding claims are pending at August 31, 2010.

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

NOTE 18: MANAGEMENT'S DISCUSSION AND ANALYSIS

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

NOTE 19: THE FINANCIAL REPORTING ENTITY

A. Related Parties

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

TSU is also affiliated with the Texas Southern University Alumni Association. The alumni association is a non-profit organization created for the purpose of promoting, fostering, and advancing the educational goals of TSU and the interests and welfare of its students; to provide the means for continuing relationships between TSU, former students, the community; and to enable them to contribute to and share in the progress of TSU.

All former students are eligible for membership in the alumni association. The Board of Directors of the alumni association is elected by the membership. TSU administration has no controlling interest in the alumni association.

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

NOTE 20: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABLITLIY

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

NOTE 21: N/A

Note 21 is not applicable to the Texas State Comptroller's AFR report requirements process.

NOTE 22: DONOR-RESTRICTED ENDOWMENTS

Donor-Restricted Endowments		Amount of Net Appreciation (Depreciation)	Reported in Net Assets
True Endowments	$	962,376	Restricted for expendable
Term Endowments		302,851	Restricted for expendable
Total	$	1,265,227	

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

NOTE 23: SPECIAL AND EXTRAORDINARY ITEMS

TSU does not have any special and extraordinary items to report during the year ended August 31, 2010.

NOTE 24: DISAGGREGATION OF RECEIVABLE BALANCES

Aggregate receivables as reported on the Statement of Net Assets as of August 31, 2010, are detailed as follows:

Receivables		Balance
Student Accounts	$	27,398,602.00
Third Party Accounts		1,776,837.00
Less Allowance		(6,683,183.89)
Total	$	22,492,255.11

NOTE 25: TERMINATION BENEFITS

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

NOTE 26: SEGMENT INFORMATION

TSU does not have any segments requiring segment reporting.

SUPPLEMENTARY INFORMATION

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TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

SCHEDULE OF OPERATING EXPENSES

For the Year Ended August 31, 2010

Expenses by Natural Classification		2010
Salaries and wages	$	86,118,451.31
Payroll related costs		20,754,008.20
Professional fees and services		9,031,176.09
Travel		3,124,377.49
Materials and supplies		14,854,426.50
Communication and utilities		5,553,340.06
Repairs and maintenance		6,624,311.11
Rentals and leases		2,078,025.43
Printing and reproductions		578,284.23
Bad debt expense		3,261,993.72
Scholarships		25,157,274.92
Other operating expenses		12,354,051.54
Depreciation		12,497,322.99
Total Operating Expenses by Natural Class	$	201,987,043.59

Expenses by NACUBO Classification		2010
Instruction	$	68,208,212.53
Research		7,003,566.69
Public Service		1,565,229.68
Academic Support		19,095,463.31
Student Services		14,074,210.28
Institutional Support		29,397,626.31
Operations & Maintenance		14,136,569.02
Scholarships		20,304,018.20
Auxiliary		15,704,824.58
Depreciation		12,497,322.99
Total Operating Expenses by NACUBO Class	$	201,987,043.59

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

August 31, 2010

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Agy./ Univ. #	Pass Through From Agencies Or Univ. Amount	Pass Through From Non-State Entities Amount
U.S. Department of Defense					
Direct Program:					
Basic and Applied Scientific Research	12.300	DUNS#050298975		$ -	$ 48,670.00
Total U.S. Department of Defense				$ -	$ 48,670.00
U.S. Department of Housing and Urban Development					
Direct Program:					
Historically Black Colleges and	14.520	DUNS#050298975		$ -	$ 23,485.17
Universities Program	14.520	DUNS#050298975		-	157,306.32
Pass Through From:					
City of Houston					
Small Business Resource Center	14.000	FC62153 06-0501/ 4600008923 08		-	-
Total U.S. Department of Housing and Urban Development				$ -	$ 180,791.49
U. S. Department of Justice					
Direct Program:					
Edward Byrne Memorial State & Local Law Enofrcement Assistance Discretionary Grant Program	16.580	DUNS#050298975		$ -	$ 28,630.35
Total U.S. Department of Justice				$ -	$ 28,630.35
U.S. Department of Labor					
Pass Through From:					
WIA Cluster					
Texas Workforce Commission					
WIA/Adult Program	17.258	2808WSW000	320	$ -	$ -
WIA/Youth Activities	17.259	2808WSW000	320	-	-
WIA/Dislocated Workers	17.259	2808WSW000	320	-	-
Other Federal Awards Expended					
Summer Jobs for Youth	17.000	5012009 DUNS#050298975		-	-
Total U.S. Department of Labor				$ -	$ -
U.S. Department of Transportation					
Other Federal Awards Expended					
Direct Program:					
Eisenhower Fellowships	20.000	DDEHBC-05X-00103, 154, 155,159 DUNS#050298975		$ -	$ -
Total U.S. Department of Transportation				$ -	$ -

Direct Program Amount	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
$ 48,670.00	$ 48,670.00		$ -	$ -	$ 48,670.00	$ 48,670.00
$ 48,670.00	$ 48,670.00		$ -	$ -	$ 48,670.00	$ 48,670.00
$ 23,485.17	$ 23,485.17		$ -	$ -	$ 23,485.17	$ 23,485.17
157,306.32	157,306.32		-	-	157,306.32	157,306.32
-	-		-	-	-	-
$ 180,791.49	$ 180,791.49		$ -	$ -	$ 180,791.49	$ 180,791.49
$ 28,630.35	$ 28,630.35		$ -	$ -	$ 28,630.35	$ 28,630.35
$ 28,630.35	$ 28,630.35		$ -	$ -	$ 28,630.35	$ 28,630.35
$ -	$ -		$ -	$ -	$ -	$ -
(12,018.83)	(12,018.83)		-	-	(12,018.83)	(12,018.83)
-						
(29,067.29)	(29,067.29)		-	-	(29,067.29)	(29,067.29)
-	-		-	-	-	-
$ (41,086.12)	$ (41,086.12)		$ -	$ -	$ (41,086.12)	$ (41,086.12)
$ 36,949.43	$ 36,949.43		$ -	$ -	$ 36,949.43	$ 36,949.43
$ 36,949.43	$ 36,949.43		$ -	$ -	$ 36,949.43	$ 36,949.43

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SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)

August 31, 2010

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Agy./ Univ. #	Pass Through From Agencies Or Univ. Amount	Pass Through From Non-State Entities Amount
National Aeronautics & Space Administration					
Direct Program:					
Aerospace Education Services Program	43.001	DUNS#050298975		$ -	$ -
Other Federal Awards Expended					
Pass Through From:					
Science Applications International Corporation	43.000	4400156333		-	5,868.08
Spellman College	43.000	NCC8-227		-	1,178.84
NASA Students Pursuing Academic and Career Excellence (NSPA(					
California Space Grant Foundation	43.000	DFRC SAA TASK 1-17		-	332.05
National Minority Serving Institutions Research and Technology Partnership					
Aerospace Education Services Program	43.001	NCC-01-0203		-	-
Total National Aeronautics & Space Administration				$ -	$ 7,378.97
National Endowment for the Humanities					
Direct Program:					
The Big Read Agreement	45.024	DUNS#050298975		$ -	$ -
Total National Endowment for the Humanities				$ -	$ -
National Science Foundation					
Pass Through From:					
University of Houston					
Geosciences	47.050	DUNS#050298975		$ -	$ 4,050.07
Education and Human Resources	47.076	HRD-0964487		-	-
Education and Human Resources	47.076	R-09-0169		209,485.29	-
Education and Human Resources	47.076	DUE-0918959		-	-
Education and Human Resources	47.076	HRD-0402623		322,509.18	-
Total National Science Foundation				$ 531,994.47	$ 4,050.07
U. S. Nuclear Regulatory Commission					
Direct Program:					
Nuclear Education Grant Program	77.006	DUNS#050298975		$ -	$ -
Scholarship and Fellowship Program	77.008	DUNS#050298975		-	-
Total U. S Nuclear Regulatory Commission				$ -	$ -

Direct Program Amount	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
$ 22,491.32	$ 22,491.32		$ -	$ -	$ 22,491.32	$ 22,491.32
-	5,868.08		-	-	5,868.08	5,868.08
-	1,178.84		-	-	1,178.84	1,178.84
-	332.05		-	-	332.05	332.05
(32,295.27)	(32,295.27)		-	-	(32,295.27)	(32,295.27)
$ (9,803.95)	$ (2,424.98)		$ -	$ -	$ (2,424.98)	$ (2,424.98)
$ 20,000.00	$ 20,000.00		$ -	$ -	$ 20,000.00	$ 20,000.00
$ 20,000.00	$ 20,000.00		$ -	$ -	$ 20,000.00	$ 20,000.00
$ -	$ 4,050.07		$ -	$ -	$ 4,050.07	$ 4,050.07
192,546.61	192,546.61		-	-	192,546.61	192,546.61
27,409.86	236,895.15		-	-	236,895.15	236,895.15
4,876.04	4,876.04		-	-	4,876.04	4,876.04
-	322,509.18		-	-	322,509.18	322,509.18
$ 224,832.51	$ 760,877.05		$ -	$ -	$ 760,877.05	$ 760,877.05
$ 51,744.88	$ 51,744.88		$ -	$ -	$ 51,744.88	$ 51,744.88
95,158.22	95,158.22		-	-	95,158.22	95,158.22
$ 146,903.10	$ 146,903.10		$ -	$ -	$ 146,903.10	$ 146,903.10

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SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)

August 31, 2010

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Pass Through From Agy./ Univ. #	Agencies Or Univ. Amount	Non-State Entities Amount
U.S. Department of Education					
Direct Program:					
Higher Education-Institutional Aid	84.031	DUNS#050298975		$ -	$ -
Fund for the Improvement of Education	84.215	DUNS#050298975		-	-
ED/MSEIP 2007-2010	84.120	DUNS#050298975		-	-
Pass Through From:					
Texas Higher Education Coordinating Board					
State Fiscal Stabilization Fund (SFSF)	84.397		781	2,398,016.00	-
Government Services, Recovery Act					
Hurricane Education Recovery	84.938	DUNS#050298975		-	-
Special Education Cluster:					
Pass Through From:					
Texas A&M University-Texarkana					
Special Education-Grants to States	84.027		764	28,750.00	-
Total U.S. Department of Education				$ 2,426,766.00	$ -
Department of Health and Human Services					
DHHS/GCCSA ARRA-Sankofa Academy	93.710	DUNS#050298975		$ -	$ -
ARRA/DHHS/GCCSA Resid Energy	93.710	DUNS#050298975		-	-
ARRA/DHHS/GCCA ARRA Drafting Tech	93.710	DUNS#050298975		-	-
ARRA/DHHS/GCCSA Contract with TSU	93.710	DUNS#050298975		-	-
HHS/ Morehouse Heal Ourselves HC	93.243	DUNS#050298975		-	7,274.98
Pass Through From:					
Baylor College of Medicine					
Geriatric Education Centers	93.969	1D31HP0882101		-	62,586.66
Total Department of Health and Human Services				$ -	$ 69,861.64
Public Assistance Cluster:					
U. S. Department of Homeland Security					
Pass Through From:					
Texas Department of Public Safety					
Disaster Grants-Public Assistance	97.036		405	$ 7,536,195.08	$ -
Total Public Assistance Cluster				$ 7,536,195.08	$ -

Direct Program Amount	Total PT From & Direct Program	Agy./ Univ. #	Pass Through To Agencies Or Univ. Amount	Pass Through To Non-State Entities Amount	Expenditures Amount	Total PT To & Expenditures
$ 12,204,550.76	$ 12,204,550.76		$ -	$ -	$ 12,204,550.76	$ 12,204,550.76
78,424.60	78,424.60		-	-	78,424.60	78,424.60
151,772.66	151,772.66		-	-	151,772.66	151,772.66
						-
						-
-	2,398,016.00		-	-	2,398,016.00	2,398,016.00
						-
1,819,628.38	1,819,628.38		-	-	1,819,628.38	1,819,628.38
-	28,750.00		-	-	28,750.00	28,750.00
$ 14,254,376.40	$ 16,681,142.40		$ -	$ -	$ 16,681,142.40	$ 16,681,142.40
$ 96,887.66	$ 96,887.66		$ -	$ -	$ 96,887.7	$ 96,887.66
27,230.00	27,230.00		-	-	27,230.00	27,230.00
29,505.90	29,505.90		-	-	29,505.90	29,505.90
64,323.95	64,323.95		-	-	64,323.95	64,323.95
-	7,274.98		-	-	7,274.98	7,274.98
-	62,586.66		-	-	62,586.66	62,586.66
$ 217,947.51	$ 287,809.15		$ -	$ -	$ 287,809.15	$ 287,809.15
$ -	$ 7,536,195.08		$ -	$ -	$ 7,536,195.08	$ 7,536,195.08
$ -	$ 7,536,195.08		$ -	$ -	$ 7,536,195.08	$ 7,536,195.08

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SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)

August 31, 2010

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
Student Financial Assistance Cluster					
U. S. Department of Education					
Direct Program:					
Fed/ Supplemental Educational Opport. Grants	84.007	DUNS#050298975		$ -	$ -
Fed.Suplmntl Ed. Opport. Grants Admin. Cost	84.007	DUNS#050298975		-	-
Federal Family Education Loans	84.032	DUNS#050298975		-	-
Federal Work Study Program	84.033	DUNS#050298975		-	-
Federal Perkins Loans Program: Fed Capital Contribution	84.038	DUNS#050298975		-	-
Federal Perkins Loans Program: Administrative Cost Recovered	84.038	DUNS#050298975		-	-
Federal Pell Grant Program	84.063	DUNS#050298975		-	-
Academic Competitiveness Grant	84.375	DUNS#050298975		-	-
National Science & Mathematics Access to Retain Talent (SMART) Grants	84.376	DUNS#050298975		-	-
Teach Grant	84.379	DUNS#050298975		-	-
U.S. Department of Health and Human Services					
Scholarships For Health Professions Students From Disadvantaged Backgrounds	93.925	DUNS#050298975		-	-
Scholarships For Disadvantaged Students	93.925	DUNS#050298975		-	-
Scholarships For Health Professional Students	93.407	DUNS#050298975		-	-
Total Student Financial Assistance Cluster				$ -	$ -

Direct Program Amount	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
$ 1,036,917.00	$ 1,036,917.00		$ -	$ -	$ 1,036,917.00	$ 1,036,917.00
-	-		-	-	-	-
84,368,985.94	84,368,985.94		-	-	84,368,985.94	84,368,985.94
988,342.38	988,342.38		-	-	988,342.38	988,342.38
287,011.12	287,011.12		-	-	287,011.12	287,011.12
14,350.56	14,350.56		-	-	14,350.56	14,350.56
24,680,054.63	24,680,054.63		-	-	24,680,054.63	24,680,054.63
339,938.32	339,938.32		-	-	339,938.32	339,938.32
63,200.00	63,200.00		-	-	63,200.00	63,200.00
83,123.25	83,123.25		-	-	83,123.25	83,123.25
723,826.00	723,826.00		-	-	723,826.00	723,826.00
(21,700.00)	(21,700.00)		-	-	(21,700.00)	(21,700.00)
540,006.00	540,006.00		-	-	540,006.00	540,006.00
$ 113,104,055.20	$ 113,104,055.20		$ -	$ -	$ 113,104,055.20	$ 113,104,055.20

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SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)

August 31, 2010

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Pass Through From: Agy./ Univ. #	Agencies Or Univ. Amount	Non-State Entities Amount
Research and Development (R&D) Cluster					
U.S. Department of Defense					
Direct Program:					
Military Medical Research and Development	12.420	DUNS#050298975		$ -	$ -
Pass Through From:					
Rutgers University	12.300	3094		-	13,326.51
Basic and Applied Scientific Research					
Clarkson Aerospace Corporation					
Air Force Defense Research Sciences Program	12.800	FA9550-08-1-0026		-	-
Air Force Defense Research Sciences Program	12.800	TSU06-S56706C2		-	(499.80)
Air Force Defense Research Sciences Program	12.800	TSU 08-S567-011-02-C2		-	4,527.99
Air Force Defense Research Sciences Program	12.800	TSU 08-S567-011-02-C1		-	13,447.66
U. S. Department of Defense - U.S. Army					
Other Federal Awards Expended					
Direct Program:					
Study for Movement of Unmanned Vehicles	12.000	DUNS#050298975 W81GY08P0130		-	-
USAF/Architecture & Performance	12.000	DUNS#050298975 FA550-10-1-0128		-	-
DOD/USAF/Clarkson Material Manufacture	12.000	10-S567-013-02-C1		-	77,633.65
Study of High Fidelity Lunar Stimulates for Exploration Risk Reduction	12.000	DUNS#050298975		-	19,376.95
DOD/ UTMDA Summer Train Prostate	12.000	W81XWH-09-1-027101		-	19,880.29
National Aeronautics & Space Administration					
Other Federal Awards Expended					
Direct Program:					
Center for Bio-Nanotechnology and Environmental Research (C-BER)	43.000	DUNS#050298975 NNX08BA47A		-	-
NASA/UNSFSP UMIMET	43.000	DUNS#050298975		-	34,307.39
NASA/UNSFSP-Space Based (UNITE)	43.000	DUNS#050298975		-	7,328.27
Pass Through to: the University of Houston					
The NASA Research Center for Biotechnology and Environmental Health	43.000	DUNS#050298975 NCC 9-165		-	-

Direct Program Amount	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
$ 311,193.20	$ 311,193.20		$ -	$ -	$ 311,193.20	$ 311,193.20
-	13,326.51		-	-	13,326.51	13,326.51
304,143.00	304,143.00		-	-	304,143.00	304,143.00
-	(499.80)		-	-	(499.80)	(499.80)
-	4,527.99		-	-	4,527.99	4,527.99
-	13,447.66		-	-	13,447.66	13,447.66
(16,545.64)	(16,545.64)		-	-	(16,545.64)	(16,545.64)
39,113.93	39,113.93		45,606.00	-	(6,492.07)	39,113.93
-	77,633.65		-	-	77,633.65	77,633.65
-	19,376.95		-	-	19,376.95	19,376.95
-	19,880.29		-	-	19,880.29	19,880.29
1,449,019.14	1,449,019.14		131,336.77	-	1,317,682.37	1,449,019.14
-	34,307.39		-	-	34,307.39	34,307.39
-	7,328.27		-	-	7,328.27	7,328.27
62,698.30	62,698.30	730	-	-	62,698.30	62,698.30

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SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)

August 31, 2010

			Pass Through From		
FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Agy./ Univ. #	Agencies Or Univ. Amount	Non-State Entities Amount
Pass Through From other Non-State Entities:					
United Negro College Fund Special Programs NASA Administrative Fellowship Program	43.000	DUNS#050298975 8012007		$ -	$ -
Pass Through From:					
United Negro College Fund Special Programs					
Study of High Fidelity Lunar Stimulates for Exploration Risk Reduction	43.000	UNCFSP NSTI UNEEC		-	8,415.41
National Science Foundation					
Direct Program:					
Computer & Information Science & Engineering	47.070	DUNS#050298975		-	-
Education and Human Resources	47.076	DUNS#050298975		-	-
Education and Human Resources	47.076	DUNS#050298975		-	-
NSF/Target Infusion Virtual & Remote	47.076	DUNS#050298975		-	-
NSF/CollabVirtual & Remote Lab	47.076	DUNS#050298975		-	-
NSF/Collab Res Remote Lab Exp	47.076	DUNS#050298975		-	-
Pass Through From:					
University of Texas-Brownsville Education and Human Resources	47.076	UTB08-01	747	58,893.79	-
Computer & Information Science & Engineering	47.070	CNS 0830011		-	-
U.S. Department of Education					
Direct Program:					
National Institute on Disability & Rehabilitation Research	84.133	DUNS#050298975		-	-
Texas A&M University - Texarkana HBCU	84.027	TSU2209-10		4,416.00	-
Department of Health and Human Services					
Direct Program:					
Minority Health and Health Disparities Research DHHS/NIH/IBHDC/Cardiovascular	93.307	DUNS#050298975		-	-
National Center for Research Resources	93.389	DUNS#050298975		-	-
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	DUNS#050298975		-	-
Heart and Vascular Diseases Research	93.837	DUNS#050298975		-	-
	93.061	DUNS#050298975		-	-

Direct Program Amount	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
$ -	$ -		$ -	$ -	$ -	$ -
-	8,415.41		-	-	8,415.41	8,415.41
1,765.92	1,765.92		-	-	1,765.92	1,765.92
5,650.23	5,650.23		-	-	5,650.23	5,650.23
577,733.84	577,733.84		-	-	577,733.84	577,733.84
110,165.52	110,165.52		-	-	110,165.52	110,165.52
23,801.70	23,801.70		-	-	23,801.70	23,801.70
11,600.29	11,600.29		-	-	11,600.29	11,600.29
-	58,893.79		-	-	58,893.79	58,893.79
5,686.41	5,686.41		-	-	5,686.41	5,686.41
228,504.90	228,504.90		-	-	228,504.90	228,504.90
-	4,416.00		-	-	4,416.00	4,416.00
906.84	906.84		-	-	906.84	906.84
839,666.10	839,666.10		-	-	839,666.10	839,666.10
-	-		-	-	-	-
207,494.06	207,494.06		-	-	207,494.06	207,494.06
9,345.77	9,345.77		-	-	9,345.77	9,345.77

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SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)

August 31, 2010

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
U.S. Department of Homeland Security					
Direct Program:					
Centers for Homeland Security	97.061	DUNS#050298975		$ -	$ -
LSU/DHS-Ctr Excel Natural Disaster	97.061	DUNS#050298975		-	24,078.80
Petrochemical Transport Security	97.061	DUNS#050298975		-	-
Dev Petrochem Incid Loc Syspil	97.061	DUNS#050298975		-	-
Total Research and Development Cluster Programs				$ 63,309.79	$ 221,823.12
U. S. Department of Education					
Direct Program:					
TRIO: Student Support Services	84.042	DUNS#050298975		$ -	$ -
TRIO: Talent Search	84.044	DUNS#050298975		-	-
TRIO: Upward Bound	84.047	DUNS#050298975		-	-
TRIO: Educational Opportunity Centers	84.066	DUNS#050298975		-	-
TRIO: McNair Post-Baccalaureate Achievement	84.217	DUNS#050298975		-	-
Total TRIO Cluster Programs				$ -	$ -
TOTAL FEDERAL FINANCIAL ASSISTANCE				$ 10,558,265.34	$ 561,205.64

Direct Program Amount	Total PT From & Direct Program	Agy./ Univ. #	Pass Through To: Agencies Or Univ. Amount	Pass Through To: Non-State Entities Amount	Expenditures Amount	Total PT To & Expenditures
$ -	$ -		$ -	$ -	$ -	$ -
-	24,078.80		-	-	24,078.80	24,078.80
232,231.18	232,231.18		64,178.67	-	168,052.51	232,231.18
213,576.33	213,576.33		-	-	213,576.33	213,576.33
$ 4,617,751.02	$ 4,902,883.93		$ 241,121.44	$ -	$ 4,661,762.49	$ 4,902,883.93
$ 350,066.04	$ 350,066.04		$ -	$ -	$ 350,066.04	$ 350,066.04
452,824.89	452,824.89		-	-	452,824.89	452,824.89
340,598.39	340,598.39		-	-	340,598.39	340,598.39
331,797.08	331,797.08		-	-	331,797.08	331,797.08
297,324.36	297,324.36		-	-	297,324.36	297,324.36
$ 1,772,610.76	$ 1,772,610.76		$ -	$ -	$ 1,772,610.76	$ 1,772,610.76
$ 134,602,627.70	$ 145,464,006.84		$ 241,121.44	$ -	$ 145,222,885.40	$ 145,464,006.84

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

For the Year Ended August 31, 2010

Pass Through From:

Texas Higher Education Coordinating Board (Agency# 720, Fund 7999)	$	8,365.00
Texas Higher Education Coordinating Board (Agency# 781, Fund 0001)		5,558,713.48
Texas Higher Education Coordinating Board (Agency# 781, Fund 0106)		20,618.76
Total Pass Through From Other Agencies	$	5,587,697.24

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

SCHEDULE 2A - MISCELLANEOUS BOND INFORMATION

For the Year Ended August 31, 2010

Business-Type Activities

Description	Interest Rate	Maturity Dates: First Year	Maturity Dates: Last Year	First Call Date	Original Issue
General Obligation Bonds- Not Self Supporting					
Series 2004 Constitutional Appropriation	3.00-4.00%	2004	2014	n/a	$ 11,100,000.00
Series 2005 Constitutional Appropriation	3.00-4.00%	2005	2014	n/a	30,935,000.00
Revenue Bonds- Self Supporting					
Series 1998 A-1 Refunding	3.10-4.75%	1999	2017	5/1/2009	20,305,000.00
Series 1998 A-2 Improvement	3.10-5.13%	1999	2018	5/1/2009	18,000,000.00
Series 1998 B Improvement	3.50-5.13%	2001	2023	5/1/2009	12,920,000.00
Series 2002	4.00-5.50%	2002	2021	5/1/2012	48,065,000.00
Series 2003	2.00-5.00%	2006	2023	5/1/2013	27,240,000.00
Series 2004	2.50-3.70%	2006	2014	n/a	3,500,000.00
				Total General Bonded Debt	$ 172,065,000.00

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SCHEDULE 2B - CHANGES IN BOND INDEBTEDNESS

For the Year Ended August 31, 2010

Description	Beginning Balance	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Ending Balance	Amounts Due Within One Year
General Obligation Bonds- Not Self Supporting						
Series 2004 Constitutional Appropriation	$ 6,015,000.00	$ -	$ 1,110,000.00	$ -	$ 4,905,000.00	$ 1,150,000.00
Series 2005 Constitutional Appropriation	21,895,000.00	-	3,310,000.00	-	18,585,000.00	3,430,000.00
Revenue Bonds- Self Supporting						
Series 1998 A-1 Refunding	11,615,000.00	-	1,070,000.00	-	10,545,000.00	1,115,000.00
Series 1998 A-2 Improvement	8,025,000.00	-	890,000.00	-	7,135,000.00	930,000.00
Series 1998 B Improvement	9,855,000.00	-	460,000.00	-	9,395,000.00	480,000.00
Series 2002	36,320,000.00	-	2,020,000.00	-	34,300,000.00	2,120,000.00
Series 2003	22,765,000.00	-	1,185,000.00	-	21,580,000.00	1,235,000.00
Series 2004	2,060,000.00	-	385,000.00	-	1,675,000.00	400,000.00
Total General Bonded Debt	$ 118,550,000.00	$ -	$ 10,430,000.00	$ -	$ 108,120,000.00	$ 10,860,000.00

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SCHEDULE 2C - DEBT SERVICE REQUIREMNTS

For the Year Ended August 31, 2010

	Series 1998 A-1 Refunding Bonds			Series 1998 A-2 Improvement Bonds			Series 1998 B Improvement Bonds		
Year Ending Aug. 31	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
2011	1,115,000.00	462,170.00	1,577,170.00	930,000.00	329,918.76	1,259,918.76	480,000.00	434,001.26	914,001.26
2012	1,170,000.00	412,457.50	1,582,457.50	970,000.00	288,583.76	1,258,583.76	500,000.00	410,868.76	910,868.76
2013	1,220,000.00	359,267.50	1,579,267.50	1,015,000.00	241,234.38	1,256,234.38	530,000.00	384,475.01	914,475.01
2014	1,275,000.00	302,492.50	1,577,492.50	1,070,000.00	187,806.25	1,257,806.25	555,000.00	356,671.88	911,671.88
2015	1,340,000.00	241,677.50	1,581,677.50	1,125,000.00	131,559.38	1,256,559.38	585,000.00	327,459.38	912,459.38
2016-2020	4,425,000.00	321,931.25	4,746,931.25	2,025,000.00	93,365.63	2,118,365.63	3,400,000.00	1,164,346.88	4,564,346.88
2021-2025	-	-	-	-	-	-	3,345,000.00	309,712.50	3,654,712.50
Total	$ 10,545,000.00	$ 2,099,996.25	$ 12,644,996.25	$ 7,135,000.00	$ 1,272,468.16	$ 8,407,468.16	$ 9,395,000.00	$ 3,387,535.67	$ 12,782,535.67

	Series 2002 Revenue Bonds			Series 2003 Revenue Bonds			Series 2004 Revenue Bonds		
Year Ending Aug. 31	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
2011	2,120,000.00	1,744,731.26	3,864,731.26	1,235,000.00	1,059,650.00	2,294,650.00	400,000.00	58,107.50	458,107.50
2012	2,225,000.00	1,643,059.38	3,868,059.38	1,290,000.00	1,004,075.00	2,294,075.00	410,000.00	45,307.50	455,307.50
2013	2,325,000.00	1,543,237.50	3,868,237.50	1,345,000.00	946,025.00	2,291,025.00	425,000.00	31,367.50	456,367.50
2014	2,440,000.00	1,424,987.50	3,864,987.50	1,410,000.00	885,500.00	2,295,500.00	440,000.00	16,280.00	456,280.00
2015	2,580,000.00	1,286,937.50	3,866,937.50	1,480,000.00	815,000.00	2,295,000.00	-	-	-
2016-2020	15,260,000.00	4,073,812.50	19,333,812.50	8,575,000.00	2,888,750.00	11,463,750.00	-	-	-
2021-2025	7,350,000.00	381,556.25	7,731,556.25	6,245,000.00	634,750.00	6,879,750.00	-	-	-
Total	$ 34,300,000.00	$ 12,098,321.89	$ 46,398,321.89	$ 21,580,000.00	$ 8,233,750.00	$ 29,813,750.00	$ 1,675,000.00	$ 151,062.50	$ 1,826,062.50

	Series 2004 Constitutional Appropriation Bonds			Series 2005 Constitutional Appropriation Bonds		
Year Ending Aug. 31	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
2011	1,150,000.00	193,325.00	1,343,325.00	3,430,000.00	674,800.00	4,104,800.00
2012	1,200,000.00	150,200.00	1,350,200.00	3,570,000.00	534,800.00	4,104,800.00
2013	1,250,000.00	102,200.00	1,352,200.00	3,710,000.00	389,200.00	4,099,200.00
2014	1,305,000.00	52,200.00	1,357,200.00	3,860,000.00	237,800.00	4,097,800.00
2015	-	-	-	4,015,000.00	80,300.00	4,095,300.00
Total	$ 4,905,000.00	$ 497,925.00	$ 5,402,925.00	$ 18,585,000.00	$ 1,916,900.00	$ 20,501,900.00

TEXAS SOUTHERN UNIVERSITY

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SCHEDULE 2D - ANALYSIS OF FUND AVAILABLE FOR DEBT SERVICE

For the Year Ended August 31, 2010

Business-Type Activities

	Application of Funds	
General Obligation Bonds	Principal	Interest
Constitutional Appropriation Bonds, Series 2004 and 2005	$ 4,420,000	$ 1,037,638
Total	$ 4,420,000	$ 1,037,638

	Pledged and Other Sources and Related Expenditures for FY 2009			
	Net Available for Debt Service		Debt Service	
Revenue Bonds	Total Pledged and Other Sources	Operating Expenses/Expenditures & Capital Outlay	Principal	Interest
BOND SERIES 98A1-A2&B&C, 2002,2003&2004	$ 69,517,519	$ -	$ 6,010,000	$4,358,939
Total	$ 69,517,519	$ -	$ 6,010,000	$4,358,939

Note: The Operating Expenses/Expenditures and Capital Outlay related to the Revenue Bonds

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SCHEDULE 2E - DEFEASED BONDS OUTSTANDING

For the Year Ended August 31, 2010

(Unaudited)

Description of Issue	Year Refunded		Par Value Outstanding
Revenue Bonds			
Building Revenue Bonds, Series 1963-B	1994	$	130,000.00
Total Defeased Revenue Bonds		$	130,000.00

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APPENDIX D

FORM OF BOND COUNSEL OPINION

ANDREWS KURTH LLP
ATTORNEYS

111 Congress Avenue, Suite 1700
Austin, Texas 78701
512.320.9200 Phone
512.320.9292 Fax
andrewskurth.com

January 27, 2011

WE HAVE ACTED as Bond Counsel for the Texas Public Finance Authority (the "Authority") in connection with the issuance of the "Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2011" (the "Bonds"), dated January 15, 2011, in the principal amount of $31,500,000, by the Authority on behalf of the Board of Regents (the "Board") of Texas Southern University (the "University"). The Bonds have stated maturities of May 1 in each year from 2011 through 2030, inclusive. The Bonds are issuable in fully registered form only, in denominations of $5,000 or integral multiples thereof, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the respective resolutions of the Authority and the Board authorizing the issuance of the Bonds (collectively, the "Resolution").

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds, as described in the Resolution. The transcript contains certified copies of certain proceedings of the Authority and the Board; certain certifications and representations and other material facts within the knowledge and control of the Authority and the Board, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds. We have also examined executed Bond No. R-1.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the Authority, the University or the Board or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Authority's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

BASED ON SUCH EXAMINATION, it is our opinion as follows:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding special obligations of the Authority enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases; and the Bonds have been authorized and delivered in accordance with law; and

(2) The Bonds are payable, both as to principal and interest, solely from and equally and ratably secured by a lien on and pledge of the Pledged Revenues (as defined in the Resolution), such lien

on and pledge of the Pledged Revenues being subordinate only to the lien on and pledge of the Pledged Revenues securing the Prior Encumbered Obligations. The Resolution provides certain conditions under which the Authority and the Board may issue additional parity revenue obligations payable from the same source and secured in the same manner as the Bonds.

ALSO BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, it is our further opinion that, subject to the restrictions hereinafter described, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under existing law and is not subject to the alternative minimum tax on individuals and corporations. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Authority and the Board comply with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority and the Board have covenanted in the Resolution to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinions of Bond Counsel are based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof for federal income tax purposes.

EXCEPT AS DESCRIBED ABOVE, we express no opinion as to any federal, state or local tax consequences under present law, or future legislation, resulting from the ownership of, receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualified for the earned income tax credit. For the foregoing reasons, prospective purchasers should consult their tax advisors as to the consequences of investing in the Bonds.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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