OFFICIAL STATEMENT DATED AUGUST 23, 2016

NEW ISSUE – BOOK-ENTRY-ONLY

RATINGS: BAM Insured/S&P "AA"
Underlying Ratings - Moody's: "Baa3"
Fitch: "BBB"
See "BOND INSURANCE" and "RATINGS" herein

In the opinion of Winstead PC and Mahomes Bolden PC, "Co-Bond Counsel," assuming continuing compliance by the Authority and the Board (each as defined below) with certain covenants and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds (defined below) for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended, and (2) will not be included in computing the alternative minimum taxable income of individuals or, except as described herein, corporations.

$55,490,000
TEXAS PUBLIC FINANCE AUTHORITY
TEXAS SOUTHERN UNIVERSITY
REVENUE FINANCING SYSTEM BONDS, SERIES 2016

Dated Date and Interest Accrual Date: Date of Initial Delivery **Due: May 1, as shown on page ii**

The Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2016 (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 Regents") of Texas Southern University (the "University") for the purposes described below. The Bonds are payable from and secured solely by a lien on and pledge of the "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, as amended and supplemented from time to time including by a tenth supplemental resolution, each adopted by the Authority and the Board of Regents, which provide for the issuance of the Bonds (collectively the "Resolution"). **THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE BOARD OF REGENTS, THE AUTHORITY, THE UNIVERSITY OR ANY PART THEREOF, THE STATE OF TEXAS, OR ANY POLITICAL SUBDIVISION OF THE STATE. 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."

The proceeds from the sale of the Bonds will be used for the purpose of (i) acquiring, purchasing, constructing, improving, renovating, enlarging or equipping property and facilities, including roads and related infrastructure, for the Robert J. Terry Library on the University's campus in Houston, Texas, and (ii) paying the costs of issuance of the Bonds. See "PLAN OF FINANCING."

Interest on the Bonds accrues from the Date of Initial Delivery (defined below), and is payable initially on November 1, 2016 and each May 1 and November 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 by U.S. Bank National Association, New York, New York, 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 scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY.

The Bonds are subject to redemption prior to maturity as described herein. See "DESCRIPTION OF THE BONDS – Redemption."

MATURITY SCHEDULE, INTEREST RATES, YIELDS
AND OTHER TERMS FOR THE BONDS (See Page ii)
CUSIP Prefix: 882756

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 the opinions of Winstead PC and Mahomes Bolden PC, Co-Bond Counsel. Certain legal matters will be passed upon for the Authority by the General Counsel of the Authority and by McCall, Parkhurst & Horton L.L.P., Disclosure Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by their counsel, Greenberg Traurig, LLP. See "LEGAL MATTERS." The Bonds are expected to be available for delivery through the facilities of DTC on or about September 15, 2016 ("Date of Initial Delivery").

MESIROW FINANCIAL, INC.

RBC CAPITAL MARKETS **SIEBERT CISNEROS SHANK & CO., L.L.C.**

MATURITY SCHEDULE
CUSIP PREFIX: 882756[1]

$55,490,000
TEXAS PUBLIC FINANCE AUTHORITY
TEXAS SOUTHERN UNIVERSITY
REVENUE FINANCING SYSTEM BONDS, SERIES 2016

Maturity Date (May 1)	Principal Amount	Interest Rate	Initial Yield [2]	CUSIP Suffix[1]
2017	$2,600,000	2.000%	0.950%	6N4
2018	1,815,000	4.000	1.000	6P9
2019	1,890,000	4.000	1.130	6Q7
2020	1,965,000	4.000	1.270	6R5
2021	2,045,000	5.000	1.460	6S3
2022	2,145,000	5.000	1.690	6T1
2023	2,255,000	5.000	1.850	6U8
2024	2,365,000	5.000	1.990	6V6
2025	2,485,000	5.000	2.080	6W4
2026	2,605,000	5.000	2.200	6X2
2027	2,740,000	5.000	2.310	6Y0
2028	2,875,000	5.000	2.450	6Z7
2029	3,020,000	4.000	2.630	7A1
2030	3,140,000	4.000	2.730	7B9
2031	3,265,000	4.000	2.830	7C7
2032	3,395,000	4.000	2.880	7D5
2033	3,530,000	4.000	2.930	7E3
2034	3,675,000	3.000	3.040	7F0
2035	3,785,000	3.000	3.070	7G8
2036	3,895,000	3.000	3.100	7H6

The Authority reserves the right, upon the request of the Board of Regents, to redeem Bonds having stated maturities on and after May 1, 2027 on May 1, 2026 or any date thereafter, in whole or in part, at par plus accrued and unpaid interest to the date fixed for redemption. Additionally, the Bonds may be subject to mandatory sinking fund redemption in the event the Underwriters elect to aggregate one or more serial maturities as term bonds. See "DESCRIPTION OF THE BONDS – Redemption."

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(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence 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. None of the Authority, the Financial Advisor, or the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.
(2) Yields shown are calculated to the earlier of stated maturity or first available redemption date at par plus accrued interest.

TEXAS PUBLIC FINANCE AUTHORITY

Board of Directors

Billy M. Atkinson, Jr., Chair
Ruth C. Schiermeyer, Vice-Chair
Gerald B. Alley, Secretary
Ramon Manning, Member
Walker N. Moody, Member
Rodney K. Moore, Member
Robert T. Roddy, Jr., Member

Certain Officers

Lee Deviney, Executive Director
John Hernandez, Deputy Director
Pamela Scivicque, Director, Business Administration
Kevin Van Oort, General Counsel

TEXAS SOUTHERN UNIVERSITY

Board of Regents

Name	Residence	Term Expiration
Derrick Mitchell, Chairman	Houston, Texas	February 1, 2021
Wesley Glenn Terrell, Vice Chair	Dallas, Texas	February 1, 2021
Marilyn Rose, 2nd Vice Chair	Houston, Texas	February 1, 2021
Samuel Bryant, Secretary	Austin, Texas	February 1, 2017
Oliver Bell	Houston, Texas	February 1, 2017
Gary Bledsoe	Austin, Texas	February 1, 2017
Glenn O. Lewis	Fort Worth, Texas	February 1, 2019
Sarah Monty-Arnoni	Houston, Texas	February 1, 2019
Erik Salwen	College Station, Texas	February 1, 2019
Tramauni Brock(1)	Houston, Texas	May 31, 2017

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

Administration-Select Administrators

Name	**Title**
Dr. Austin A. Lane	President
James Ward	Provost/Vice President for Academic Affairs
Edward Craig Ness*	Vice President for Administration & Finance
Louis W. Edwards	Associate Vice President of Treasury & Budget
Andrew C. Hughey	General Counsel
Janis J. Newman	Chief of Staff
Dr. William T. Saunders	Vice President for Student Services & Dean of Students

* Edward Craig Ness submitted his resignation from the University to take effect September 1, 2016.

For additional information regarding the University, please contact:

Mr. Louis W. Edwards
Associate Vice President of Treasury and Budget
Texas Southern University
3100 Cleburne Avenue
Hannah Hall, Room 116
Houston, Texas 77004
(713) 313-1382

Mr. Chris W. Allen
Financial Advisor
FirstSouthwest, a Division of Hilltop Securities Inc.
300 West 6th Street, Suite 1940
Austin, Texas 78701
(512) 481-2013

SALE AND DISTRIBUTION OF THE BONDS

General

This Official Statement, which includes the cover page and the appendices attached hereto, 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.

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 Administration & Finance, Texas Southern University, 3100 Cleburne Avenue, Hannah Hall, Room 116, 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.

Use of Information in Official Statement

No dealer, broker, salesman or other person has been authorized by the Authority or the Underwriters to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall, under any circumstances, create the implication that there has been no change in the affairs of the Authority or the State of Texas since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds and in no instance may this Official Statement be reproduced or used for any other purpose.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT FACTS AND CIRCUMSTANCES ON THE DATE OF THIS OFFICIAL STATEMENT OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION MAY NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE BONDS DESCRIBED HEREIN SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

NONE OF THE AUTHORITY, ITS FINANCIAL ADVISOR, THE UNIVERSITY OR THE UNDERWRITERS MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN FURNISHED BY DTC.

None of the Authority, its Financial Advisor, the University or the Underwriters makes any representation or warranty with respect to the information contained in this Official Statement regarding Build America Mutual Assurance Company ("BAM") and has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of information presented under the heading "BOND INSURANCE," including "APPENDIX F – SPECIMEN BOND INSURANCE POLICY" and "APPENDIX G – SPECIMEN DEBT SERVICE RESERVE INSURANCE POLICY."

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

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.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, in reliance upon an exemption provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The Authority assumes 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.

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

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21e OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. See "LEGAL MATTERS – Forward-Looking Statements" herein.

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OFFICIAL STATEMENT

relating to

$55,490,000
TEXAS PUBLIC FINANCE AUTHORITY
TEXAS SOUTHERN UNIVERSITY
REVENUE FINANCING SYSTEM BONDS, SERIES 2016

INTRODUCTION

General

This Official Statement, including the cover page and the Appendices hereto, provides certain information regarding the issuance by the Texas Public Finance Authority (the "Authority" or "Issuer") of its $55,490,000 Texas Southern University Revenue Financing System Bonds, Series 2016 (the "Bonds"), on behalf of the Board of Regents (the "Board of Regents") of Texas Southern University (the "University"). The Authority's board (the "Authority Board") 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 B – DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION," except as otherwise defined herein.

The University

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 2015 Semester, the University had a total enrollment of 8,965 students. The Board of Regents 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 "APPENDIX A – TEXAS SOUTHERN UNIVERSITY."

Security

The Bonds, 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 of Regents equally and ratably secured by and payable solely from a pledge of and lien on the Pledged Revenues. Pledged Revenues consist of the Revenue Funds which includes 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 of Regents 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 Regents of a resolution relating to such Parity Obligations, is exempt by law or by the Board of Regents from paying such tuition, rentals, fees, or other charges. See "SECURITY FOR THE BONDS."

PLAN OF FINANCING

Purpose

The proceeds from the sale of the Bonds will be used for the purpose of (i) acquiring, purchasing, constructing, improving, renovating, enlarging or equipping property and facilities, including roads and related infrastructure, for the Robert J. Terry Library on the University's campus in Houston, Texas, and (ii) paying the costs of issuance of the Bonds.

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, including particularly sections 55.13(c) and 55.17891, and Chapters 1232 (the "Authority Act") and 1371, Texas Government Code (collectively, the "Authorizing Law"), and additionally pursuant to a master resolution, as amended and supplemented from time to time, adopted by the Board of Regents on October 19, 1998, and approved by the Authority on October 21, 1998 (the "Master Resolution"), and a tenth supplemental resolution approved and adopted by the Authority Board on June 6, 2016, and by the Board of Regents on June 24, 2016 (the "Tenth Supplement" and collectively with the Master Resolution, the "Resolution"). Section 55.17891 of the Texas Education Code was enacted by the 84th Texas Legislature (the "Texas Legislature") and authorizes the University to issue the Bonds which qualify for reimbursement of annual debt service from the State pursuant to the Texas Legislature's biennial appropriation for tuition revenue bond retirement. See "RISK FACTORS – Risk Factors Regarding the University – *State of Texas Appropriation Risk*" and "APPENDIX A – TEXAS SOUTHERN UNIVERSITY – SELECTED FINANCIAL INFORMATION – Financing Programs – *Tuition Revenue Bonds.*"

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

In connection with the issuance of the Bonds, the Pricing Committee approved a pricing certificate which approved the terms of the Bonds including authorizing the execution of any documents related to the Bond Insurance Policy (as defined below) and the reserve fund surety policy (also referred to herein as the Credit Facility).

Sources and Uses of Funds

The proceeds of the Bonds are expected to be applied as follows:

Sources:	
Par Amount	$55,490,000.00
Net Original Issue Premium	$ 6,060,425.00
Total	**$61,550,425.00**
Uses:	
Deposit to Project Fund	$60,000,000.00
Costs of Issuance[1]	$ 1,546,563.45
Additional Proceeds	$ 3,861.55
Total	**$61,550,425.00**

[1] Includes underwriter's discount, bond insurance premium, reserve fund surety policy premium and other costs of issuance.

DESCRIPTION OF THE BONDS

General

The Bonds will be issued only as fully registered bonds, without coupons, in any integral multiple of $5,000 principal amount within a stated maturity, will accrue interest from their Date of Initial Delivery, and will bear interest at the per annum rates shown on the inside cover page hereof. Interest on the Bonds is payable on May 1 and November 1 of each year, commencing November 1, 2016, 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 of Regents will execute, and the Paying Agent/Registrar, initially U.S. Bank National Association, New York, New York, 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 of Regents 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 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 "Regular Record 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 Owners of the Bonds not less than 15 days prior to the Special Record Date.

Redemption

Optional Redemption

The Authority reserves the right, upon the request of the Board of Regents, to redeem Bonds having stated maturities on and after May 1, 2027 on May 1, 2026 or any date thereafter, in whole or in part, at par plus accrued and unpaid interest to the date fixed for redemption (provided that a portion of a Bond may be redeemed only in an integral multiple of $5,000); provided, however, 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 will be selected in accordance with the arrangements between the Authority and the securities depository.

Notice of Redemption

At least 30 days prior to the date fixed for any optional 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 optional 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 optional 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 optional 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 Authority Board and the Board of Regents have covenanted with the registered owners of the Bonds that at all times while the Bonds are outstanding the Board of Regents 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 Authority Board and the Board of Regents 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 Authority Board and the Board of Regents have covenanted that they will promptly 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 must 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 Authority Board and the Board of Regents.

Defeasance

The Tenth Supplement provides for defeasance of the Bonds under certain circumstances. See "APPENDIX B – DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE 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 of Regents 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 of Regents. 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 of Regents (or the Authority on behalf of the Board of Regents) 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 of Regents 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 of Regents 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 B – DEFINED TERMS AND SUMMARY 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 of Regents 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 of Regents and derived from or attributable to any Participant of the Revenue Financing System that are lawfully available to the Board of Regents 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 of Regents 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 Regents of a resolution relating to such Parity Obligations, is exempt by law or by the Board of Regents 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 "APPENDIX A – TEXAS SOUTHERN UNIVERSITY – SELECTED FINANCIAL INFORMATION – Financing Programs"), and (b) except to the extent so specifically appropriated, General Revenue Funds appropriated to the Board of Regents by the Texas Legislature.

THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE BOARD OF REGENTS, THE AUTHORITY, THE UNIVERSITY OR ANY PART THEREOF, THE STATE OF TEXAS, OR ANY POLITICAL SUBDIVISION OF THE STATE. NEITHER THE BOARD OF REGENTS 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 – DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION."

Pledged Revenues

The following tables contain a summary of the Pledged Revenues and Special Revenues for Fiscal Years 2011 through 2015, including pledged unappropriated fund balances available at the beginning of each year. The Pledged Revenues include certain unrestricted current funds but do not include: remissions, 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 D – AUDITED FINANCIAL REPORT OF TEXAS SOUTHERN UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2015."

See "APPENDIX A – TEXAS SOUTHERN UNIVERSITY – SELECTED FINANCIAL INFORMATION."

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TABLE 1A - Pledged Revenues and Debt Service Coverage Calculations (millions)*

	2011	2012(1)	2013	2014	2015
Operating Revenues:					
Tuition and fees	$82,996	$82,526	$81,397	$80,797	$87,089
Discount on tuition and fees	(25,028)	(20,716)	(15,274)	(24,833)	(27,429)
Auxiliary enterprises	8,997	11,919	10,816	11,813	11,379
Other sales of goods and services	19	226	152	99	124
Other operating contracts and grants, pledged	909	894	1,769	1,055	2,106
State Appropriations(2)	7,480	8,939	7,279	7,418	9,599
Annual Pledged Revenues	75,373	83,788	86,139	76,349	82,868
Annual Pledged Revenues excluding State Appropriations	67,893	74,849	78,860	68,930	73,270
Pledged Fund Balances(3)	29,572	7,005	-	-	-
Annual Pledged Revenues and Pledged Fund Balances	104,945	90,793	86,139	76,349	82,868
Annual Debt Service(4)	13,113	14,995	16,736	16,604	16,157
Annual Pledged Revenues Coverage of Annual Debt Service	5.75	5.59	5.14	4.60	5.13
Annual Pledged Revenues Excluding Appropriations Coverage of Annual Debt	5.18	4.99	4.71	4.15	4.53
Annual Pledged Revenues and Pledged Fund Balances Coverage of Annual Debt Service	8.00	6.05	5.14	4.60	5.13
Maximum Annual Debt Service(5)	19,379	19,379	19,306	19,306	19,306
Annual Pledged Revenues Coverage of Maximum Annual Debt Service	3.89	4.32	4.46	3.95	4.29
Annual Pledged Revenues Excluding Appropriations Coverage of Maximum Annual Debt Service	3.50	3.86	4.08	3.57	3.80
Annual Pledged Revenues and Pledged Fund Balances Coverage of Maximum Annual Debt Service	5.42	4.69	4.46	3.95	4.29

* Provided by the University.

(1) Restated.

(2) State appropriations for the reimbursement of debt service on certain Tuition Revenue Bonds (including the Bonds) appropriated by the State of Texas. See "APPENDIX A – SELECTED FINANCIAL INFORMATION – Financing Programs – *Tuition Revenue Bonds*." Excludes Higher Education Assistance Funds and general revenue funds appropriated by the State.

(3) Pledged Unappropriated Fund and Reserve Balances.

(4) Historical annual debt service on Parity Obligations. Excludes Constitutional Appropriation Bonds.

(5) Parity Obligations only. Excludes Constitutional Appropriation Bonds.

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TABLE 1B - Special Revenues*

	Fiscal Year Ended August 31,				
	2011	2012[2]	2013	2014	2015
Recreational Facilities Fee[1]	$1,116,082	$1,054,974	$852,892	$934,954	$947,380
Medical Services Fee	711,016	684,462	555,936	605,677	616,996
Total	$1,827,098	$1,739,436	$1,408,828	$1,540,631	$1,564,375

* Provided by the University.

(1) Revenues available for debt service for the Texas Public Finance Authority Texas Southern University Revenue Financing System Improvement Bonds (Recreational Facility Project) Series 1998B only, which were refunded by the Series 2013 Bonds.

(2) Restated.

Certain Covenants

Rate Covenant

The Board of Regents 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 of Regents 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 of Regents 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 of Regents 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 of Regents 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 of Regents 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 of Regents relating to the Revenue Financing System including all payments and deposits in connection with the Parity Obligations then outstanding.

Waiver of Covenants

The Board of Regents 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 – DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION."

2016 Reserve Fund

The Resolution requires the establishment of a reserve fund for the Bonds (the "2016 Reserve Fund") in an amount not less than the Required Reserve Amount (as defined below). Upon delivery of the Bonds, the 2016 Reserve Fund will be fully funded through a surety policy issued by BAM which policy will be purchased using proceeds of the Bonds. See "PLAN OF FINANCING – Sources and Uses of Funds" and "RISK FACTORS – Bond Insurance Risk Factors." The specimen surety policy is attached hereto as "APPENDIX G – SPECIMEN DEBT SERVICE RESERVE INSURANCE POLICY."

"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 fund the 2016 Reserve Fund with a deposit of cash in an amount equal to the Required Reserve Amount for the Series 2016 Bonds or by a Credit Facility issued in an amount equal to the Required Reserve Amount for the Series 2016 Bonds or a combination of cash and a Credit Facility equal in amount to the Required Reserve Amount for the Series 2016 Bonds.

The Resolution requires the University to maintain a balance in the 2016 Reserve Fund equal to the Required Reserve Amount while the Bonds are Outstanding. In the event of any subsequent deficiency in the 2016 Reserve Fund, or in the event that on the date of termination or expiration of any Credit Facility there is not sufficient cash or Credit Facilities on deposit in the 2016 Reserve Fund equal to the Required Reserve Amount, the Resolution requires the University, after making required deposits to the Interest and Sinking Fund pursuant to the Resolution, to satisfy the Required Reserve Amount by depositing cash or a Credit Facility into the 2016 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 – DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – CERTAIN PROVISIONS OF THE TENTH SUPPLEMENT TO THE MASTER RESOLUTION." The 2016 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" and "BOND INSURANCE – The Reserve Fund Insurance Policy."

Additional Parity Obligations

The Board of Regents 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 of Regents, or the Authority acting on behalf of the Board of Regents, may incur, assume, guarantee, or otherwise become liable in respect of Additional Parity Obligations if the Board of Regents 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 of Regents relating to the Revenue Financing System. The issuance of Additional Parity Obligations is also subject to certain requirements set forth in the certain capital project loan agreements entered into by the Authority with and on behalf of the University in connection with the Series 2011A-4 Note and the Series A 2012-10 Note (collectively, the "Notes"), including the consents of Rice Capital Access Program, LLC, and the Secretary of the United States Department of Education.

The Authority, upon approval and consent of the Board of Regents, 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 of Regents 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 – DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION."

Reserve Funds - Parity Obligations

In addition to the 2016 Reserve Fund created with respect to the Bonds, which will be funded by a Reserve Fund Policy (hereinafter defined) provided by BAM, the Master Resolution and the applicable supplements thereto, create a separate reserve fund for each series of currently outstanding Parity Obligations.

Each such series of Parity Obligations has a separate reserve fund securing only the payment of that particular series of Parity Obligations and not the payment of any other series of Parity Obligations issued under the Master Resolution. **Thus, the reserve funds for each such respective series of Outstanding Parity Obligations are not available for payment of the Bonds.** The 2016 Reserve Fund created under the Tenth Supplement is only available for payment of the Bonds. See "SECURITY FOR THE BONDS – Pledge Under Resolution" and "– 2016 Reserve Fund."

As described in more detail in the following paragraphs, at the time of issuance of each series of outstanding Parity Obligations, the Board of Regents 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, cash deposits or other funding options to satisfy each outstanding Parity Obligation's Required Reserve Amount. Since the issuance of such Parity Obligations, surety bond providers experienced significant financial distress as a result of the financial crisis in 2008 and 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 2011 Bonds, the University deposited $2,743,940.07 to satisfy its Required Reserve Amount for the Series 2011 Bonds.

With respect to the Series 2013 Bonds, Build America Mutual Assurance Company ("BAM") provided a surety bond in an amount not to exceed $6,672,838.08, the reserve fund requirement established for the Series 2013 Bonds. Such surety bond policy expires on the earlier of (i) the maturity date for the Series 2013 Bonds and (ii) the date on which all payments have been made on the Series 2013 Bonds.

As noted above, surety bond providers have experienced significant financial distress as a result of the financial crisis in 2008. In the event that the financial condition of the surety bond provider 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 surety bond provider.

The Notes are Parity Obligations that do not have a traditional reserve fund. In connection with the issuance of both the Series 2011A-4 Note and the Series A 2012-10 Note, a Participation Fee in the amount of 5.0 % of each Note draw was paid into a common fund pool ("Common Fund Pool") that provides a reserve for certain participants in the Department of Education's Historically Black Colleges and Universities Capital Access Loan Program. The Department of Education can make draws from the Common Fund Pool if the University or any other participants in the Common Fund Pool defaults in the payment of principal and interest on the notes. Because the Common Fund Pool can be, and currently is being, drawn by the Department of Education to make payment on notes for certain other participant universities, no assurances are given that the Common Fund Pool money will be available in the event the University does not have sufficient funds to pay the Notes. **The Common Fund Pool secures only the payment of the Notes and not the payment of any other Series of Parity Obligations. The Common Fund Pool is not available for payment on the Bonds.** See "SECURITY FOR THE BONDS – Pledge Under Resolution" and "APPENDIX A – TEXAS SOUTHERN UNIVERSITY – SELECTED FINANCIAL INFORMATION – TABLE 5 - Outstanding Indebtedness."

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 of Regents, 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 of Regents, 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 of Regents 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 of Regents. 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 – DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION."

Under current State law, the Authority and the Board of Regents 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 of Regents 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 of Regents, as discussed in the preceding paragraph, are not prohibited by sovereign immunity.

The Resolution does not provide for any specific remedies relating to the enforcement of the obligations of the Authority and the Board of Regents, and the Authority and the Board of Regents has not waived sovereign immunity with respect to the enforcement of the obligations of the Authority or the Board of Regents relating to the Bonds. Any owner of the Bonds, in the event of default in connection with any covenant contained in the Resolution or in any Supplement, or default in the payment of Annual Debt Service Requirements due in connection with the Bonds, or other costs and expenses related thereto, may require the Authority and the Board of Regents, its officials and employees to carry out, respect, or enforce the covenants and obligations of the Master Resolution or any Supplement, by the use and filing of mandamus proceedings in any court of competent jurisdiction in Travis County, Texas against the Authority and the Board of Regents, its officials and employees.

The remedy of mandamus is (i) available only if the covenants and obligations to be enforced are not uncertain or disputed and (ii) controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Resolution does not provide for the appointment of a trustee to represent the interests of the owners of the Bonds upon any failure of the Authority or the Board of Regents to perform in accordance with the terms of the Resolution or upon any other condition, and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the owners of the Bonds. No assurance can be given that a mandamus or other legal action to enforce a default under the Resolution would be successful. The opinions of Co-Bond Counsel will state that all opinions relative to the enforceability of the Bonds are qualified with respect to customary rights of debtors relative to their creditors.

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DEBT SERVICE SCHEDULE

Fiscal Year (August 31)	Outstanding Parity Obligation Debt Service	The Bonds Principal	The Bonds Interest	The Bonds Annual Debt Service	Total Debt Service
2016	$ 18,717,951				$ 18,717,951
2017	18,906,424	$ 2,600,000	$ 1,411,998	$ 4,011,998	22,918,422
2018	18,089,552	1,815,000	2,197,200	4,012,200	22,101,752
2019	16,560,658	1,890,000	2,124,600	4,014,600	20,575,258
2020	16,549,970	1,965,000	2,049,000	4,014,000	20,563,970
2021	16,539,087	2,045,000	1,970,400	4,015,400	20,554,487
2022	16,529,536	2,145,000	1,868,150	4,013,150	20,542,686
2023	12,935,124	2,255,000	1,760,900	4,015,900	16,951,024
2024	10,801,546	2,365,000	1,648,150	4,013,150	14,814,696
2025	9,911,880	2,485,000	1,529,900	4,014,900	13,926,780
2026	9,896,841	2,605,000	1,405,650	4,010,650	13,907,491
2027	9,883,646	2,740,000	1,275,400	4,015,400	13,899,046
2028	9,870,774	2,875,000	1,138,400	4,013,400	13,884,174
2029	9,858,432	3,020,000	994,650	4,014,650	13,873,082
2030	9,840,658	3,140,000	873,850	4,013,850	13,854,508
2031	7,152,093	3,265,000	748,250	4,013,250	11,165,343
2032	7,137,560	3,395,000	617,650	4,012,650	11,150,210
2033	7,122,095	3,530,000	481,850	4,011,850	11,133,945
2034	7,106,605	3,675,000	340,650	4,015,650	11,122,255
2035	3,571,799	3,785,000	230,400	4,015,400	7,587,199
2036		3,895,000	116,850	4,011,850	4,011,850
Total	$ 236,982,231	$ 55,490,000	$ 24,783,898	$ 80,273,898	$ 317,256,129

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BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, BAM will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as "APPENDIX F – SPECIMEN BOND INSURANCE POLICY" to this Official Statement.

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

Build America Mutual Assurance Company

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

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212F235F2500, and its website is located at: www.buildamerica.com.

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2016 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $485.9 million, $53.4 million and $432.5 million, respectively.

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

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

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

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the Issuer of or the underwriter for the Bonds, and the Issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

The Reserve Fund Insurance Policy

BAM has made a commitment to issue a municipal bond debt service reserve insurance policy for the 2016 Reserve Fund with respect to the Bonds (the "Reserve Fund Policy"), effective as of the date of issuance of such Bonds. Under the terms of the Reserve Fund Policy, BAM will, subject to the Policy Limits described below, unconditionally and irrevocably guarantee to pay that portion of the scheduled principal of and interest on the Bonds that becomes due for payment but shall be unpaid by reason of nonpayment by the Issuer (the "Insured Payments").

BAM will pay each portion of an Insured Payment that is due for payment and unpaid by reason of nonpayment by the Issuer to the Paying Agent/Registrar, as beneficiary of the Reserve Fund Policy on behalf of the holders of the Bonds on the later to occur of (i) the date such scheduled principal or interest becomes due for payment or (ii) the business day next following the day on which BAM receives a demand for payment therefor in accordance with the terms of the Reserve Fund Policy.

No payment shall be made under the Reserve Fund Policy in excess of the $4,015,900.00, the reserve fund requirement established for the Bonds (the "Reserve Fund Policy Limit"). Pursuant to the terms of the Reserve Fund Policy, the amount available at any particular time to be paid to the Paying Agent/Registrar shall automatically be reduced to the extent of any payment made by BAM under the Reserve Fund Policy, provided that, to the extent of the reimbursement of such payment by the Issuer to BAM, the amount available under the Reserve Fund Policy shall be reinstated in full or in part, in an amount not to exceed the Reserve Fund Policy Limit.

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

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

THE AUTHORITY

General

Under the Authority Act, the Authority's power is limited to financing and refinancing project costs for State agencies and institutions of higher education and does not affect the power of the relevant State agency or institution to carry out its statutory authority, including the authority of such agency or institution to construct buildings. The Authority 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.

Pursuant to the Authority 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 four commercial paper programs, namely: the Master Lease Purchase Program, which is primarily for financing equipment acquisitions; a general obligation commercial paper program for certain State government construction projects; a general obligation commercial paper program for the Cancer Prevention and Research Institute of Texas; and a revenue commercial paper program for the Texas Facilities Commission. In addition, in 2003, the Authority created a nonprofit corporation to finance projects for eligible charter schools pursuant to Chapter 53, Texas Education Code.

The Authority has issued revenue bonds on behalf of the Texas Parks & Wildlife Department, the Texas Facilities Commission, the Texas State Preservation Board, the Texas Department of Criminal Justice, the Texas Health & Human Services Commission (which includes the Texas Department of State Health Services and the Texas Department of Health), the Texas Workforce Commission, the Texas State Technical College System, the Texas Military Department, the Texas Historical Commission, Midwestern State University, Texas Southern University, Stephen F. Austin State University and the Texas Windstorm Insurance Association. 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 Juvenile Justice Department (formerly Texas Youth Commission and Texas Juvenile Probation 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 Texas Military Department (formerly Adjutant General's Department), the Texas Department of Transportation, the Texas Military Preparedness Commission, and Cancer Prevention and Research Institute of Texas.

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 or other obligations are to be issued and the estimated cost of the project or the maximum amount of bonded indebtedness that may be incurred by the issuance of 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 Authority 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.

Authority Executives

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

Name	Position	Term Expires (February 1)
Billy M. Atkinson, Jr.	Chair	2017
Ruth C. Schiermeyer	Vice-Chair	2019
Gerald B. Alley	Secretary	2019
Ramon Manning	Member	2021
Walker N. Moody	Member	2019
Rodney K. Moore	Member	2021
Robert T. Roddy, Jr.	Member	2017

The Authority generally employs approximately 14 employees, including an Executive Director, a General Counsel, a Deputy Director, and a Director of Business Administration. The Executive Director is charged with managing the affairs of the Authority, subject to and under the direction of the Authority's Board.

Lee Deviney, Executive Director. The Authority's Board appointed Mr. Deviney as the Executive Director of the Texas Public Finance Authority on June 5, 2014. Mr. Deviney previously served as the Chief Financial Officer of the Texas Economic Development and Tourism Office within the Office of the Governor since September 1, 2011. He has previously held the position of Chief Financial Officer or similar positions at the Texas Lottery and the Texas Education Agency and he previously served as Assistant Commissioner for Finance and Agribusiness Development for the Texas Department of Agriculture ("TDA"). Prior to his appointment as an Assistant Commissioner at TDA, Mr. Deviney served as Interim Executive Director and Director of Operations for the Texas Public Finance Authority and he was a Budget Examiner for the Texas Legislative Budget Board. Mr. Deviney has a Bachelor's degree in Economics from The University of Texas at Austin and a Master's degree in Business Administration from St. Edwards University.

John Hernandez, Deputy Director. Mr. Hernandez leads the Finance and Accounting Team, which is responsible for debt service budgeting, arbitrage rebate compliance, the State of Texas Master Lease Program, general ledgers, financial reporting, and information technology. Mr. Hernandez and his team also provide support for new debt issuance of fixed rate and variable rate debt. Mr. Hernandez holds a B.A. in finance from St. Edwards University in Austin.

Pamela Scivicque, Director, Business Administration. Ms. Scivicque joined the staff of the Authority in 1990. She is currently responsible for legislative reporting, procurement, accounting, budgeting and risk and property management. Ms. Scivicque attended Texas State University, Texas Tech's Southwest School of Governmental Finance, the Texas Fiscal Officers' Academy ("TFOA") and the Governor's Executive Development Program. She has served on numerous statewide committees, including TFOA's curriculum committee, and is a member of the Texas State Business Administrators' Association where she previously served as President in 2006.

Kevin Van Oort, General Counsel. Mr. Van Oort was hired as the Authority's General Counsel on September 2, 2014. Previously, Mr. Van Oort served as Senior Tax Counsel for the Office of the Texas Attorney General, Deputy General Counsel for the Texas Comptroller of Public Accounts and General Counsel for the Texas Legislative Budget Board. Mr. Van Oort took his bachelor's degree in Economics at the University of Nebraska and his J.D. at The University of Texas.

Sunset Review

In 1977, the State 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 sunset review of the Authority is scheduled to occur in 2023. The Authority Act, as amended by the 82nd Legislature, provides that if the Authority is not continued in existence, the Authority will cease to exist as of September 1, 2023; 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, 2024) in order to conclude its business.

Pursuant to the Texas 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 to 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.

State Audits

General. The State Auditor's Office ("SAO") is the independent auditor for Texas state government. The SAO operates with oversight from the Legislative Audit Committee, a six-member permanent standing committee of the Texas Legislature, jointly chaired by the Lieutenant Governor and the Speaker of the House of Representatives.

The SAO is authorized, by Chapter 321, Texas Government Code, to perform financial audits, compliance audits, investigations and other special audits of any entity receiving State funds, including State agencies and higher education institutions. Audits are performed in accordance with generally accepted government auditing standards, which include standards issued by the American Institute of Certified Public Accountants, Governmental Accounting Standards Board, United States General Accounting Office or other professionally recognized entities that prescribe auditing standards.

Routine SAO Audit. The SAO performed a routine audit of the Authority's operational procedures and financial management practices in May of 2016 (SAO Report No. 16-029). Nothing in SAO Report No. 16-029 would have an adverse impact on the Bonds, the Authority's outstanding bonds or the operations of the Authority. For additional information regarding the SAO and audits published by the SAO, visit http://www.sao.texas.gov/.

Texas Bond Review Board

With certain exceptions, bonds issued by State agencies, including bonds issued by the Authority, must be approved by the Texas Bond Review Board (the "Bond Review Board") prior to their issuance. The 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 Bond Review Board. Each member of the Bond Review Board may, and usually does, act through a designee. An application was submitted to the Bond Review Board and approved on June 30, 2016.

Retirement Plan of the Authority

The Authority participates in joint contributory retirement system of the State administered by the Employees Retirement System of Texas ("ERS"), which is operated by the State and which covers State employees and the Law Enforcement and Custodial Officers System.

The Authority's Act; Payment and Approval of the Bonds

Under the Authority's Act, the Authority's power is limited to financing projects and does not affect the power of the Authority's Board to carry out its statutory authority, including its authority to construct buildings. The Authority's 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 of the projects of University.

Payments on the Bonds will 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.

LEGAL MATTERS

Legal Opinions

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 the opinions of Winstead PC and Mahomes Bolden PC, Co-Bond Counsel to the Authority. Attached hereto as APPENDIX E are the forms of opinions that Co-Bond Counsel will render in connection with the issuance of the Bonds.

Co-Bond Counsel has reviewed the information under the captions "INTRODUCTION," "PLAN OF FINANCING" (except for the information under "Sources and Uses of Funds" as to which no opinion is expressed), "DESCRIPTION OF THE BONDS," "SECURITY FOR THE BONDS," "LEGAL MATTERS," "TAX MATTERS," "LEGAL INVESTMENTS IN TEXAS," "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under "Compliance with Prior Undertakings" as to which no opinion is expressed) and "APPENDIX B – DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION," in this Official Statement and such firms are 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 opinions of Co-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 Co-Bond Counsel in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The payment of legal fees to Disclosure 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, Greenberg Traurig, LLP. In connection with the issuance of the Bonds, Co-Bond Counsel and Disclosure Counsel have been engaged by, and only represent, the Authority but represent the Underwriters and Financial Advisor from time to time in other transactions.

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 (the "SEC") 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 SEC, nor has the SEC 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 of Regents 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 of Regents 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 of Regents and/or the Authority on the date hereof, and the Board of Regents and the Authority assume no obligation to update any such forward-looking statements. It is important to note that the Board of Regents 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 of Regents and the Authority. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinions of Winstead PC, San Antonio, Texas, and Mahomes Bolden PC, Dallas, Texas, Co-Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to Section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. The forms of Co-Bond Counsel's opinions are reproduced as "APPENDIX E – Forms of Co-Bond Counsel Opinions." The statutes, regulations, rulings, and court decisions on which such opinions are based are subject to change.

Interest on all tax-exempt obligations, including the Bonds, owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust (REIT), a financial asset securitization investment trust (FASIT), or a real estate mortgage investment conduit (REMIC). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

In rendering the foregoing opinions, Co-Bond Counsel will rely upon the representations and certifications of the Authority and the Board of Regents made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Resolution subsequent to the issuance of the Bonds. The Resolution contains covenants by the Authority and the Board of Regents with respect to, among other matters, the use of the proceeds of the Bonds, the manner in which the proceeds of the Bonds are to be invested, the reporting of certain information to the United States Treasury, and rebating any arbitrage profits to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Co-Bond Counsel will express no other opinion with respect to any other federal, state, or local tax consequences under present law, or proposed legislation, resulting from the 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 tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, owners of an interest in a financial asset securitization investment trust, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or how have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Co-Bond Counsel's opinions are 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 Authority and the Board of Regents described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinions of Co-Bond Counsel, and Co-Bond Counsel's opinions are not binding on the IRS. The IRS 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 IRS is likely to treat the Authority as the "taxpayer," and the owners of the Bonds would 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.

Tax Accounting Treatment of Discount and Premium Bonds

The initial public offering price of certain Bonds may be less than the amount payable on such Bonds at maturity (the "Discount Bonds"). An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount, allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Discount Bonds described above under "Tax Exemption". Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences as described below. Moreover, in the event of the redemption, sale, or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Bonds may be greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Owners of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the receipt or accrual of interest on or the acquisition, ownership, or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings, and court decisions, all of which are subject to change or modification retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, certain S corporations with Subchapter C earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred expenses allocable to, tax-exempt obligations.

INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE RECEIPT OR ACCRUAL OF INTEREST ON OR THE ACQUISITION, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds will be included in the "adjusted profits tax" imposed by section 884 of the Code on the effectively-connected earnings and profits of a foreign corporation doing business in the United States.

Under section 6012 of the Code, owners of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns with respect to federal income taxes.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" (defined below) to the extent such gain does not exceed the accrued market discount (defined below) of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the owner at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the Holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

Law Changes

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the United States Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent owners of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability, or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

State, Local, and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications resulting from the receipt or accrual of interest on or the acquisition, ownership, or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

RISK FACTORS

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

Risk Factors Regarding the University

Dependence on Federal Education Funding. Federal government programs fund a substantial portion of the University's tuition and fee revenues. On average, approximately 95% of the University's students receive some form of federal financial aid. Such student aid support could be reduced in the future, which could negatively impact student enrollment and thus the financial position of the University. See "APPENDIX A – TEXAS SOUTHERN UNIVERSITY – THE UNIVERSITY – Enrollment – TABLE 2 - University Enrollment Data."

Accreditation. Federal funding is reliant upon the University maintaining its Southern Association of Colleges and Schools Commission on Colleges ("SACS") accreditation. The University's failure to maintain its accreditation could impact its eligibility to administer federal programs for the benefit of its students. Although the University's SACS accreditation has never been permanently revoked, the University was placed on probation in 2007, such probation was lifted and re-instated in 2009. The University is currently SACS accredited and scheduled for its next reaffirmation in 2020. See "APPENDIX A – TEXAS SOUTHERN UNIVERSITY – THE UNIVERSITY – Accreditation."

Tuition and Fee Revenue. Gross tuition and fee revenues represent approximately 82% of the total operating revenues for Fiscal Year 2015. Economic viability of the University depends on a steady student enrollment. Future enrollment levels will depend on the number of students continuing to decide to enroll at the University.

Enrollment vs. Acceptances. In Fiscal Year 2015, approximately 27.3% of the total students that were accepted into the University actually enrolled. See "APPENDIX A – TEXAS SOUTHERN UNIVERSITY – THE UNIVERSITY – Enrollment – TABLE 2 - University Enrollment Data." There are no assurances that the University will be able to improve upon the number of students deciding to attend the University.

Competition from other Educational Institutions. The University is located near downtown Houston and the Houston medical center and competes with several key educational alternatives, including the University of Houston. Certain of these education institutions compete for the same students as the University, and as such, are competitors of the University for students. Such competitors have increased their student enrollment by constructing new facilities and expanding their marketing campaigns to attract potential students. Moreover, some of the University's competitors may offer lower student tuition and fee options to potential students. It is unknown how the University's strategic position and resulting student demand will be impacted by the evolving competitive landscape. Like its urban competitors, the University has a large percentage of commuter students. The University draws a majority of its students from within the State but also enrolls students from the surrounding region and nationally as one of the nation's largest historically black colleges and universities. See "APPENDIX A – TEXAS SOUTHERN UNIVERITY – THE UNIVERSITY – Other Enrollment Data and Trends." Furthermore, the University implemented a requirement that freshmen students live on campus, which is designed to attract a greater percentage of full-time students and increase graduation rates within four years.

Historic Graduation Rates. The University's six year graduation rate averaged 18.90%. Under the current administration, the University introduced more stringent admission standards, moving away from an open enrollment plan which allowed almost any student who applied to gain entry, to a plan which requires minimum entry standards including a higher grade point average requirement and higher SAT and ACT scores. As a part of the plan to increase the six year graduation rate to between 28 and 35%, the University has instituted a new academic village that houses approximately 35% of the entering freshman class and provides the students with around the clock support from live-in University staff members with the explicit intention of graduating the entire group in four years. See "APPENDIX A – TEXAS SOUTHERN UNIVERITY – THE UNIVERSITY – Other Enrollment Data and Trends."

Changes to the Federal Pell Grant Program. In 2015 the amount of Federal Pell Grant funds that students may receive over their lifetime was limited to the equivalent of six years. Sixty-seven percent (67%) of the University's students receive Pell Grant funding. From 2010 through 2015 the University's six year graduation rate averaged 39.8%. See "APPENDIX A – TEXAS SOUTHERN UNIVERITY – THE UNIVERSITY – Other Enrollment Data and Trends."

Students who do not graduate within six years may have to find an alternate source of funding to continue to pursue their education or withdraw from the University, thus negatively impacting the University's retention and graduation rates. See "APPENDIX A – TEXAS SOUTHERN UNIVERITY – THE UNIVERSITY – Enrollment."

Management. Following findings of mismanagement in 2006, there has been a thorough reorganization, staffing changes and "best practices" policies and procedures implemented for all departments of the University. As a result of the new systems that were implemented, the University has received an external clean audit for the past ten years. The Board of Regents approved the hiring of Dr. Austin A. Lane on June 7, 2016 as President of the University. Although the University has obtained audited financial statements for Fiscal Year ending August 31, 2008 through August 31, 2015, no outside audit of the University's financial statements is currently required to be obtained by the Board of Regents under State law and no assurances are given that the University will continue to commission audits of its financial statements. See "APPENDIX A – TEXAS SOUTHERN UNIVERITY – THE UNIVERSITY – Administration of the University."

State of Texas Appropriation Risk. a) Appropriation Risk of Reimbursement on Tuition Revenue Bonds. After the issuance of the Bonds, the University will have approximately 50% of outstanding indebtedness that qualifies for debt service reimbursements from the State pursuant to tuition revenue bond authorizations. Historically, the Texas Legislature has appropriated general revenue funds in the State's budget each biennium to reimburse institutions of higher education for an amount equal to all or a portion of debt service on tuition revenue bonds but there are no assurances that past financial assistance from the Texas Legislature will continue in the future. No representations or assurances are given that the University will generate sufficient revenues to make payments sufficient to pay principal of, redemption premium, if any, and interest on the Bonds should the Texas Legislature fail to appropriate reimbursements. See "APPENDIX A – SELECTED FINANCIAL INFORMATION – Financing Programs – *Tuition Revenue Bonds*."

b) Appropriation Risk of Operating Funds. The 84th Texas Legislature passed House Bill 1 ("HB 1") which makes appropriations of State funds for the University for the 2016-2017 biennium. HB 1's appropriations to the University for the 2016-2017 biennium are $75,770,396 and $75,601,547, respectively. The University's 2014-2015 State appropriation was $76,623,411 and $76,393,071, respectively. The University's State appropriations decreased from Fiscal Year 2015 to 2016 by $622,675. The decrease in State appropriations to the University for the 2014-2015 biennium to the 2016-2017 biennium was $1,644,539.

The Texas Legislature convenes in regular session every two years. Thereafter, the Governor may call one or more additional special sessions, which may last no more than 30 days, and for which the Governor sets the agenda. In addition, future Texas Legislatures may consider bills that could have a direct impact on the University or the administrative agencies that oversee the University. The University makes no representations or predictions concerning the substance or the effect of any legislation that may be passed in the future or how any such legislation could affect the University.

Market Factors Regarding the Bonds

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

Bond Rating

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will be in effect for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in the judgment of such agency, circumstances so warrant. None of the Authority, the University or the Underwriters have agreed to take any action with respect to any proposed rating change or to bring such change, if any, to the attention of the registered owners of the Bonds, except that the Board of Regents has agreed to provide certain information discussed under the heading "CONTINUING DISCLOSURE OF INFORMATION."

Other Risk Factors Regarding the University

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

Bond Insurance Risk Factors

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

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the BAM without appropriate consent. BAM may direct and must consent to any remedies and the BAM's consent may be required in connection with amendments to any applicable bond documents. In the event BAM is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event BAM becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

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

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

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

LEGAL INVESTMENTS IN TEXAS

Pursuant to the Bond Procedures Act of 1981, Texas Government Code Section 1201.041, 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, 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 of Regents has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

RATINGS

The Bonds have an insured rating of "AA/Stable" by S&P Global Ratings, as a result of the Policy to be delivered by BAM. Moody's Investors Service, Inc. and Fitch Ratings have assigned underlying 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 of Regents 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 of Regents, 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 of Regents has agreed that, so long as the Board of Regents is an "obligated person" under the Rule 15c2-12 of the SEC (the "Rule"), 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 of Regents 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 hereto under the heading(s) "SECURITY FOR THE BONDS – TABLE 1A - Pledged Revenue and Debt Service Coverage Calculations" and "– TABLE 1B - Special Revenues;" information under "APPENDIX A – TEXAS SOUTHERN UNIVERSITY" under the headings "– THE UNIVERSITY – Enrollment – TABLE 2 - University Enrollment Data," "– TABLE 2A – Freshmen to Sophomore Retention Rates," "– TABLE 2B – University Graduation Rates," "– SELECTED FINANCIAL INFORMATION – TABLE 3 - Statement of Revenues, Expenses, and Changes in Net Position," "– TABLE 4 - Condensed Statement of Net Assets" and "– TABLE 5 - Outstanding Indebtedness;" and in "APPENDIX D – AUDITED FINANCIAL REPORT OF TEXAS SOUTHERN UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2015." The Board of Regents will update and provide this information within 180 days after the end of each Fiscal Year ending in or after Fiscal Year 2016.

The Board of Regents 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 of Regents will be provided on a cash basis, or such other basis as the Board of Regents 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 of Regents 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 of Regents 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 of Regents under State law.*

The State's current Fiscal Year end is August 31. Accordingly, the Board of Regents 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 of Regents will notify the MSRB of the change.

Event Notices

The Board of Regents 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 of Regents; (13) the consummation of a merger, consolidation, or acquisition involving the Board of Regents or the sale of all or substantially all of the assets of the Board of Regents, 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 of Regents will provide timely notice of any failure by the Board of Regents to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

The Board of Regents has agreed to provide the foregoing updated information to the MSRB and the Authority. All documents provided by the Board of Regents 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 of Regents has agreed to update information and to provide notices of material events only as described above. The Board of Regents 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 of Regents 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 of Regents 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 of Regents to comply with its agreement.

The Board of Regents, 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 of Regents, 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 of Regents (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 of Regents and the Authority so amend the Board of Regents agreement, the Board of Regents 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 of Regents also may amend or repeal the provisions of its continuing disclosure agreement with consent of the Authority if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds.

Compliance with Prior Agreements

During the past five years, the Board of Regents has complied in all material respects with its Continuing Disclosure agreements in accordance with the Rule, except as set forth in the following paragraphs.

The Board of Regents 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.

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

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the Authority. The purchase price for the Bonds is $61,243,099.58 (which represents the par amount of the Bonds, plus a net original issue premium of $6,060,425.00, less an underwriter's discount of $307,325.42). 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.

Siebert Brandford Shank & Co., L.L.C. has entered into a separate agreement with Muriel Siebert & Co. for the retail distribution of certain securities offerings, at the original issue prices. Pursuant to this distribution agreement, if applicable to the Bonds, Muriel Siebert & Co. will purchase Bonds at the original issue price less the selling concession with respect to any Bonds that such entity sells. Siebert Brandford Shank & Co., L.L.C. will share a portion of its underwriting compensation with Muriel Siebert & Co. As of August 29, 2016, Siebert Brandford Shank & Co., L.L.C. changed its name to Siebert Cisneros Shank & Co., L.L.C.

RBC Capital Markets, LLC ("RBCCM") has provided the following information for inclusion in this Official Statement. RBCCM is a full-service financial institution engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBCCM may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). RBCCM may engage in transactions for its own accounts involving the securities and instruments made the subject of this securities offering or other offerings of the Authority. RBCCM may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Authority. RBCCM may make a market in credit default swaps with respect to municipal securities in the future.

FINANCIAL ADVISOR

FirstSouthwest, a Division of Hilltop Securities Inc., 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 the date hereof various lawsuits and claims involving the University are currently 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, according to University officials, is not likely to have a material effect on the University or the Pledged Revenues.

The Authority

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

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The information contained herein has been obtained from sources believed by the Authority and the University to be reliable; however, the information regarding the University, the Pledged Revenues and the financial condition of the University, including "Table 1A – Pledged Revenues and Debt Service Coverage Calculations," "Table 1B – Special Revenues," "APPENDIX A – TEXAS SOUTHERN UNIVERSITY" and "APPENDIX D – AUDITED FINANCIAL REPORT OF TEXAS SOUTHERN UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2015" has been provided by the University and has not been independently verified by the Authority and information regarding the Authority has been provided by the Authority and has not been independently verified by the University. The information regarding BAM's Policy and BAM's Reserve Fund Policy under the heading "BOND INSURANCE," including "APPENDIX F – SPECIMEN BOND INSURANCE POLICY" and "APPENDIX G – SPECIMEN DEBT SERVICE RESERVE INSURANCE POLICY" has been provided by BAM and has not been independently verified by the Authority or the University. 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 the original document in all respects.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, the Rule.

/s/ Lee Deviney
Lee Deviney
Executive Director
Texas Public Finance Authority

/s/ Louis W. Edwards
Louis W. Edwards
Vice President for Administration & Finance
Texas Southern University

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APPENDIX A*

TEXAS SOUTHERN UNIVERSITY

THE UNIVERSITY

General

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 8,965 students for the Fall 2015 semester. The University has eleven colleges and schools: the Jesse H. Jones School of Business, the Barbara Jordan-Mickey Leland School of Public Affairs, the College of Education, the College of Science, Engineering & Technology, the College of Liberal Arts & Behavioral Sciences, the College of Pharmacy & Health Sciences, the School of Communication, the Thurgood Marshall School of Law, the Graduate School, the Thomas F. Freeman Honors College and the College of Continuing Education. 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 $20 million in grant funding from agencies such as the National Science Foundation, NASA, the Department of Education, the Department of Health and Human Services, the Department of Energy, and private foundations and corporations. Major research centers and activities include Center for Biomedical and Health Research Excellence, Center for Research on Complex Networks, Mickey Leland Center on World Hunger and Peace, the Center for Transportation, the Center for Excellence in Urban Education, the Center for Environmental Justice Minority Worker Training Program, and the Houston-Louis Stokes Alliance for Minority Participation: Senior Alliance. 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 accredited by the Commission on Colleges of the Southern Association of Colleges and Schools. Such accreditation is required for the University's students to be eligible for federal financial aid. The University also holds memberships in the following organizations including: the Council of Graduate Schools, the Conference of Southern Graduate Schools, the Texas Association of Graduate Schools, the Council of Historically Black Graduate Schools, the American Council on Education, the American Chemical Society, the Association of American Universities, and the American Association of Colleges for Teacher Education.

The University's College of Education is accredited by the National Council for Accreditation of Teach Education (United States Department of Education ("USDE") recognized). The College of Pharmacy and Health Sciences is accredited by the American Council of Pharmaceutical Education (USDE recognized), the National Accrediting Agency for Clinical Laboratory Sciences, the Commission on Accreditation for HIM and the Committee on Accreditation for Respiratory Care. The Jesse H. Jones School of Business is accredited by the Association for the Advancement of Collegiate Schools of Business. The College of Liberal Arts and Behavioral Sciences' Social Work Program is accredited by the Council on Social Work Education, Office of Social work Accreditation and the Academy of Nutrition and Diabetics, Accreditation Council for Education in Nutrition and Diabetics. The College of Science, Engineering and Technology is accredited by the Association of Technology, Management and Applied Engineering. The Barbara Joran/Mickey Leland School of Public Affairs is accredited by the Network of Schools in Public Policy Affairs, and Administration and the Planning Accreditation Board. The Thurgood Marshall School of Law is

* The information set forth in this APPENDIX A has been provided by the University.

accredited by the American Bar Association Council of the Section of Legal Education and Admission to the Bar (USDE recognized).

Administration of the University

The University is governed by a Board of Regents 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 of Regents elect one of the members to serve as Chair of the Board of Regents. The Chair presides at all meetings and performs such other duties as may be prescribed from time to time by the Board of Regents and by State law. In addition, the members of the Board of Regents 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 of Regents also elect a Secretary from its members to perform the duties prescribed by the Board of Regents. The current members of the Board of Regents and the date of expiration of their terms of office are listed on page iii.

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 of Regents and who holds office for such term as the Board of Regents 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.

Select Administrators

DR. AUSTIN A. LANE, President. Dr. Austin A. Lane, the twelfth President of the University, is a native of New Jersey, attended Odessa Junior College in West Texas and holds a B.A. in psychology from Langston University (the only HBCU in Oklahoma), M.A. in human relations from The University of Oklahoma, and Ed.D. in higher education administration from The University of Alabama. Prior to being appointed as President of the University, Dr. Lane was the Executive Vice Chancellor of Lone Star College where he was the lead administrator for Academic Affairs, Student Services, Workforce Education, Corporate College, Honors College, International Programs, Strategic Planning and Assessment, and University Centers in The Woodlands and University Park, among a host of responsibilities. He served as the third president of Lone Star College-Montgomery ("Lone Star Montgomery") for six years, leading an institution that experienced the fastest growth in Texas and the nation.

Dr. Lane's experiences prior to Lone Star Montgomery include serving as vice president for student affairs at Tyler Junior College and was responsible for directing a college-wide strategic enrollment management team that posted the largest enrollment in the school's history, serving as dean of students at The University of Texas at Arlington where he planned and oversaw several student success initiatives designed to increase enrollment and retention, serving as adjunct professor in the College of Education at The University of Texas at Arlington, in the Behavioral and Social Sciences department at Tarrant County College-Southeast Campus and in the higher education program at Sam Houston State University. Dr. Lane's experiences also include serving as an on-site reviewer for the SACS where he conducted extensive research on traditional-age, low-income, African-American and Hispanic students in Texas that focuses on access to higher education, affordability, need-based vs. merit-based aid, college persistence, and student success.

Dr. Lane's community work includes serving on the Amegy Bank Advisory Board, Montgomery County Women's Center Board of Directors, Rotary Club of The Woodlands and the Texas Diversity Council Board of Directors. Dr. Lane has also served on the Montgomery County United Way Board as Campaign Chair 2011-12, The Woodlands Area Chamber of Commerce, Greater Conroe/Lake Conroe Area Chamber of Commerce, Greater Conroe Economic Development Council, and Education for Tomorrow Alliance Board of Directors. He has been recognized as recipient of the 2015 Drum Major Award, 2014 Interfaith of The Woodlands Hometown Hero Honoree, and 2012 Pacesetter of the Year for the National Council for Marketing and Public Relations.

EDWARD CRAIG NESS, Vice President for Administration & Finance. Mr. Edward Craig Ness, Vice President for Administration and Finance/Chief Financial Officer. Craig Ness serves as the Vice President for Administration and Finance and Chief Financial Officer of the University. Mr. Ness has over 40 years of experience in higher education administration, including operational and strategic planning, financial projection and organization, accounting and reporting, human resource management, academic and administrative program management, information systems implementation and facilities construction and renovation. Prior to his appointment as VPAF/CFO for TSU, Mr. Ness was Associate Provost for Administration and Finance for the University of Houston ("UH"). In that position he managed an annual operating budget of $452 million, reorganized the tuition and fee structure for the 13 colleges and oversaw the non-academic staff of the division. He held progressively responsible positions during his time at UH, including Executive Director of Finance for the UH System, Executive Director of Financial Reporting and administrative roles at the division, college and school level. Previously, he held the position of Director of Operations for a major department at Temple University. His responsibilities for the Texas Southern University include oversight and management of facilities and grounds, accounting, treasury, budget, human resources, risk management and payroll functions. He serves on the board of The Texas Connection, an organization that serves as representative to Ellucian on behalf of the 41 Texas colleges and universities that utilize Banner ERP products. Additionally, he has been appointed to three Negotiated Rulemaking Committees of the Texas Higher Education Coordinating Board. Mr. Ness earned his Bachelor of Arts degree from Temple University and his Master of Business Administration degree from the Bauer College of Business at the University of Houston. Edward Craig Ness submitted his resignation from the University to take effect September 1, 2016.

LOUIS W. EDWARDS, Associate Vice President of Treasury & Budget. Mr. Edwards formerly served as Vice President with Wells Fargo Bank and Tokai Bank of California and has extensive corporate and commercial banking experience. Mr. Edwards' expertise includes Financial and Cash Flow Analysis, Development of Financing Proposals, Debt Structuring, Treasury Operations, Budget Development and Relationship Management. Mr. Edwards continues to further his industry knowledge as a member of the Association of Financial Professionals. He received his Bachelor of Business Administration in Finance from Texas Southern University.

Financial Support

As a State institution, the University received approximately forty-six percent (46%) of its operating funds from State appropriations in Fiscal Year 2015. Other operating funds are derived from student tuition and fees and auxiliary enterprises such as dormitories and dining halls.

Enrollment

TABLE 2 - University Enrollment Data

The following table shows a headcount of enrollment by semester for academic years 2011 through 2015:

Fiscal Year	Fall Semester	Spring Semester	Summer Session
2011	9,730	9,152	3,117
2012	9,646	9,145	2,554
2013	8,703	8,390	2,152
2014	9,233	8,049	2,375
2015	8,965	8,109	2,177

TABLE 2A – Freshmen to Sophomore Retention Rates

The following table reflects the freshmen to sophomore retention rates from 2010-2015:

Persistence Rate of First-Time Entering Undergraduates (1 year) - Total					
Fall 2010	**Fall 2011**	**Fall 2012**	**Fall 2013**	**Fall 2014**	**Fall 2015**
69.30%	69.20%	65.40%	61.00%	67.10%	57.80%

TABLE 2B – University Graduation Rates

	Undergraduate Graduation Rate – Total Cohort				
	2010	2011	2012	2013	2014
4-year	3.60%	3.30%	4.00%	5.10%	6.20%
5-year	9.50%	9.60%	9.80%	11.70%	14.10%
6-year	14.90%	14.10%	11.80%	18.90%	18.90%

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

Other Enrollment Data and Trends

The following information is meant to highlight trends from the data within TABLE 2 – University Enrollment Data above:

Enrollment for Undergraduate, Graduate and Full-Time Equivalents (FTEs)					
	2011	2012	2013	2014	2015
Headcount					
Undergraduate Enrollment - Full-Time	5,597	5,905	5,321	5,842	5,884
Undergraduate Enrollment - Part-Time	1,302	1,116	967	1,073	812
Total Undergraduate Enrollment	**6,899**	**7,021**	**6,288**	**6,915**	**6,696**
Graduate - Full-Time	1,820	1,793	1,615	1,594	1,650
Graduate - Part-Time	1,029	832	800	724	619
Total Graduate	**2,849**	**2,625**	**2,415**	**2,318**	**2,269**
Total Headcount Enrollment	**9,748**	**9,646**	**8,703**	**9,233**	**8,965**
Full-Time Equivalents (FTEs)					
Total FTE Undergraduate Enrollment	5,880	6,144	5,536	6,079	6,079
Total FTE Graduate Enrollment	2,496	2,389	2,208	2,150	2,185
Other					
Total FTE Enrollment	**8,430**	**8,537**	**7,744**	**8,229**	**8,263**

Source: The University.

2015 Enrollment by State of Residence	
Texas	7,498
California	144
Louisiana	95
Georgia	52
Florida	45

Source: The University.

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2015 Enrollment by Classification

Classification	Part-Time Students	Full-Time Students
Freshman	137	2,150
Sophomore	146	1,255
Junior	168	1,223
Senior	361	1,256
Post Baccalaureate	35	44
Graduate	492	740
Professional	866	92
Total Enrollment by Classification	2,205	6,760

Source: The University.

First-Time Undergraduate Applicant, Acceptance and Enrollment Information

Classification	Fall and Summer Semester				
	2011	2012	2013	2014	2015
Total Applicants	5,265	8,341	10,073	10,239	10,491
Total Applicants Accepted	4,542	7,281	4,453	5,253	5,338
Total Applicants Enrolled	1,216	1,387	1,141	1,532	1,457
Total Accepted Top 10%	279	463	169	419	-
Total Enrolled Top 10%	64	74	98	78	-
Total Accepted Top 25% not included in Top 10%	449	969	557	824	794
Total Enrolled Top 25% not included in Top 10%	126	222	322	190	181

Source: THECB First-time Undergraduate Applicant, Acceptance, and Enrollment Information 2011-2015.

Admissions

	2011	2012	2013	2014	2015
Freshman Applications	8,778	9,399	9,746	10,239	10,491
Freshman Admissions	3,386	4,991	4,389	5,253	5,338
Freshman Matriculants	1,187	1,354	1,109	1,532	1,457
Transfer Applications		2,417	2,372	2,577	2,549
Transfer Admissions		1,233	1,202	1,508	1,285
Transfer Matriculants		746	703	941	776
Transfer Applications		2,417	2,372	2,577	2,549
Graduate Applications	909	901	953	967	897
Graduate Admissions	640	455	494	479	480
Graduate Matriculants	520	356	360	379	352

Source: The University.

AVERAGE ENTRANCE EXAM SCORES

	2011	2012	2013	2014	2015
Average Freshman SAT	820	820	820	810	800
Average Freshman ACT	17.0	17.0	17.0	17.0	17.0

Source: The University.

Residency & Retention	2011	2012	2013	2014	2015
In-State Undergraduate Student (%)	85.4	85.9	86.7	85.3	83.8
Out-of-State Undergraduate Student (%)	14.7	14.1	13.3	14.7	16.1
Freshmen Headcount Residing on Campus (%)	59.0	57.0	61.9	53.9	52.6
Total Headcount Residing on Campus (%)	20.7	23.9	23.7	21.8	22.7
Freshmen to Sophomore Year Retention Rate (%)	69.2	65.4	61.0	67.1	57.8
Six Year Graduation Rate (%)	14.1	11.8	18.9	18.9	18.9

Source: The University.

Annual Undergraduate Cost of Attendance ($)	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Tuition	7,462	7,646	7,946	8,126	8,726	8,988
Room & Board	10,566	10,566	10,566	10,566	10,566	11,200
Total	**18,028**	**18,212**	**17,687**	**18,692**	**19,292**	**20,188**

Source: The University.

Capital Improvements and Student Housing

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 $700,000 to $900,000 per year out of available revenues for future Fiscal Years.

As further described below, the University provides several student housing facilities located on or near the University that have the capacity to house approximately 1,829 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 2015 semester, such housing facilities had a cumulative occupancy rate of approximately 100%.

University Towers

On September 27, 2012, pursuant to the Board of Regents resolution adopted in July of 2012, the University secured financing to construct new student housing, consisting of 800 beds, to be located on the eastside of the campus at Wheeler and Sampson streets (the "Towers Project"). The Towers Project was financed through the U.S. Department of Education's Historically Black Colleges and Universities loan program initiative (the "HBCU Loan Program"). The HBCU Loan Program provides historically black colleges and universities with access to capital financing or refinancing for the repair, renovation and construction of classrooms, libraries, laboratories, dormitories, instructional equipment and research instrumentation. The University obtained a loan not to exceed $55,000,000.00 (the "Texas Public Finance Authority Texas Southern University Promissory Note, Series A 2012-10") secured by housing rental revenues, from the HBCU Loan Program and, as of August 31, 2015, has advanced proceeds under the loan in the amount of $29,281,099.04. See "TABLE 5 – Outstanding Indebtedness" below.

Interest was capitalized through May 1, 2015 (the last day to advance funds under the loan) and the interest on each advance will be fixed at a rate equal to the U.S. Treasury yields prevailing at the dates of each advance plus 22.5 basis points (.225%). Payments on the Texas Public Finance Authority Texas Southern University Promissory Note, Series A 2012-10 are May 1 and November 1 of each year with the first principal payment date started November 2, 2015 maturing May 1, 2034.

Tierwester Oaks, Richfield Manor and Courtyard Apartments

On September 26, 2011, pursuant to the Board of Regents resolution adopted in June of 2011, the University acquired Tierwester Oaks, Richfield Manor and Courtyard Apartments (collectively, the "properties") from the Houston Student Housing II, L.L.C. The acquisition was financed through the HBCU Loan Program in an amount of $64,180,000.00 (the "Texas Public Finance Authority Texas Southern University Promissory Note, Series 2011A-4") secured by housing rental revenues. See "TABLE 5 – Outstanding Indebtedness" below. The total cost of acquisition for Tierwester Oaks and Richfield Manor Apartments was $21,442,969.78 and $9,817,505.80 for University Courtyard. Houston Student Housing II has since relinquished all beneficial interests, rights and title to the properties. The debt service on the Tierwester Loan is secured by housing rental values.

Future Additional Debt

The University does not anticipate issuing additional debt within the next 12 months.

Retirement Systems

General. 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 6.8% and 7.2%, respectively, of annual compensation.

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 percentages of participant salaries in 2016 contributed by the State and each participant are 6.60% and 6.65%, respectively.

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 of Regents. The Board of Regents has approved the additional contributions for employees of the University. Since these are individual annuity contracts, the State has no additional or unfunded liability for the ORP.

Pension Liability. In Fiscal Year 2015, the University implemented accounting standard GASB Statement No. 68 ("GASB 68"), *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27.* GASB 68 establishes accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Additionally, GASB Statement No. 71 ("GASB 71"), *Pension Transition for Contributions Made Subsequent to the Measurement Date*, amends the transition provisions of GASB 68 by requiring the University, at transition, to recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability.

As a result of GASB 68 and GASB 71, for Fiscal Year ended August 31, 2015, the total net position decreased by $21,261,347.02 (or 13.9 percent) as compared to Fiscal Year ended August 31, 2014. For additional information regarding pension liability on the University's financials see "SELECTED FINANCIAL INFORMATION – TABLE 3 - Statement of Revenues, Expenses, and Changes in Net Position" and "APPENDIX D – AUDITED FINANCIAL REPORT OF TEXAS SOUTHERN UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2015 – FINANCIAL SECTION."

SELECTED FINANCIAL INFORMATION

Audits and Financial Reports

General. 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.

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.

Audited Financial Statements of the University. Beginning in Fiscal Year 2008, the Board of Regents 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, 2013. For Fiscal Years ended August 31, 2014 through August 31, 2015, the Board of Regents commissioned Whitley Penn LLP to audit the statement of net assets and the related statements of revenues, expenses and change in net position and cash flow of the University. Whitley Penn LLP has not undertaken any procedures in connection with this Official Statement. The Board of Regents is not legally or contractually required to do so and no assurances can be given as to whether the Board of Regents will commission audits with respect to any future Fiscal Years after the Fiscal Year ending August 31, 2015.

Attached to this Official Statement as "APPENDIX D – AUDITED FINANCIAL REPORT OF TEXAS SOUTHERN UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2015" are the most recent primary statements of the audited combined annual financial reports of the University for the Fiscal Year ended August 31, 2015. The University's combined primary financial statements consist of the Statement of Net Assets as of August 31, 2015, the Combined Statement of Revenues, Expenses and Changes in Net Position for the Year Ended August 31, 2015, and the Combined

Statement of Cash Flows for the Year Ended August 31, 2015. See "APPENDIX D – AUDITED FINANCIAL REPORT OF TEXAS SOUTHERN UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2015." **Although the University has obtained audited financial statements for Fiscal Year ending August 31, 2008 through August 31, 2015, no outside audit of the University's financial statements is currently required to be obtained by the Board of Regents under State law and no assurances are given that the University will continue to commission audits of its financial statements.**

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

The table below presents the Statement of Revenues, Expenses and Changes in Net Position for Fiscal Years 2011 through 2015:

	Audited 2011	Audited 2012	Audited 2013	Audited 2014	Audited 2015
Operating Revenues:					
Tuition and fees, pledged	$ 82,995,833	$ 82,526,345	$ 81,397,021	$ 80,797,100	$ 87,088,727
Discount on tuition and fees	(25,028,288)	(20,716,408)	(15,273,937)	(24,832,935)	(27,428,580)
Auxiliary enterprises, pledged	8,996,963	11,919,227	10,815,680	11,813,001	11,378,960
Other sales of goods and services, pledged	18,956	226,208	151,694	98,550	124,334
Federal revenue[1]	44,945,212	15,223,607	18,157,394	13,772,558	18,216,152
Federal pass through revenue	2,472,983	3,363,800	3,797,871	4,693,630	478,387
State revenue	4,246,178	1,233,370	1,454,594	1,228,758	1,601,575
State pass through revenue	6,566,174	7,705,766	5,824,187	7,873,573	7,416,454
Other operating contract and grants, pledged	909,196	894,336	1,768,517	1,054,548	2,106,261
Other operating revenue	4,837,181	4,783,423	4,031,399	4,346,793	4,838,788
Total Operating Revenues	$ 130,960,389	$ 107,159,674	$ 112,124,420	$ 100,845,576	$ 105,821,058
Operating Expenses:					
Salaries and wages	$ 89,549,622	$ 89,577,893	$ 93,242,587	$ 89,599,756	$ 88,923,731
Payroll related costs	20,689,214	21,188,259	21,489,829	21,926,739	22,152,901
Professional fees and services	9,204,598	6,818,234	6,460,586	6,009,240	6,396,288
Travel	2,977,531	3,438,617	3,543,706	3,097,202	3,037,665
Materials and supplies	11,149,178	11,768,529	10,001,207	9,882,734	8,531,285
Communication and utilities	6,861,485	6,213,945	6,762,928	6,867,558	6,412,257
Repairs and maintenance	5,258,097	4,488,255	3,819,340	4,805,212	5,289,719
Rentals and leases	2,543,898	2,457,482	2,232,170	1,987,035	1,500,653
Printing and reproductions	554,257	716,404	727,692	657,543	466,259
Federal pass through expenditures	31,473	125,864	4,186	-	-
Bad debt expense	2,175,971	2,175,211	2,217,028	2,121,183	2,210,030
Scholarships	28,029,175	26,616,255	27,433,811	18,967,639	18,927,494
Other operating expenses	13,972,910	10,682,430	11,259,152	9,882,424	10,969,117
Depreciation and amortization	13,501,068	17,327,229	14,433,986	15,656,065	16,925,512
Total Operating Expenses	$ 206,498,478	$ 203,594,607	$ 203,628,207	$ 191,460,330	$ 191,742,911
Operating Income (Loss)	$ (75,538,089)	$ (96,434,933)	$ (91,503,787)	$ (90,614,754)	$ (85,921,853)
Nonoperating Revenues (Expenses):					
State appropriations	$ 54,863,698	$ 52,541,654	$ 52,143,547	$ 50,550,104	$ 50,003,682
Additional appropriations	10,302,617	9,512,275	9,442,809	10,306,664	10,498,723
Gifts received	666,559	2,112,120	532,336	514,519	257,495
Federal Revenue Nonoperating[1]	-	24,866,074	21,355,398	20,156,164	21,877,303
Interest income	1,633,697	1,681,054	1,384,173	3,799,835	2,605,328
Extinguishment of debt	-	-	-	-	-
Investing expenses	(242,810)	(277,319)	(214,000)	(313,749)	(332,268)
Interest expense	(5,815,479)	(7,630,160)	(7,317,522)	(6,017,239)	(5,392,784)
Net increase (decrease) in fair value of investments	3,146,802	3,283,766	4,482,330	7,272,906	(896,446)
Other non-operating revenues/(expenses)	(4,218,168)	10,208,611	2,325,890	936,394	(2,104,421)
Total Nonoperating Revenue (Expenses)	$ 60,336,917	$ 96,298,074	$ 84,134,961	$ 87,205,598	$ 76,516,612
Income (Loss) before Other Revenues, Expenses, Gains and Transfers	$ (15,201,172)	$ (136,859)	$ (7,368,827)	$ (3,409,156)	$ (9,405,241)
Other Revenues, Expenses, Gains and Transfers					
Capital appropriations, HEAF	$ 8,894,700	$ 8,894,700	$ 8,894,700	$ 8,894,700	$ 8,894,700
Additions to endowments	64,058	151,337	344,894	267,656	73,449
Returned lapsed appropriations	(558)	(52,072)	(17,866)	(512,505)	-
Transfer to state	(676,015)	(705,031)	(765,504)	(771,162)	(337,237)
Total Other Revenues, Expenses, Gains and Transfers	$ 8,282,184	$ 8,288,933	$ 8,456,223	$ 7,878,689	$ 8,630,912
Restatement, Note 1 Net Pension Allocation GASB 68	$ -	$ -	$ -	$ -	$ (20,487,016)
Change in Net Position	$ (6,918,988)	$ 8,152,074	$ 1,087,397	$ 4,469,533	$ (774,329)
Beginning Net Position	$ 146,873,857	$ 139,954,870	$ 148,106,943	$ 148,329,387	$ 152,798,920[2]
Ending Net Position	$ 139,954,870	$ 148,106,943	$ 149,194,340	$ 152,798,920	$ 131,537,575

(1) Reclassified in fiscal year 2012 as non-operating revenue.
(2) Restated.

TABLE 4 - Condensed Statement of Net Assets

The table below presents the Condensed Statement of Net Assets as of August 31 in the years 2011 through 2015.

	Fiscal Year Ended August 31,				
	Audited 2011	Audited 2012	Audited 2013	Audited 2014	Audited 2015
Assets:					
Current and other assets	$ 99,706,057	$ 83,608,154	$ 71,252,098	$ 66,244,114	$ 73,704,490
Restricted assets	77,918,312	83,696,651	55,347,084	56,875,286	55,290,976
Capital assets, net	179,697,085	244,004,781	264,233,943	264,165,777	277,657,304
Total Assets	$357,321,454	$411,309,586	$390,833,125	$387,285,177	$406,652,770
Liabilities:					
Current Liabilities	$ 97,577,051	$ 96,362,406	$85,919,332	$ 88,454,109	$ 97,946,856
Non-Current Liabilities	119,789,533	166,840,236	155,719,453	146,032,150	175,036,122
Total Liabilities	$217,366,584	$263,202,642	$241,638,785	$234,486,259	$272,982,978
Net Assets:					
Invested in capital, net of related debt	$ 50,524,453	$100,705,825	$105,944,398	$115,210,146	$119,797,093
Restricted for:					
Capital projects	9,827,018	-	-	-	-
Debt service	2,212,772	2,817,866	-	838,600	804,348
Other	33,998,968	36,623,671	43,856,549	48,220,686	46,737,644
Unrestricted	43,391,658	7,959,581	(606,607)	(11,470,514)	(35,801,515)
Total Net Assets	$139,954,870	$148,106,943	$149,194,340	$152,798,918	$131,537,570

Funding for the University

Funding for the University for the Fiscal Year ended August 31, 2015, 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 2016-2017 biennium beginning September 1, 2015, which appropriated approximately $75,770,396 for the University from the general revenue fund for Fiscal Year 2016 and $75,601,547 for Fiscal Year 2017.

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. See "RISK FACTORS."

The University receives state appropriations through formula-based appropriations and also through specific non-formula appropriations. For the 2016-2017 biennium the University received approximately 47% of its total State appropriations pursuant to formula based distributions and approximately 53% of its total State appropriations pursuant to specific non-formula appropriations, respectively. 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 upcoming legislative session that begins on January 10, 2017. Any reductions made by the Texas Legislature in the upcoming legislative session through the formula based appropriations process could have a significant impact on operations of the University.

On June 30, 2016, the State's Governor, Lieutenant Governor and Speaker of the House of Representatives issued a letter directing the process by which the heads of state agencies, including chancellors, presidents, and directors of institutions and agencies of higher education (collectively referred to as "agencies"), including the University, would develop its legislative appropriations request ("LAR") for the 2018-2019 biennial budget (the "LAR Letter"). The LAR Letter required that an agency's baseline appropriation incorporate a 4% reduction from the agency's baseline appropriation level provided by the Governor's Office and the Legislative Budget Board. The LAR Letter also specified that appropriation requests that exceed the baseline spending level may not be included in an agency's baseline request, but may be submitted as exceptional items within an agency's LAR. As of the date of this Official Statement, the University's LAR for the 2018-2019 biennium has not been submitted. The University has no assurance that the Texas Legislature will implement the LAR Letter's 4% reduction.

Biennial Revenue Estimate for Fiscal Years 2016-2017

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. The Comptroller released a biennial revenue estimate as required by Article III, Section 49a of the Texas Constitution on January 12, 2015. A copy of the Comptroller's biennial revenue estimate for the State can be found at http://www.texastransparency.org/State_Finance/Budget_Finance/Reports/Biennial_Revenue_Estimate/.

Additionally, pursuant to Section 403.0131 of the Texas Government Code, the Comptroller is required to complete an evaluation and certification of appropriations detailing the basis of the Comptroller's biennial revenue estimate under Article III, Section 49a (the "Certification Revenue Estimate" or "CRE"). The Comptroller released a Certification Revenue Estimate on October 13, 2015 which reflected downward revisions in the CRE to projections of severance taxes, as well as other sources of revenue, including sales taxes. The CRE also reflected contractions in the oil and gas industry which in turn required the Comptroller to reflect more moderate growth than had been projected for the 2016 Fiscal Year and the 2016-2017 biennium. A copy of the Comptroller's CRE can be found at http://www.texastransparency.org/State_Finance/Budget_Finance/Reports/Certification_Revenue_Estimate/.

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 information made public by the Comptroller in January of 2015, the Comptroller estimates that, absent any appropriations by the Texas Legislature, the ending balance in such rainy day fund will be approximately $11.1 billion at the end of 2016-2017 fiscal year. No assurances can be given as to whether the Texas Legislature will appropriate all or any the Economic Stabilization Fund to help balance the 2016-2017 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 the State Bond Appendix, the disclosure appendix published by the State Comptroller of Public Accounts of the State of Texas, which is filed quarterly with the MSRB. The State Bond Appendix dated May 2016 is currently on file with the MSRB and is hereby incorporated by reference and made a part of this Official Statement. The State Bond Appendix may also be obtained either by (i) using the MSRB's EMMA website, www.emma.msrb.org, using the Quick Search function and entering the term "State of Texas Comptroller" or (ii) from the Comptroller's website at http://comptroller.texas.gov/treasops/bond-appendix.php, until the Comptroller files a later version of such Bond Appendix.

Tuition and Fees

The University charges tuition and fees as determined by the Texas Legislature and the Board of Regents 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.

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

State Mandated Tuition. Section 54.051, Texas Education Code currently 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 2015-16 academic year, the Coordinating Board has computed $440 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 ("HB 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 of Regents, 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 HB 3015.

The University has no assurance that the Texas Legislature will not place future limits on the Board of Regent's ability to charge Board Designated Tuition in an amount that the Board of Regents considers necessary for the effective operation of the University. However, the Texas Education Code also permits the Board of Regents to set the tuition and any other necessary fees, rentals, rates, or other Revenue Funds of the Board of Regents at the level necessary, without limit, to enable the Board of Regents 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 D – AUDITED FINANCIAL REPORT OF TEXAS SOUTHERN UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2015."

Unrestricted Current Funds Revenues

Unrestricted funds are funds over which the Board of Regents 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 of Regents 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 March 31, 2016, the University had no bonds or other obligations outstanding under this program.

HBCU Loan Program

The University has utilized the HBCU Loan Program to finance certain acquisitions of properties for student housing through the U.S. Department of Education. See "– THE UNIVERSITY – Capital Improvements and Student Housing" and "– TABLE 5 – Outstanding Indebtedness" within this APPENDIX A.

Tuition Revenue Bonds

Pursuant to Chapter 55, Texas Education Code, revenue bonds issued by a university system, such as the University, may be equally secured by and payable from a pledge of all or a portion of certain revenue funds of the university system, and all of the Parity Obligations of the University, including the Bonds, are secured solely by and payable solely from a pledge of and lien on the Pledged Revenues. See "SECURITY FOR THE BONDS."

Historically, the Texas Legislature has appropriated general revenue funds in the State's budget each biennium to reimburse institutions of higher education for an amount equal to all or a portion of the debt service on certain revenue bonds ("Tuition Revenue Bonds") issued pursuant to specific statutory authorizations for individual institutions and projects identified in Chapter 55 of the Texas Education Code

The reimbursement of the payment of debt service on such Tuition Revenue Bonds does not constitute a debt of the State, and the State is not obligated to continue making any such appropriations in the future. Furthermore, the Texas Legislature is prohibited by the State Constitution from making any appropriations for a term longer than two years. Accordingly, the Texas Legislature's appropriations for the reimbursement of debt service on Tuition Revenue Bonds may be reduced or discontinued at any time after the current biennium, and the Texas Legislature is under no legal obligation to continue such appropriations in any future biennium. See "RISK FACTORS – Risk Factors Regarding the University – *State of Texas Appropriation Risk.*"

The Bonds qualify for reimbursement from the State pursuant to the Texas Legislature's biennial appropriation for tuition revenue bond retirement. Section 55.17891 of the Texas Education Code, which authorizes the University to issue Bonds for the purpose of acquiring, purchasing, constructing, improving, renovating, enlarging or equipping property and facilities, including roads and related infrastructure, for the Robert J. Terry Library on the University's campus in Houston, Texas, was enacted by the Texas Legislature during the 84th Legislative Session in 2015.

The Texas Legislature has appropriated funds to reimburse the University in prior years in an amount equal to all or a portion of the debt service on the University's Tuition Revenue Bonds, including appropriations made during the 84th Legislative Session of the Texas Legislature in the amount of $9,595,438 for Fiscal Year 2016 and $13,834,355 for Fiscal Year 2017, which includes $4,640,742 of appropriations to pay debt service on the $60,000,000 new Tuition Revenue Bond project approved in House Bill 100 during the 84th Legislative Session.

Tuition Revenue Bonds, such as the Bonds, issued for the University constitute Parity Obligations of the University which are equally and ratably secured by and payable from a pledge of and lien on Pledged Revenues on parity with all other Parity Obligations of the University System and do not include any additional pledge or security as a result of being authorized as Tuition Revenue Bonds. See "– TABLE 5 – Outstanding Indebtedness" below.

The University provides no assurances with respect to any future appropriations by the Texas Legislature. Future levels of State appropriations 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.

TABLE 5 - Outstanding Indebtedness

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

Revenue Financing System	Principal Amount Originally Issued	Principal Amount Outstanding
Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2011	$ 31,500,000	$ 24,190,000
Texas Public Finance Authority Texas Southern University Promissory Note, Series 2011A-4	$ 64,180,000	$ 54,445,283
Texas Public Finance Authority Texas Southern University Promissory Note, Series A 2012-10	$ 53,588,626	$ 51,724,644
Texas Public Finance Authority Texas Southern University Revenue Financing System Refunding Bonds, Series 2013	$ 62,355,000	$ 40,770,000
Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2016	$ 55,490,000	$ 55,490,000
TOTAL	**$ 267,113,626**	**$ 226,619,927**

Investment Policy and Procedures

Management of Investments

The Board of Regents approved the University's Endowed and Non-Endowed Investment Policies at its August 21, 2015 meeting. As provided in State law and University policy, each member of the Board of Regents 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. Currently, the Board utilizes Gray & Company to provide investment management consulting services with respect to the University's endowment funds and the Board of Regents 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 of Regents 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 of Regents. 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 has adopted a written investment policy regarding the investment (the "Investment Policy") of its endowment and non-endowed funds. All investments are made in accordance with the Investment Policy, applicable laws and resolutions of the Board Regents. As of August 31, 2015, and pursuant to the University's Investment Policy, the University's endowed and non-endowed funds investment pool was as follows:

Investment Type	Percentage Allocation	Book Value	Market Value
U.S. Government Agency Obligations	7%	$ 4,074,136	$ 4,082,100
U.S. Treasury Securities	8%	4,650,013	4,669,979
Equity	49%	28,241,971	28,291,689
Corporate Obligations	13%	7,770,321	7,816,747
Cash Equivalents	23%	13,461,682	13,461,848
	100%	$ 58,198,122	$ 58,322,363

Endowment funds are invested separately from the University's investment pool. The book value of Endowment Funds as of December 31, 2015, was $46.81 million.

Compliance Audits

Pursuant to Section 2256 of the Texas Government Code (the Public Funds Investment Act, hereinafter referred to as the "PFIA"), the University is required, at least once every two years, to arrange for a compliance audit of management controls on investments and adherence to the University's investment policies. Such results of the compliance audit are required, not later than January 1 of each even-numbered year, to be provided to the State's Auditor. Additionally, pursuant to Rider 5, page III-241, General Appropriations Act of the 83rd Texas Legislature, the Board of Regents is required to file with the State Auditor, Comptroller of Public Accounts, the Legislative Budget Board and the Governor an annual report of all investment transactions involving endowment funds, short-term and long-term investment funds, and all other securities transactions, in a method prescribed by the State's Auditor.

Under the authority referenced above, the University self-reported to the State Auditor, from compliance audit reports as of August 31, 2015, certain areas of noncompliance for contracting and reporting under the PFIA. Specifically, the University self-reported that it did not have current executed investment advisory agreements with its investment managers and advisors and that the University's quarterly investment reports that the University submitted to the Board of Regents did not contain all of the elements required under the PFIA (specifically Section 2256.023 of the PFIA) for Fiscal Year 2015. Based on the information provided by the University (and not independently verified by the State Auditor), the University was categorized as being in substantial compliance with the PFIA in the State Auditor's Report No. 16-027 for Fiscal Year 2015. A copy of the State Auditor Report can be found at http://www.sao.texas.gov/.

The University has issued a request for proposals (RFP # 717-16-741) on May 18, 2016 from qualified investment consultant firms to assist the Board of Regents in endowment management to ensure annual returns which are sufficient to assist in funding current operations of the University. The tentative timetable for responses to the request for proposal is June 8, 2016.

Debt Management

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

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APPENDIX B

DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

This APPENDIX contains excerpts of certain provisions of the Tenth Supplement and the Master Resolution and is qualified in its entirety by reference to such documents, 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.

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

"2016 Costs of Issuance Account" means the Texas Southern University Revenue Financing System Bonds, Series 2016 Cost of Issuance Account created pursuant to the Tenth Supplement.

"2016 Fund(s)" means collectively or individually the Interest and Sinking Fund, the 2016 Project Fund, the 2016 Costs of Issuance Account, and the 2016 Reserve Fund.

"2016 Project" means the acquisition, purchase, construction, improvement, renovation, enlargement, or equipment of the Robert J. Terry Library, including roads and related infrastructure, on the University's campus in Houston, Texas.

"2016 Project Fund" means the Texas Southern University Revenue Financing System Bonds, Series 2016 Project Fund created pursuant to the Tenth Supplement.

"2016 Reserve Fund" means the Texas Southern University Revenue Financing System Bonds, Series 2016 Reserve Fund created pursuant to the Tenth Supplement.

"Bond Counsel" means Winstead PC, San Antonio, Texas and Mahomes Bolden P.C., Austin, Texas, or such other firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the Authority.

"Bond Purchase Contract" means the contract executed by the duly acting representative of the Pricing Committee and the duly acting representative of the Underwriters establishing the price, terms and conditions relating to the issuance and sale of the Series 2016 Bonds.

"Bond Insurance Policy" means the Credit Facility or bond insurance policy entered into in connection with the Series 2016 Bonds as further described in the Pricing Certificate.

"Bond Insurance Reimbursement Amount" means the amounts due to the Bond Insurer in connection with payments made by the Bond Insurer under the Bond Insurance Policy approved under the Tenth Supplement and as more specifically described in the agreement authorizing such Bond Insurance Policy and/or the additional provisions related to the Bond Insurance Policy.

"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 Authority as a Credit Agreement in connection with the authorization, issuance, security or payment of Parity Obligations and on parity therewith.

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

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

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

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government, or any agency or political subdivision of a government.

"Pricing Committee" means Ramon Manning, Billy Atkinson and Ruth C. Schiermeyer, the members of the Authority's Board of Directors who are hereby appointed and authorized to act on behalf of the Authority in selling and delivering the Bonds, with Robert T. Roddy, Jr. and Rodney K. Moore designated as alternates.

"Required Reserve Amount" means an amount equal to the lesser of (a) 1.25 times the average principal and interest requirements of the Series 2016 Bonds, or (b) 1.00 times the annual principal and interest requirements of the Series 2016 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 10% of the aggregate proceeds (within the meaning of Section 148(d)(2) of the Code) of the Series 2016 Bonds.

"Regulations" means the applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulation may be amended or supplemented from time to time.

"Reserve Policy Costs" means the amounts due to the Bond Insurer in connection with the repayment of any draws under the Credit Facility for the 2016 Reserve Fund approved under the Tenth Supplement and as more specifically described in the agreement authorizing such Credit Facility and/or any additional provisions related to such Credit Facility.

"Series 2016 Bonds" means the Texas Public Finance Authority Texas Southern University Revenue Financing System Refunding Bonds, Series 2016, authorized to be issued pursuant to this Tenth Supplement.

"Series 2016 Obligations" means, together, the Series 2016 Bonds, Bond Insurance Reimbursement Amounts, and the Reserve Policy Costs.

"Tenth Supplement" means the Tenth Supplement to the Master Resolution authorizing the issuance and sale of the Series 2016 Bonds and any amendments and supplements thereto.

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

"Additional Party Obligations" means the additional Party Obligations permitted to be issued pursuant to this 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 Party 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 on the Authority) in such Fiscal Year.

"Bond Insurer" means the issuer of a Bond Insurance Policy.

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

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

"Debt" means all:

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

(2) all other indebtedness (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction, or improvement of property or capitalized lease obligations that is guaranteed, directly or indirectly, in any manner by the Board, or that is in effect guaranteed, directly or indirectly, by the Board through an agreement, contingent or otherwise, to purchase any such indebtedness or tot advance of 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 instrument creating such Debt) for payment, redemption, or satisfaction of such Debt or (b) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements prepared by or for the benefit of the Board in prior Fiscal Years.

"Designated Financial Officer" shall mean the Senior Vice President for Administration of the University, or such other official of the University appointed by the Board to carry out the functions of the Designated Financial Officer specified herein.

"Designated Payment Office" shall have the meaning ascribed 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 date, more than one year after the original creation, assumption, or guarantee of such Debt by the Board.

"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.

"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 State Maturity thereof or by declaration of acceleration, call for redemption, or otherwise.

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

"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 cancelled and delivered to the Board or delivered to the paying Agent or the Registrar for cancellation;

(2) Parity Obligations deemed paid pursuant to the provisions of the 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 an in lieu of which other Parity Obligations have been authenticated and delivered pursuant to the 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.

"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 Series 1998A Bonds, secured by a pledge of the Pledged Revenues subject only to the liens securing Prior Encumbered Obligations.

"Participant in the Financing System" and **"Participant"** means each of the agencies, institutions and branches of the University and such agencies, institutions and branches hereafter designated by the Board to be a participant in the Financing System. As of the date of the Tenth Supplemental 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 Section 14 of 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 Financing System which are lawfully available to the Board for payments on Parity Obligations; provided, however, that the following shall not be included in Pledged Revenues unless and to the extent set forth in a 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.

"**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 this Resolution, which are secured by a lien on and pledge of the Prior Encumbered Revenues charged and collected at such institution or agency, and any other bonds or other obligations secured by revenues which are hereafter designated by the Board as a Pledged Revenue; provided, however, if the Series 1998A Bonds are not issued to refund all or a portion of the Refunded Bonds, the term Prior Encumbered Obligations shall include the Series 1993 Bonds and the Series 1993A Bonds remaining outstanding upon the delivery of the Series 1998A Bonds.

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

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

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

"**Required Reserve Amount**" means an amount not less than the average annual principal and interest requirements on the Bonds.

"**Resolution**" means the Master Resolution establishing the Financing System and authorizing the issuance of Parity Obligations and the pricing and sale of the Series 1998A Bonds and any resolutions supplementing or amending the Master Resolution from time to time providing for, among other things, the issuance of Additional Parity Obligations.

"**Revenue Financing System**" or "**Financing System**" means the "Texas Southern University Consolidated Revenue Financing System," current 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 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(3) of the Texas Education Code to mean the revenues, incomes, receipts, rental rates, charges, fees, grants, and tuition levied or collected from any public or private source by an institution of higher education, including interest or other income from those funds) derived by the Board from the operations of each of the Participants. The term "Revenue Funds" does not include, with respect to each series or issue of Parity Obligations, any tuition, rentals, rates, fees, or other charges attributable to any student in a category which, at the time of the adoption of 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.

"**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 instalment 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.

"**Surety Policy**" means a surety bond, insurance policy, letter of credit, other agreement, instrument, or other financial guaranty instrument under which the issuer thereof is obligated to provide funds up to and including the Required Reserve Amount.

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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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

****

CERTAIN PROVISIONS OF THE TENTH 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 2016 Bonds on a parity with the Parity Obligations such that the Series 2016 Bonds (as well as any Series 2016 Obligations so designated) shall be considered Additional Parity Obligations under the Master Resolution. The Authority and the Board hereby agree that the Series 2016 Bonds (as sell as the Series 2016 Obligations so designated) are to be secured by the Pledged Revenues to the same extent the Prior Bonds are secured and to the same extent any other Additional Parity Obligations, including any refunding bonds, may be secured under the Master Resolution. As Additional Parity Obligations under the Master Resolution, the Series 2016 Bonds are entitled to the benefits of and governed by the provisions, agreements, covenants and warranties contained in the Master Resolution that relate to Parity Obligations, to the extent that such provisions, agreements, covenants, and warranties are not in conflict or inconsistent with this Tenth Supplement; provided, however, that to the extent of any conflict between the Master Resolution and this Tenth Supplement related to the covenants of Sections 16, 17 and 18 of this Tenth Supplement, the covenants set forth in Section 16, 17 and 18 of this Tenth Supplement shall control.

****

Section 5. **MANAGEMENT OF 2016 Funds.** (a) **Creation of and Maintenance of Funds and Accounts**. In addition to any other funds described pursuant to Section 5 of the Tenth Supplement, the following 2016 Funds are hereby created: (i) the 2016 Project Fund, including the 2016 Costs of Issuance Account and (ii) the 2016 Reserve Fund. The 2016 Costs of Issuance Account within the 2016 Project Fund shall be maintained by the Board and shall be applied to pay the costs of issuing the Series 2016 Bonds as approved by the Executive Director and as provided in this Tenth Supplement. The 2016 Funds shall be held by the University with its depository bank, currently JPMorgan Chase Bank, N.A. separate from any other funds, or as otherwise directed by the University in accordance with this Tenth Supplement. The Designated Financial Officer shall provide JPMorgan Chase Bank, N.A. with such instructions as are necessary to effect the proper application of such 2016 Funds as provided by this Tenth 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 any then-currently outstanding Outstanding Parity Obligations issued pursuant to Chapter 55, Texas Education Code, as amended, whether by reason of stated maturity or redemption prior to stated maturity.

****

(f) **2016 Reserve Fund**. The 2016 Reserve Fund may be funded with a deposit of cash in an amount equal to the Required Reserve Amount for the Series 2016 Bonds or by a Credit Facility issued in an amount equal to the Required Reserve Amount for the Series 2016 Bonds or a combination of cash and a Credit Facility equal in amount to the Required Reserve Amount for the Series 2016 Bonds. The University shall maintain a balance in the 2016 Reserve Fund equal to the Required Reserve Amount. While the Series 2016 Bonds are outstanding, the University may, upon passage of a resolution by the Board, replace or substitute a Credit Facility for cash on deposit in the 2016 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 2016 Project 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 2016 Reserve Fund contains less than the Required Reserve Amount due to the issuance of the Series 2016 Bonds, beginning on the last Business Day of the month following the delivery of the Series 2016 Bonds to the purchasers thereof, and continuing for 60 months, the University shall deposit to the credit of the 2016 Reserve Fund an amount equal to 1/60th of the difference determined as of such delivery date between the amount in the 2016 Reserve Fund and the Required Reserve Amount. In the event of a deficiency in the 2016 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 2016 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 2016 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 SERIES 2016 BONDS**. The Series 2016 Bonds are special obligations payable from and secured by the Pledged Revenues pursuant to this Tenth 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 2016 Bonds on parity with all other Parity Obligations, as the same shall become due and payable. The Board agrees to pay from Pledged Revenues the principal of, premium, if any, and the interest on the Series 2016 Bonds when due, whether by reason of stated maturity or redemption prior to stated maturity.

****

Section 11. **ISSUANCE OF SERIES 2016 BONDS AS PARITY OBLIGATIONS PURSUANT TO MASTER RESOLUTION**. The Series 2016 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 2016 Bonds.

****

Section 15. **BOND INSURANCE POLICY, SURETY POLICY, AND CREDIT FACILITY.** (a) In connection with the sale of the Bonds, the Authority and Board together may (i) select from a municipal bond insurer (a "Bond Insurer") a Bond Insurance Policy to guarantee the full and complete payment required to be made by or on behalf of the Board on some or all of the Bonds and (ii) select a Surety Policy for all or any portion of the Required Reserve Amount for the Bonds. The Authority solely may select a Credit Facility (other than a Bond

Insurance Policy or Surety Policy). A Bond Insurance Policy, Surety Policy, and Credit Facility executed in connection with the Bonds constitute authorized Credit Agreements under the Master Resolution. The Authority and Board together are hereby authorized to determine whether to obtain one or more Bond Insurance Policies or Surety Policies, to authorize the execution by the Executive Director and Designated Financial Officer of a commitment letter with the Bond Insurer or Surety Policy provider, to authorize the payment of the premium for any Bond Insurance Policies or Surety Policies at the time of the delivery of the Bonds out of the proceeds of sale of the Bonds or from other available funds, and to authorize the execution by the Executive Director and Designated Financial Officer of other documents and certificates as necessary in connection with any Bond Insurance Policies or Surety Policies. The Authority solely is hereby authorized to determine whether to obtain any other Credit Facility (other than Bond Insurance Policies or Surety Policies), to authorize the execution thereof by the Executive Director, to authorize the payment of the costs for such Credit Facility at the time of the delivery of the Bonds out of the proceeds of sale of the Bonds or from other available funds, and to authorize the execution by the Executive Director of other documents and certificates as necessary in connection with any such Credit Facility.

Printing on Bonds covered by a Bond Insurance Policy, Surety Policy, or other Credit Facility a statement describing such insurance, in form and substance satisfactory to the Credit Facility provider and the Executive Director, is hereby approved and authorized. The Pricing Certificate may contain supplemental special provisions related to a Bond Insurance Policy, Surety Policy, or other Credit Facility, including payment provisions thereunder, and the rights of any Bond Insurer or other Credit Facility provider, and any such provisions shall be read and interpreted as an integral part of this Tenth Supplement. The individuals designated by section 4(d) of the Tenth Supplement are authorized, in the manner set forth therein, to enter into and execute one or more agreements in connection with a Bond Insurance Policy, Surety Policy, or other Credit Facility containing terms and conditions acceptable to such individuals, approve any special conditions acceptable to such individuals, and approve any special provisions to this Tenth Supplement related to such Bond Insurance Policy, Surety Policy, or other Credit Facility.

****

Section 17. **DEFEASANCE OF OBLIGATIONS.** (a) Defeasance of Series 2016 Bonds. Any Series 2016 Bond may be defeased (a Defeased Bond) within the meaning of this Tenth 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 2016 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 2016 Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Series 2016 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 Tenth Supplement, and such principal and interest shall be payable solely from such money or Defeasance Securities.

(b) The term "Defeasance Securities" as used in this section means (i) means direct, noncallable obligations of the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Authority adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Series 2016 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 2016 Bonds, are rated as to investment quality by a nationally recognized investment rating firm no less than "AAA" or its equivalent.

(c) The deposit under clause (ii) of subsection (a) shall be deemed a payment of a Series 2016 Bond as aforesaid when proper notice of redemption of such Series 2016 Bonds shall have been given, in accordance with this Tenth 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 2016 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.

(d) Notwithstanding any provision of any other Section of this Tenth 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 2016 Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Series 2016 Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Board shall make proper arrangements to provide and pay for such services as required by this Tenth Supplement.

(e) Notwithstanding anything elsewhere in this Tenth 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 2016 Bonds and such Series 2016 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 2016 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 2016 Bonds of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Series 2016 Bonds by such random method as it deems fair and appropriate.

****

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Authority, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof and such information is not to be construed as a representation by any of the Authority, the Financial Advisor or the Underwriters.

The Authority and the Underwriters cannot and do 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 United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the 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 will be issued for each maturity of the Bonds, as set forth on the inside of the cover page hereof, in the aggregate principal amount of such maturity and will be deposited with DTC.

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their 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 the 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 the 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 are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

All 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 Paying Agent/Registrar on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC 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. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the Commission 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-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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

Notices

THE PAYING AGENT/REGISTRAR, THE BOARD OF REGENTS, AND THE AUTHORITY, SO LONG AS THE DTC BOOK-ENTRY-ONLY 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 OF REGENTS, 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.

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APPENDIX D

AUDITED FINANCIAL REPORT OF TEXAS SOUTHERN UNIVERSITY

FOR THE YEAR ENDED AUGUST 31, 2015

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ANNUAL FINANCIAL REPORT

of

TEXAS SOUTHERN UNIVERSITY

(An Agency of State of Texas)

For the Year Ended
August 31, 2015

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TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)
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INTRODUCTORY SECTION

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

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

November 14, 2015

The Honorable Derrick Mitchell, 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, 2015 for Texas Southern University ("TSU").

TSU's administration is responsible for designing, establishing and maintaining internal controls intended 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 the 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 among the nation's largest Historically Black Colleges and Universities, offers an impressive array of undergraduate and graduate academic programs, comprises a diverse faculty, over 80 student organizations, and an alumni network comprised of educators, entrepreneurs, public servants, health practitioners, lawyers, pilots, artists 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, one of the fastest-growing and forward-moving cities in the world and has been recognized as the next global city in the country. Houston's economy is based on energy production and research, petrochemicals, shipping, health services and research, refining, 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, University of Houston, Rice University and the University of St. Thomas), the Texas Medical Center, City Hall, downtown Houston, many cultural and athletic venues, 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 also like to express our appreciation to all members within the Division of Administration and Finance, the staff of Internal Audit, and others who contributed to and assisted in the preparation of the report. Credit must also be given to the Board of Regents and the State of Texas for their continued support and interest in planning and conducting the financial operations of TSU in a responsible and professional manner.

This annual financial report is designed to provide an 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 Controller, 3100 Cleburne Street, Suite 145, Houston, Texas 77004-4501.

Sincerely,

Edward C. Ness

Edward Craig Ness
Vice President for Administration and Finance/CFO

TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
BOARD OF REGENTS
August 31, 2015

Officers

Glenn O. Lewis, Chair
Samuel Bryant, Secretary

Members

Gary Bledsoe	Austin
Samuel L. Bryant, Secretary	Austin

Terms Expire February 1, 2017

Glenn O. Lewis, Chair	Fort Worth
Sarah Monty-Arnoni	Houston
Erik D. Salwen	College Station

Terms Expire February 1, 2019

Derrick Mitchell	Houston
Marilyn A. Rose	Houston
Wesley Glenn Terrell	Dallas

Terms Expire February 1, 2021

Dominique Calhoun, Student Regent	Cleburne

Term Expires May 31, 2016

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TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

UNIVERSITY ADMINISTRATION

August 31, 2015

University Administration

John M. Rudley, Ed.D	President
James W. Ward, Ph.D	Provost/Vice President for Academic Affairs
Edward Craig Ness, MBA	Vice President for Administration and Finance
William T. Saunders, J.D.	Vice President for Student Services and Dean of Students
Andrew C. Hughey, J.D.	General Counsel
Eva Pickens	Interim Vice President for University Advancement
Charles F. McClelland, Ph.D	Vice President for Athletics
Janis J. Newman	Chief of Staff

Fiscal Administration

Christina Ordonez-Campos, CPA	Controller
Gregory L. Williams	Executive Director of Procurement Services
Louis Edwards	Associate Vice President of Treasury and Budget
Lavonda Horn	Director of General Accounting

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FINANCIAL SECTION

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whitleypenn

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INDEPENDENT AUDITORS' REPORT

To the Board of Regents
Texas Southern University

Report on the Financial Statements

We have audited the accompanying financial statements of Texas Southern University, an agency of the State of Texas as of and for the year ended August 31, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Texas Southern University, an Agency of the State of Texas, as of August 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of Texas Southern University, an Agency of the State of Texas, are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of Texas Southern University that is attributable to the transactions of the University. They do not purport to, and do not present fairly the financial position of the State of Texas as of August 31, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As also discussed in Note 1 and Note 14, Texas Southern University adopted the provisions of GASB Statements No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* for the year ending August 31, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 21 through 28 and the required pension system information on page 79 be presented to supplement the basic financial statements. 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 the 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Texas Southern University's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015 on our consideration of Texas Southern University'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 provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering Texas Southern University's internal control over financial reporting and compliance.

Whitley Penn LLP

Houston, Texas
November 16, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

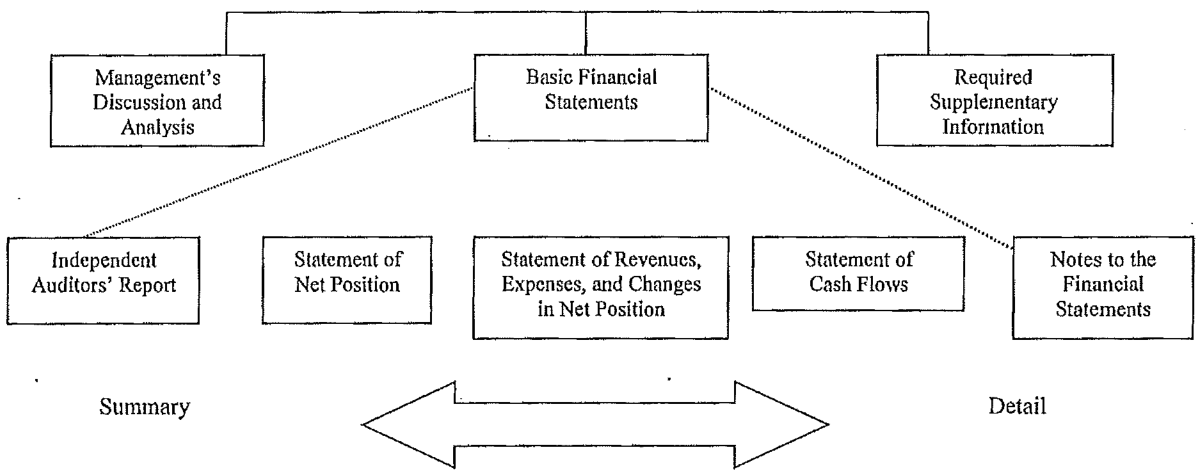
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the Year Ended August 31, 2015

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the annual financial activities of Texas Southern University (TSU). The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of TSU's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the transmittal letter at the front of this report and TSU's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT

Components of the Financial Section



TSU's basic financial statements include statement of net position; statement of revenues, expenses, and changes in net position; statement of cash flows; and notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statement themselves.

<u>**Basic Financial Statements**</u>

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 position and the statement of revenues, expenses, and changes in net position, 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 position presents information on all of TSU's assets and deferred outflows of resources that exceed liabilities and deferred inflows of resources. The difference between these categories is reported as *net position*. Over time, increases or decreases in net position 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 position presents information showing how TSU's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method.

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

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

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

FINANCIAL ANALYSIS OF TSU

As noted earlier, net position may serve over time as a useful indicator of TSU's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by $131,537,570.72 as of August 31, 2015. The largest portion of TSU's net position (91 percent) reflects its investments in capital assets (e.g., land, buildings and improvements, equipment, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. TSU uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although TSU's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Condensed Statement of Net Position

The following table reflects the condensed Statement of Net Position:

CONDENSED STATEMENT OF NET POSITION

	2015	2014
Current and other assets	$ 73,704,490.03	$ 66,244,114.13
Restricted assets	55,290,976.47	56,875,285.78
Capital assets, net	277,657,303.81	264,165,777.18
Total Assets	406,652,770.31	387,285,177.09
Deferred Outflows of Resources	3,395,966.91	-
Current liabilities	97,946,855.50	88,454,109.46
Noncurrent liabilities	175,036,122.11	146,032,149.89
Total Liabilities	272,982,977.61	234,486,259.35
Deferred Inflows of Resources	5,528,188.89	-
Net investment in capital assets	119,797,093.34	115,210,145.91
Restricted for:		
Debt service	804,348.06	838,600.39
Other	46,737,644.30	48,220,685.70
Unrestricted	(35,801,514.98)	(11,470,514.26)
Total Net Position	$ 131,537,570.72	$152,798,917.74

Unrestricted net deficit increased by $(24,331,000.72) from $(11,470,514.26) to $(35,801,514.98) at year end. Unrestricted net position represents amounts that can be used to finance day-to-day operations without constraints established by debt covenants and enabling legislation. The majority of the unrestricted deficit can be attributed to the implementation of GASB 68. More detailed information about GASB 68 is presented in Note 1.

Statement of Revenues, Expenses, and Changes in Net Position

	2015	2014
OPERATING REVENUES		
Tuition and Fees - Pledged	$ 87,088,726.91	$ 80,797,099.73
Discount on Tuition and Fees	(27,428,580.24)	(24,832,935.49)
Auxiliary Enterprises -Pledged	11,378,960.01	11,813,000.69
Other Sales of Goods and Services - Pledged	124,333.66	98,549.58
Federal Revenue	18,216,151.68	13,772,558.37
Federal Pass-Through Revenue	478,386.63	4,693,630.09
State Revenue	1,601,575.34	1,228,757.89
State Pass-Through Revenue	7,416,454.14	7,873,572.71
Other Contracts and Grants - Pledged	2,106,260.85	1,054,548.20
Other Operating Revenue	4,838,787.55	4,346,792.60
Total Operating Revenues	105,821,056.53	100,845,574.37
OPERATING EXPENSES		
Salaries and Wages	88,923,731.34	89,599,756.20
Payroll Related Costs	22,152,901.47	21,926,738.77
Professional Fees and Services	6,396,288.22	6,009,239.75
Travel	3,037,665.08	3,097,202.09
Materials and Supplies	8,531,285.11	9,882,733.71
Communication and Utilities	6,412,257.42	6,867,558.31
Repairs and Maintenance	5,289,718.99	4,805,211.57
Rentals and Leases	1,500,653.05	1,987,034.85
Printing and Reproductions	466,258.87	657,542.73
Bad Debt Expense	2,210,030.16	2,121,182.62
Scholarships	18,927,493.88	18,967,639.23
Other Operating Expenses	10,969,116.79	9,882,423.84
Depreciation and Amortization	16,925,511.92	15,656,065.48
Total Operating Expenses	191,742,912.30	191,460,329.15
Operating (Loss)	$ (85,921,855.77)	$ (90,614,754.78)

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

For the Year Ended August 31, 2015

Statement of Revenues, Expenses, and Changes in Net Position (Continued)

	2015	2014
NONOPERATING REVENUES (EXPENSES)		
Legislative Revenue	$ 50,003,682.00	$ 50,550,104.00
Additional Appropriations	10,498,723.11	10,306,663.53
Gifts	257,494.70	514,518.78
Federal Revenue Nonoperating	21,877,302.92	20,156,164.28
Interest Income	2,605,328.31	3,799,834.56
Investing Activities Expenses	(332,267.66)	(313,749.40)
Interest Expense and Fiscal Charges	(5,392,783.75)	(6,017,238.97)
Net Increase (Decrease) Fair Value	(896,446.45)	7,272,905.67
Other Nonoperating Revenue/Expense	(2,104,421.02)	936,394.34
Total Nonoperating Revenues (Expenses)	76,516,612.16	87,205,596.79
(Loss) Before Other Revenues, Expenses, Gains/Losses and Transfers	(9,405,243.61)	(3,409,157.99)
OTHER REVENUES, EXPENSES, AND TRANSFERS		
Capital appropriations (HEAF)	8,894,700.00	8,894,700.00
Contributions to Permanent and Term Endowments	73,449.39	267,656.34
Lapses	-	(512,505.36)
Transfer In	129,123.00	-
Transfer Out	(466,359.66)	(771,162.38)
Total Other Revenues, Expenses, and Transfers	8,630,912.73	7,878,688.60
Change in Net Position	(774,330.88)	4,469,530.61
Restatement, Note 1 Net Position Allocation GASB 68	(20,487,016.14)	-
Beginning Net Position, as restated (Note 1)	152,798,917.74	148,329,387.13
Ending Net Position	$ 131,537,570.72	$ 152,798,917.74

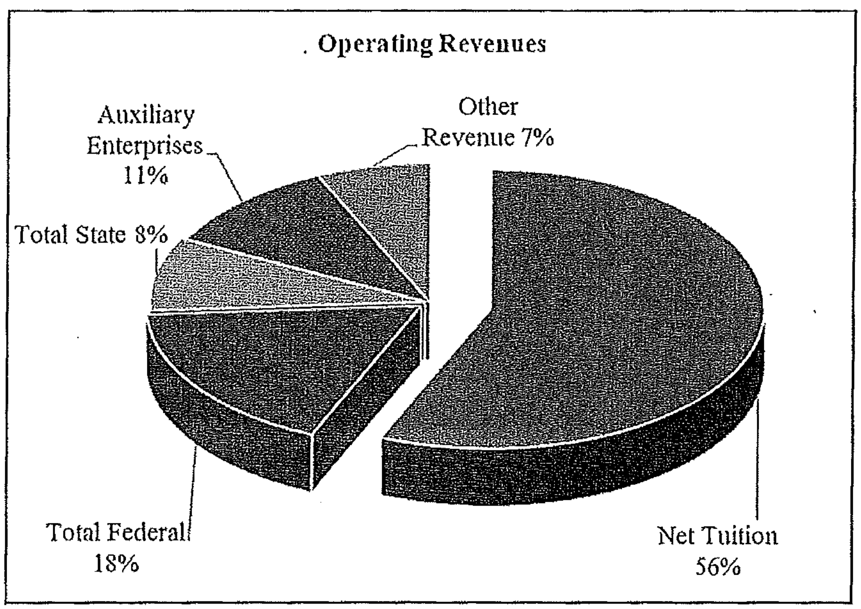
For the year ended August 31, 2015, total revenue was $197,159,992.49. This represents a decrease in total revenue $6,384,523.38 or (3 percent). The total net position decreased by $21,261,347.02 (or 13.9 percent). The primary decrease in net position can be attributed to the implementation of GASB 68. More detailed information about GASB 68 is presented in Note 1.

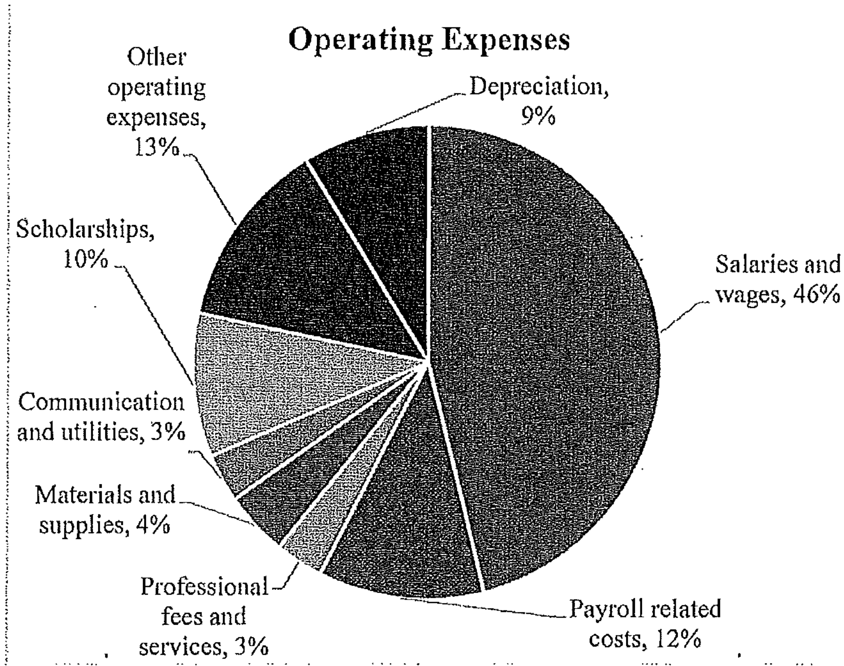
Expenses totaled $197,934,232.37 for the year ended August 31, 2015. This represents a decrease of $765,063.52 from last year. The majority of this decrease can be attributed to a reduction in the amount of salary and wages and other operating expenses.

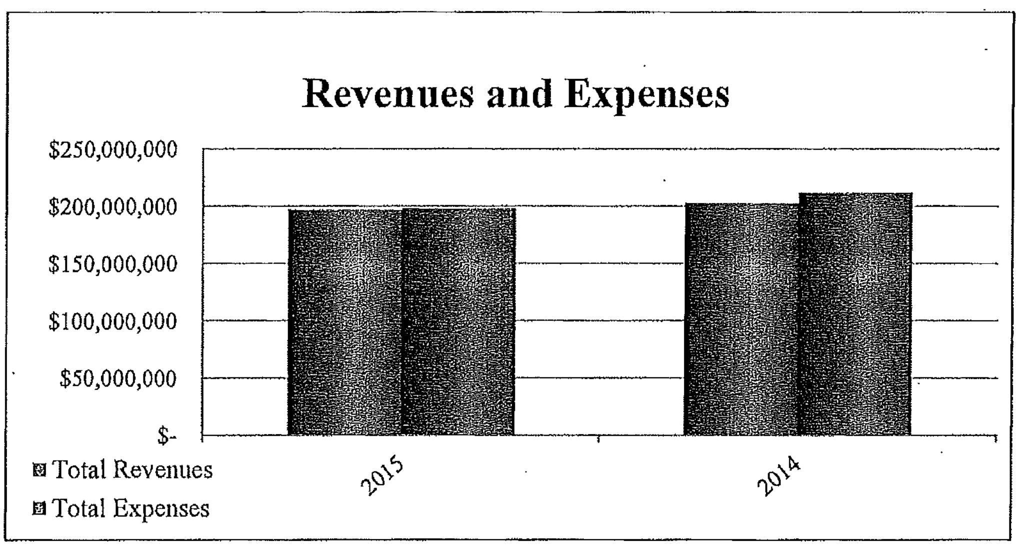
Key elements to these changes are as follows:

- Operating revenues increased by $4,975,482.16 (5 percent) primarily due to increase in tuition and fees and federal revenue.
- Non-operating revenues decreased by $11,360,005.54 (12 percent) primarily due to the fair market value of investments.
- Operating expenses less depreciation decreased by $986,836.29 (1 percent) as a result of a decrease in salaries and wages, scholarships, and other operating expenses.
- Non-operating expenses decreased by $1,423,245.04 (23 percent) due to a decrease in the Interest Expense and Fiscal Charges.
- Depreciation expense increased $1,269,446.44 due to the new technology building that was placed into operations in FY14.

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




Operating Expenses
Depreciation, 9%
Salaries and wages, 46%
Payroll related costs, 12%
Professional fees and services, 3%
Materials and supplies, 4%
Communication and utilities, 3%
Scholarships, 10%
Other operating expenses, 13%


Revenues and Expenses
$250,000,000
$200,000,000
$150,000,000
$100,000,000
$50,000,000
$-
2015
2014
Total Revenues
Total Expenses

CAPITAL ASSETS

At year end, TSU had invested $277,657,303.81 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of $13,491,526.63.

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

- Building improvements completed at a cost of $501,285.42.
- Various building renovations and equipment were added as construction in progress at a total cost of $25,407,717.65.
- Construction continues on the new residential housing unit estimated to cost $55 million.

More detailed information about TSU's capital assets is presented in note 2 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 $77,141,437.48 in revenue bonds outstanding versus $85,333,590.30 last year. TSU general obligation bonds outstanding for $4,015,000.00 at the end of August 2014 was paid in full during 2015. Also, at year end, TSU had $85,973,485.75 in capital loan notes payable to the Department of Education. This includes $29,282,099.04 in advances drawn on $55 million dollars in financing obtained to build an 800 bed Housing Unit.

More detailed information about TSU's long-term liabilities is presented in note 5 to the financial statements.

ECONOMIC FACTORS

TSU's revenue increased in fiscal year 2015 due to an increase in tuition and fees, and federal revenue.

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 Business Affairs Department, 3100 Cleburne Street, Houston, Texas 77004.

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TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF NET POSITION

August 31, 2015

ASSETS	Total
Current Assets	
Cash and Cash Equivalents	
Cash on Hand	$ 2,100.00
Cash in Bank	12,263,231.46
Cash in State Treasury	1,817,426.38
Restricted:	
Cash in Bank-Restricted	443,892.42
Cash Equivalent	10,188,054.69
Short-Term Investments	2,550,810.60
Legislative Appropriations	5,350,538.30
Receivables:	
Federal	9,862,751.27
Other Intergovernmental	4,344,787.09
Accounts, Net	25,856,451.25
Other	465,414.11
Due From Other Agencies	140,222.04
Consumable Inventories	487,138.79
Total Current Assets	**73,772,818.40**
Non-Current Assets	
Restricted:	
Investments	45,583,482.68
Loans and Contracts	523,885.63
Prepaid Cost	9,183,608.16
Total Non-Current Restricted Assets	**55,290,976.47**
Capital Assets:	
Land	17,248,799.60
Construction in Progress	33,851,846.19
Historical Treasures and Works of Art	2,829,312.50
Total Non-Depreciable or Non-Amortizable	**53,929,958.29**
Capital Assets Depreciable:	
Buildings and Building Improvements	419,307,012.64
Infrastructure	6,528,360.95
Equipment	30,429,347.37
Library Books	32,099,631.44
Less: Accumulated Depreciation	(264,637,006.88)
Total Depreciable or Amortizable, Net	**223,727,345.52**
Total Non-Current Assets	**332,948,280.28**
TOTAL ASSETS	406,721,098.68
Deferred Outflows	
Deferred Outflows of Resources-Pension	3,395,966.91
Total Deferred Outflows	**$ 3,395,966.91**

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)
STATEMENT OF NET POSITION
August 31, 2015

		Total
LIABILITIES		
Current Liabilities		
Accounts Payable	$	14,829,303.88
Payroll Payable		6,199,098.52
Due to Other Agencies		68,328.37
Interfund Payable		129,123.00
Interest Payable		1,739,323.31
Escheat Payable		460,454.17
Unearned Revenues		54,224,341.00
Student Refunds Payable		60,025.26
Other Payables		5,683,188.06
Notes and Loans Current Payable		3,257,143.08
Revenue Bonds Current Payable, Net		8,693,222.82
Employees' Compensable Leave		2,671,632.40
Total Current Liabilities		**98,015,183.87**
Non-Current Liabilities		
Net Pension Liabilities		18,085,719.52
Notes and Loans Payable		82,716,342.67
Revenue Bonds Payable, Net		68,448,214.66
Employees' Compensable Leave		3,061,976.15
Due to Perkins Loan Program		2,723,869.11
Total Non-Current Liabilities		**175,036,122.11**
TOTAL LIABILITIES		**273,051,305.98**
Deferred Inflows		
Deferred Inflows of Resources-Pension		5,528,188.89
Total Deferred Inflows		**5,528,188.89**
NET POSITION		
Net Investment in Capital Assets		119,797,093.34
Restricted For:		
Debt Retirement		804,348.06
Other Restricted		502,176.56
Funds Held as Permanent Investments:		
Endowments		46,235,467.74
Unrestricted		(35,801,514.98)
TOTAL NET POSITION	**$**	**131,537,570.72**

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
as of August 31, 2015

	2015
OPERATING REVENUES	
Tuition and Fees-Pledged	$ 87,088,726.91
Discount on Tuition and Fees	(27,428,580.24)
Auxiliary Enterprises-Pledged	11,378,960.01
Other Sales of Goods and Services-Pledged	124,333.66
Federal Revenue	18,216,151.68
Federal Pass-Through Revenue	478,386.63
State Revenue	1,601,575.34
State Pass-Through Revenue	7,416,454.14
Other Contracts and Grants-Pledged	2,106,260.85
Other Operating Revenue	4,838,787.55
Total Operating Revenues	**105,821,056.53**
OPERATING EXPENSES	
Salaries and Wages	88,923,731.34
Payroll Related Costs	22,152,901.47
Professional Fees and Services	6,396,288.22
Travel	3,037,665.08
Materials and Supplies	8,531,285.11
Communication and Utilities	6,412,257.42
Repairs and Maintenance	5,289,718.99
Rental and Leases	1,500,653.05
Printing and Reproduction	466,258.87
Bad Debt Expense	2,210,030.16
Scholarships	18,927,493.88
Other Operating Expenses	10,969,116.79
Depreciation and Amortization	16,925,511.92
Total Operating Expenses	**191,742,912.30**
Operating Income (Loss)	**$ (85,921,855.77)**

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
as of August 31, 2015

	2015
NON-OPERATING REVENUES (EXPENSES)	
Legislative Revenue	$ 50,003,682.00
Additional Appropriation	10,498,723.11
Gifts	257,494.70
Federal Revenue Nonoperating	21,877,302.92
Interest Income	2,605,328.31
Investing Activities Expenses	(332,267.66)
Interest Expense and Fiscal Charges	(5,392,783.75)
Net Increase (Decrease) Fair Value	(896,446.45)
Other Nonoperating Revenue/Expense	(2,104,421.02)
Total Non-Operating Revenues(Expenses)	76,516,612.16
Income (Loss) Before other Revenues, Expenses, Gains/Losses and Transfers	(9,405,243.61)
OTHER REVENUES, EXPENSES, GAINS, AND TRANSFERS	
Capital Appropriations (HEAF)	8,894,700.00
Additions to Permanent and Term Endowments	73,449.39
Transfer In	129,123.00
Transfer Out	(466,359.66)
Total Other Revenues, Expenses, Gain/Losses and Transfers	8,630,912.73
Change in Net Position	(774,330.88)
Beginning Net Position	152,798,917.74
Restated, Note 9 Net Pension Allocation GASB 68	(20,487,016.14)
Ending Net Position	$ 131,537,570.72

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF CASH FLOWS

For the Year Ended August 31, 2015

	2015
Cash Flows from Operating Activities	
Proceeds from tuition and fees	$ 58,077,606.84
Proceeds from auxiliary enterprises	11,378,960.01
Proceeds from federal grants and contracts	17,626,690.87
Proceeds from state grants and contracts	9,008,441.49
Proceeds from other revenues	13,120,764.41
Payments to employees for salaries and wages	(92,990,889.31)
Payments for employee related costs	(19,041,215.93)
Payments for other expenses	(58,565,868.07)
Net Cash (Used) by Operating Activities	(61,385,509.69)
Cash Flows from Noncapital Financing Activities	
Receipts from state appropriations	65,336,906.47
Proceeds from federal grants and contracts	21,877,302.92
Receipts from gifts and endowments	330,944.09
Net Cash Provided by Noncapital Financing Activities	87,545,153.48
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets	(30,417,038.55)
Principal paid on capital debt	(12,890,709.50)
Interest and fiscal agent fees paid	(5,366,930.55)
Loan receipts	22,476,677.05
Net Cash (Used) by Capital and Related Financing Activities	(26,198,001.55)
Cash Flows from Investing Activities	
Purchase/Sale of investments	1,471,887.78
Payments received on notes receivable	482,152.07
Interest received	2,273,060.65
Net Cash Provided by Investing Activities	4,227,100.50
Net Increase (Decrease) in Cash and Cash Equivalents	4,188,742.74
Beginning cash and cash equivalents	20,525,962.21
Ending Cash and Cash Equivalents	$ 24,714,704.95
Unrestricted cash and cash equivalents	14,082,757.84
Restricted cash and cash equivalents	10,631,947.11
Ending Cash and Cash Equivalents	$ 24,714,704.95

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, 2015

Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities	**2015**
Operating gain (loss)	$ (85,921,855.77)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:	
Depreciation and amortization	16,925,511.92
Bad Debt Expense	2,210,030.16
Pension Expense	1,671,895.74
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable, net	(3,762,849.55)
Due from federal government	(1,067,847.44)
Other receivables	(6,600.65)
Inventories	143,252.33
Prepaid items	(435,254.04)
Deferred Outflow	(1,679,733.46)
Increase (Decrease) in:	
Accounts payable	6,063,242.29
Salaries payable	(1,818,025.87)
Due to state	(737,036.20)
Escheat payable	(41,091.38)
Deferred revenue	5,928,860.00
Student refunds payable	(39,308.43)
Other current liabilities	(426,126.70)
Compensated absences	196,768.54
Net Pension Liability	(4,117,796.38)
Deferred Outflow	5,528,455.20
Net Cash (Used) by Operating Activities	$ (61,385,509.69)

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

In fiscal year 2015, TSU implemented accounting standard GASB Statement No. 68 ("GASB 68"), *Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No.27.* GASB 68 establishes accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Implementation is reflected in the financial statements, notes to the financial statements and required supplementary information.

GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* ("GASB 71") amends the transition provisions of GASB 68. GASB 71 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Implementation is reflected in the financial statements and the notes to the financial statements.

Prior to FY15, TSU implemented accounting standard GASB Statement No. 65 ("GASB 65"), *Items Previously Reported as Assets and Liabilities.* GASB 65 establishes accounting and financial reporting standards that reclassify as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of GASB 65 is reflected in the financial statements.

These financial statements include implementation of (GASB) Statement No. 34, *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. 34 established standards for external financial reporting for all public colleges and universities, which includes a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. It requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position 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 position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws, regulations of other governments or constraints imposed by law through constitutional legislation.

- **Unrestricted** - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

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.

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, Deferred Outflows/Inflows of Resources and Net Position

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, 2015 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.

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 position.

4. 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.

5. Inventories and Prepaid Costs

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 costs.

6. Capital Assets

Capital assets are defined by the State as follows:

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

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

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

8. Accounts Payable

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

9. Compensated Absences

Employees' compensable leave balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the statement of net position. 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 position. 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 position). The bonds are reported at par, net of unamortized premiums, discounts, issuance costs and gains (losses) on bond refunding activities, if applicable.

12. Net Position, Deferred Outflows/Inflows of Resources

Net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Deferred outflows of resources represents a consumption of net assets by an entity that is applicable to a future reporting period. Deferred inflows of resources represents an acquisition of net assets by an entity that is applicable to a future reporting period.

F. Estimates

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

G. Operating versus Non-operating Revenues

TSU categorizes revenues as operating versus non-operating following the Comptroller's guidelines. Generally, all revenues are considered operating revenue unless they are non-exchange transactions, such as State appropriations, 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, 2015 is as follows:

	Balance 9/1/2014	Additions	Deletions	Balance 8/31/2015
Non-depreciable or Non-amortizable Assets				
Land and Land Improvements	$ 17,248,799.60	$ -	$ -	$ 17,248,799.60
Construction in Progress	8,444,128.54	25,407,717.65	-	33,851,846.19
Other Tangible Capital Assets	2,829,312.50	-	-	2,829,312.50
Total Non-depreciable/amortizable	28,522,240.64	25,407,717.65	-	53,929,958.29
Depreciable Assets				-
Buildings and Building Improvements	403,273,051.97	501,285.42	-	403,774,337.39
Infrastructure	6,528,360.95	-	-	6,528,360.95
Facilities and Other Improvements	15,532,675.25	-	-	15,532,675.25
Furniture and Equipment	25,525,051.54	2,248,660.05	(410,674.22)	27,363,037.37
Vehicle, Boats and Aircraft	2,548,723.98	37,681.64	-	2,586,405.62
Other Capital Assets	33,178,928.29	2,390,790.09	(3,470,086.94)	32,099,631.44
Total Depreciable Assets	486,586,791.98	5,178,417.20	(3,880,761.16)	487,884,448.02
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(202,972,689.24)	(11,793,938.66)	-	(214,766,627.90)
Infrastructure	(2,102,542.75)	(312,191.52)	-	(2,414,734.27)
Facilities and Other Improvements	(11,214,766.67)	(281,519.40)	-	(11,496,286.07)
Furniture and Equipment	(16,240,064.40)	(2,374,803.34)	410,674.22	(18,204,193.52)
Vehicle, Boats, and Aircraft	(1,341,133.62)	(206,669.13)	-	(1,547,802.75)
Other Capital Assets	(17,091,171.81)	(1,937,276.82)	3,300,990.64	(15,727,457.99)
Total Accumulated Depreciation	(250,962,368.49)	(16,906,398.87)	3,711,664.86	(264,157,102.50)
Depreciable Assets, Net	235,624,423.49	(11,727,981.67)	(169,096.30)	223,727,345.52
Intangible Capital Assets- Amortizable				
Computer Software - Intangible	479,904.38	-	-	479,904.38
Total Intangible Capital Assets	479,904.38	-	-	479,904.38
Less Accumulated Amortization for:				
Computer Software - Intangible	(460,791.33)	(19,113.05)	-	(479,904.38)
Total Accumulated Amortization	(460,791.33)	(19,113.05)	-	(479,904.38)
Intangible Capital Assets	19,113.05	(19,113.05)	-	-
Activities Capital Assets - Net.	$ 264,165,777.18	$ 13,660,622.93	$ (169,096.30)	$ 277,657,303.81

Construction commitments outstanding at year end were as follows:

Bldg No.	Project Description/ Project Manager	Overall Project Budget	Total Spent To Date	Remaining Balance
193	New Student Housing Project	$55,000,000.00	$ 33,851,846.19	$21,148,153.81

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, 2015, TSU's deposits were fully collateralized.

Bank Balance as of August 31, 2015	Amount
Cash and cash equivalents per statement of cash flows	$ 24,714,704.95
Less:	
Cash on hand	2,100.00
Cash in treasury	1,817,426.38
Total Cash in Bank	$ 22,895,178.57
Unrestricted cash in bank:	$ 12,263,231.46
Restricted cash in bank:	10,631,947.11
Total Cash in Bank	$ 22,895,178.57

B. Investments

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

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

As of August 31, 2015, TSU had the following investments:

Investment Type	Fair Value
U.S. Government Agency Obligations	$ 4,082,099.52
U.S. Treasury Securities	4,669,978.99
Equity	28,291,689.48
Corportate Obligations	4,829,215.69
International Equity	2,987,531.65
Fixed Income Money Market Funds	13,461,832.64
Total Fair Value	$ 58,322,347.97

Credit risk. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. TSU's investment policy limits investments in obligations of states, agencies, counties, cities, and other political subdivisions of any investments rated greater than A or its equivalent. Corporate bonds, debentures, or similar debt instruments must be rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradation within those categories. The following table presents each applicable investment type grouped by rating as of August 31, 2015:

Investment Ratings

Investment Type	AAA	AA	AA+	AA-	A
U.S. Treasury Securities	$ 4,669,978.99	$ -	$ -	$ -	$ -
Corporate Obligations	$ 1,042,498.38	$ 116,786.82	$ 232,503.26	$ 79,997.07	$ 627,163.83

Investment Ratings

Investment Type	A+	A-	BBB	BBB+	BBB-
Corporate Obligations	$ 191,430.64	$ 991,372.10	$ 143,603.52	$ 1,175,139.15	$ 121,798.05

Unrated

Investment Type	
U.S. Government Agency Obligations	$ 4,082,099.52
Equity	$ 28,291,689.48
Corporate Obligations	$ 106,922.87
International Equity	$ 2,987,531.65
Fixed Income Money Market Funds	$ 13,461,832.64

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

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, TSU will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. TSU's investment policy requires safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in TSU's safekeeping account prior to the release of funds. The investments of $58,322,347.97 are subject to Uninsured and Unregistered Fair Value, Securities Held by Counterparty Credit Risk.

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 Type	Fair Value	Stocks	Less Than 1	1 to 5	6 to 10	More than 10
Agency Discount Securities	$ 2,546,373.49	$ -	$ 2,546,373.49	$ -	$ -	$ -
Agencies	1,535,726.03	-		11,917.14	69,800.35	1,454,008.54
Treasuries	4,669,978.99	-	-	2,412,533.63	1,431,362.50	826,082.86
Common Stock	28,291,689.48	28,291,689.48	-	-	-	-
Corporate Obligations	4,829,215.69	-	111,818.36	1,440,269.01	1,652,546.17	1,624,582.15
Foreign Obligations	2,987,531.65	2,987,531.65	-	-	-	-
Money Market Funds	13,461,832.64	-	13,461,832.64	-	-	-
Total	$ 58,322,347.97	$ 31,279,221.13	$ 16,120,024.49	$ 3,864,719.78	$ 3,153,709.02	$ 3,904,673.55

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(An Agency of the State of Texas)
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2015

NOTE 5: SUMMARY OF LONG-TERM LIABILITIES

During the year ended August 31, 2015, the following changes occurred in the long-term liabilities:

Long-Term Liabilities	Balance 9/1/2014	Additions	Reductions	Balance 8/31/2015	Amounts Due Within One Year	Amounts Due Thereafter
General Obligation Bonds Payable						
Series 2005 Const. Approp.	$ 4,015,000.00	$ -	$ 4,015,000.00	$ -	$ -	$ -
Total general obligation bonds	4,015,000.00	-	4,015,000.00	- *	-	-
Revenue Bonds Payable						
Series 2011	26,360,000.00	-	1,060,000.00	25,300,000.00	1,110,000.00	24,190,000.00
Series 2013	54,810,000.00	-	6,880,000.00	47,930,000.00	7,160,000.00	40,770,000.00
Premiums & discounts	4,163,590.30	-	252,152.82	3,911,437.48	423,222.82	3,488,214.66
Total revenue bonds	85,333,590.30	-	8,192,152.82	77,141,437.48 *	8,693,222.82	68,448,214.66
HBCU Loan 2011-4	58,892,730.27	-	2,201,343.56	56,691,386.71	2,246,104.13	54,445,282.58
HBCU Loan 2012-10	6,805,421.99	22,476,677.05	-	29,282,099.04	1,011,038.95	28,271,060.09
Total notes payable	65,698,152.26	22,476,677.05	2,201,343.56	85,973,485.75 *	3,257,143.08	82,716,342.67
Other Liabilities:						
Compensated Absences	5,536,840.01	212,207.13	15,438.59	5,733,608.55	2,671,632.40	3,061,976.15
Total other liabilities	5,536,840.01	212,207.13	15,438.59	5,733,608.55	2,671,632.40	3,061,976.15
Total	$ 160,583,582.57	$ 22,688,884.18	$ 14,423,934.97	$ 168,848,531.78	$ 14,621,998.30	$ 154,226,533.48

Long-term Debt Due in More Than One Year	$ 154,226,533.48
*Debt associated with capital assets	$ 163,114,923.23

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

Year Ending Aug. 31	Revenue Bonds Principal	Interest
2016	$ 8,270,000.00	$ 3,710,037.50
2017	8,245,000.00	3,334,337.50
2018	7,845,000.00	2,927,887.50
2019	6,695,000.00	2,559,987.50
2020	7,040,000.00	2,214,987.50
2021-2025	24,090,000.00	6,332,537.54
2026-2030	11,045,000.00	2,333,812.50
Total	$ 73,230,000.00	$ 23,413,587.54

Interest expense incurred on revenue bonds for the year ended August 31, 2015 totaled $3,934,437.52.

Interest expense incurred on general obligation bonds that fully matured during the year ended August 31, 2015 totaled $13,383.33.

A. Notes and Loans Payable

1. Student Housing-University Towers

On September 27, 2012, pursuant to the Board resolution made on July 6, 2012, TSU secured financing to construct new student housing, consisting of 800 beds, to be located on the eastside of the campus at Wheeler and Sampson streets. The financing of this project is through the U.S. Department of Education's Historically Black Colleges and Universities loan program initiative. The amount of the loan is not to exceed $55,000,000.00. As of August 31, 2015, the total amount of proceeds advanced under this loan is $29,282,099.04. Pursuant to the terms of the loan agreement, the last day to advance funds is March 1, 2015. Interest will be capitalized through March 1, 2015. The interest rate will be fixed for each advance equal to U.S. Treasury yields prevailing at the dates at each advance plus 22.5 basis points (.225%). Scheduled payment dates are May 1st and November 1st of each year. The first principal payment date is November 2, 2016 and the maturity date is May 1, 2034. The debt service is secured by Housing rental revenues.

Estimated loan debt requirements are as follows:

Year Ending Aug. 31	Principal	Interest	Total Estimated Annual Amount
2016	$ 1,011,038.95	$ 936,650.07	$ 1,947,689.02
2017	1,266,810.57	680,878.45	1,947,689.02
2018	1,301,833.46	645,855.56	1,947,689.02
2019	1,333,464.93	614,224.09	1,947,689.02
2020	1,364,301.69	583,387.33	1,947,689.02
2021-2025	7,342,345.40	2,396,099.70	9,738,445.10
2026-2030	8,280,857.02	1,457,588.08	9,738,445.10
2031-2035	7,381,447.02	409,308.92	7,790,755.94
	$29,282,099.04	$ 7,723,992.20	$37,006,091.24

Interest incurred and capitalized for the year ended August 31, 2015 totaled $300,365.80.

2. Parking Garage

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

3. Student Housing - Tierwester Oaks and Richfield Manor Apartments

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

4. Student Housing – The University Courtyard Apartments

On September 26, 2011, pursuant to the Board resolution made in June 2011, TSU acquired the University Courtyard apartments from the Houston Student Housing, L.L.C. The acquisition was financed through U.S Department of Education's Historical Black Colleges and Universities loan program initiative. The loan amount was $64,180,000.00.

Existing debt service funds and reserves held by the Trustees in Bank of New York Trust Company, NA., were also applied in the satisfaction of the purchase agreement and terms. Consequently, Houston Student Housing has since relinquished all beneficial interests, rights and title of the properties. The cost of the purchase was $9,817,505.80. The debt service is be secured by Housing rental revenues.

Estimated loan debt requirements are as follows:

Year Ending Aug. 31	Principal	Interest	Total Estimated Annual amount
2016	$ 2,246,104.13	$ 1,319,753.83	$ 3,565,857.96
2017	2,309,686.53	1,256,171.43	3,565,857.96
2018	2,360,474.69	1,205,383.27	3,565,857.96
2019	2,415,985.14	1,149,872.82	3,565,857.96
2020	2,469,845.88	1,096,012.08	3,565,857.96
2021-2025	13,260,918.76	4,568,371.04	17,829,289.80
2026-2030	14,895,851.43	2,933,438.37	17,829,289.80
2031-2035	16,732,520.15	1,096,769.40	17,829,289.55
	$ 56,691,386.71	$ 14,625,772.24	$ 71,317,158.95

Interest expense incurred for the year ended August 31, 2015 totaled $1,428,902.99.

B. 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.

NOTE 6: BONDED INDEBTEDNESS

Revenue Bonds, Series 2011

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

Revenue Bonds, Series 2013

Purpose	On August 28, 2013 TSU defeased $64,485,000 of outstanding revenue bonds. The transaction refunded bonds 1998A-1, 1998A-2, 1998B, 2002 and 2003 series.
Amount of Issue	$62,355,000; all authorized have been issued
Issue Date	08-28-2013
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 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 8: LEASES

Operating Leases

Included in the expenditures reported in the financial statements are the following amounts of rent paid or due under operating lease obligations.

Fund Type	Amount
Proprietary Fund	$1,034,257.57

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	Lease Payments
2016	495,763.20
2017	470,213.20
2018	78,942.90
2019	-
2020	-
Total	$ 1,044,919.30

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, 2015, TSU had not entered into any material contractual agreements that could be deemed capital lease obligations.

NOTE 9: TEACHER'S RETIREMENT SYSTEM

The state of Texas has three retirement systems in its financial reporting entity – Employees Retirement System (ERS), Teacher Retirement System (TRS), and Texas Emergency Services Retirement System (TESRS). These three retirement systems administer the following six defined benefit pension plans:

- ERS – the Employees Retirement System of Texas Plan (ERS), the Law Enforcement and Custodial Officer Supplemental Retirement Plan (LECOS), the Judicial Retirement System of Texas Plan One (JRS 1) and Judicial Retirement System of Texas Plan Two (JRS2).
- TRS – the Teacher Retirement System of Texas (TRS) plan
- TESRS – the Texas Emergency Services Retirement System (TESRS) plan.

ERS, LECOS, JRS2, TRS, and TESRS plans are administered through trust; JRS1 plan is on a pay-as-you-go basis.

TRS plan

Teacher Retirement System is the administrator of the TRS plan, a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation.

The employers of the TRS Plan include the state of Texas, TRS, the state's public schools, education service centers, charter schools, community and junior colleges. TRS membership is in employee class. All employees of public, state-supported education institutions in Texas who are employed for one-half or more of the standard work load and not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system. Employees of TRS and state of Texas colleges, universities and medical schools are members of the TRS plan.

The TRS Plan provides retirement, disability annuities and death and survivor benefits. The benefit and contribution provisions of the TRS Plan are authorized by state law and may be amended by the Legislature. The pension benefit formulas are based on members' average annual compensation and years of service credit. The standard annuity is 2.3 percent of the average of the five highest annual salaries multiplied by years of service credit. For grandfathered members who were hired on or before August 31, 2005 and meet certain criteria, the standard annuity is based on the average of the three highest annual salaries. The plan does not provide automatic cost of living adjustments (COLAs).

Audited Comprehensive Annual Financial Report (CAFR) for Teacher Retirement System may be obtained from:

Teacher Retirement System of Texas

1000 Red River Street

Austin, Texas 78701-2698

During the measurement period of 2014 for fiscal 2015 reporting, the amount of TSU's contributions recognized by the plan was $2,362,601. The contribution rates for the state and the members in the measurement period are presented in the table below:

Required Contribution Rates

	TRS Plan
Contribution Rates	
Employer	6.8%
Employees	6.7%

The total pension liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure the total pension liability as of the August 31, 2014 measurement date.

Actuarial Methods and Assumptions

	TRS Plan
Actuarial Valuation Date	August 31, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent, Open
Actuarial Assumptions:	
Discount Rate	8.0%
Investment Rate of Return	8.0%
Inflation	3.00%
Salary Increase	4.25% to 7.25% including inflation
Mortality	
Active	1994 Group Annuity Mortality Table set back 6 years for males and females.
Post-Retirement	Client specific tables multiplied by 80%
Ad Hoc Post-Employment Benefit Changes	None

The actuarial assumptions used in valuation were primarily based on the result of an actuarial experience study for the four-year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the summer of 2014, the methods and assumptions are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011, they contained significant margin for possible future mortality improvements. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees have decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards practice No. 35.

There have been no changes to the benefit and contribution provisions of the plan since the prior measurement date.

The discount rate of 8% was applied to measure the total pension liability. There has been no change in the discount rate since the prior measurement period. The projected cash flows into and out of the pension plan assumed that members, employers, and non-employer contributing entity make their contributions at the statutorily required rates.

Under this assumption, the pension plan's fiduciary net position is projected to be sufficient to make all future pension benefit payments of current plan members. Therefore, the 8% long-term expected rate of return on pension plan investments was used as the discount rate without incorporating the municipal bond rate.

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

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

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Global Equity		
U.S.	18%	4.6%
Non-U.S. Developed	13%	5.1%
Emerging Markets	9%	5.9%
Directional Hedge Funds	4%	3.2%
Private Equity	13%	7.0%
Stable Value		
U.S. Treasury	11%	0.7%
Absolute Return	0%	1.8%
Stable Value Hedge Funds	4%	3.0%
Cash	1%	-0.2%
Real Return		
Global Inflation Linked Bonds	3%	0.9%
Real Assets	16%	5.1%
Energy and Natural Resources	3%	6.6%
Commodities	0%	1.2%
Risk Parity		
Risk Parity	5%	6.7%
Total	100%	

Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of TSU's net pension liability. The result of the analysis is presented in the table below:

Sensitivity of TSU's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
$ 32,315,181	$ 18,085,720	$ 7,444,733

The pension plan's fiduciary net position is determined using economic resources measurement focus and the accrual basis of accounting, which is the same basis used by Teacher Retirement System. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. The framework for measuring fair value is based on a hierarchy that gives the highest priority to the use of observable inputs in an active market and lowest priority to the use of unobservable inputs. More detailed information on the plan's investment policy, assets, and fiduciary net position, may be obtained from TRS' fiscal 2014 Comprehensive Annual Financial Report.

At August 31, 2015, TSU reported a liability of $18,085,719.52 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of August 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. TSU's proportion at August 31, 2014 was .0676941 percent. TSU's proportion of the collective net pension liability was based on its contributions to the pension plan relative to the contributions of all the employers and non-employer contributing entity to the plan for the period September 1, 2013 through August 31, 2014.

For the year ending August 31, 2015, TSU recognized pension expense of $1,671,895.74. At August 31, 2015, TSU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	279,644.45	-
Changes of assumptions	1,175,352.08	-
Net difference between projected and actual investment return	-	5,526,606.85
Change in proportion and contribution difference	-	1582.05
Contributions subsequent to the measurement date	1,940,970.38	-
Total	3,395,966.91	5,528,188.89

The $1,940,970.38 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending August 31, 2016.

Note: The collective fiscal 2015 contribution amount will be provided when it becomes available. TSU must report its proportionate share of the collective amount.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in the following years:

Year ended August 31:

2016	(1,136,993.85)
2017	(1,136,993.85)
2018	(1,136,993.85)
2019	(1,136,993.85)
2020	244,657.86
Thereafter	230,125.18

Changes in Assumptions
Modifications to the actuarial methods and assumptions are based on a study of actual experience as adopted on April 8, 2011. The assumptions and methods used in the current valuation are the same except for the following modifications:

- Small reductions in the rates of retirements at most age and service combinations.
- Decrease in the post-retirement rates of mortality for both males and females.
- The salary increase assumption in the first year of employment was reduced.
- The method for determining the actuarial value of assets was modified to a method that sets the actuarial value of assets as the expected actuarial value of assets plus 20% of the difference between the actual market value of the assets and the expected actuarial value of assets.

Amounts reported for 2014 reflect the adoption of the new mortality assumption that the average life expectancy for members over 65 years of age will increase by roughly nine months over the next four years.

NOTE 12: INTERFUND ACTIVITY AND TRANSACTIONS

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

NOTE 14: RESTATEMENT OF NET POSITION

Due to the adoption of GASB 68 and GASB 71, net position was restated at August 31, 2014. TSU has implemented GASB 68 in FY15.

	Total
Fund Balance/Net Positon, 09/01/14	$ 152,798,917.74
Restatements:	
Net Pension Liability	22,203,249.59
Deferred Outflows of Resources	1,716,233.45
Fund Balance/Net Positon, 09/01/14 Restated	$ 132,311,901.60

NOTE 15: CONTINGENCIES AND COMMITMENTS

A. Grants

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

B. Lawsuits

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

C. Perkins Loan

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

NOTE 17: RISK FINANCING AND RELATED INSURANCE

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

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

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

The State provides coverage for workers' compensation and unemployment benefits from appropriations made to other State agencies for TSU employees. The current General Appropriations Act provides that TSU must reimburse the general revenue fund, consolidated from TSU appropriations, one-half of the unemployment benefits and 25 percent of the workers' compensation benefits paid for former and current employees. The Comptroller determines the proportionate amount to be reimbursed from each appropriated fund type. TSU must reimburse the general revenue fund 100 percent of the cost for workers' compensation and unemployment compensation for any employees paid from funds held in local bank accounts and local funds held in the State treasury. Workers' compensation and unemployment plans are on a pay-as-you-go basis, in which no assets are set aside to be accumulated for the payment of claims. No material outstanding claims are pending at August 31, 2015.

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

NOTE 18: MANAGEMENT'S DISCUSSION AND ANALYSIS

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

NOTE 19: THE FINANCIAL REPORTING ENTITY

A. Related Parties

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

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

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

NOTE 20: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

NOTE 22: DONOR-RESTRICTED ENDOWMENTS

Donor-Restricted Endowments		Amount of Net Appreciation (Depreciation)	Reported in Net Position
True Endowments	$	11,206,132.62	Restricted for expendable
Term Endowments		5,078,044.61	Restricted for expendable
Total	$	16,284,177.23 *	

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.

The primary long-term investment objective of the endowment is to earn a total rate of return that exceeds the spending rate plus the cost of managing the investment fund. The university all inclusive spending rate of 7%, which includes 5% spending rate, 1.5% university advancement assessment and 0.5% costs of managing the investment fund. In order to preserve purchasing power parity, the Endowment's spending policy shall not exceed 5%. The calculation of the 5% spending rate will be based upon a three year moving average of Endowment Fund earnings with the most recent year removed. The 5% annual spending rate is required to be applied to each individual endowment. The University will calculate the average market value based upon the time period that these endowments are in existence.

*There was a fair market value decrease of $896,446.45 for fiscal year 2015.

NOTE 23: EXTRAORDINARY AND SPECIAL ITEMS

TSU does not have any extraordinary and special items to report during the year ended August 31, 2015.

NOTE 24: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

Aggregate receivables and other payables as reported on the statement of net position as of August 31, 2015, are detailed as follows:

Receivables	Balance
Student Accounts	$ 32,875,423.69
Third Party Accounts	1,816,859.76
Less Allowance	(8,835,832.20)
Total	$ 25,856,451.25

Other Payables	Balance
Escheat payable	$ 460,454.17
Student refund payable	60,025.26
Other payables	8,373,720.67
Total	$ 8,894,200.10

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, 2015

Expenses by Natural Classification		2015
Salaries and wages	$	88,923,731.34
Payroll related costs		22,152,901.47
Professional fees and services		6,396,288.22
Travel		3,037,665.08
Materials and supplies		8,531,285.11
Communication and utilities		6,412,257.42
Repairs and maintenance		5,289,718.99
Rentals and leases		1,500,653.05
Printing and reproductions		466,258.87
Bad debt expense		2,210,030.16
Scholarships		18,927,493.88
Other operating expenses		10,969,116.79
Depreciation		16,925,511.92
Total Operating Expenses by Natural Class	$	191,742,912.30

Expenses by NACUBO Classification		2015
Instruction	$	74,181,755.15
Research		5,005,124.19
Public service		1,262,799.67
Academic support		14,619,901.55
Student services		12,431,793.19
Institutional support		24,734,149.08
Operation and maintenance of plant		13,148,135.83
Scholarships and fellowships		12,192,462.69
Auxiliary		17,241,279.03
Depreciation		16,925,511.92
Total Operating Expenses by NACUBO Class	$	191,742,912.30

TEXAS SOUTHERN UNIVERSITY

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SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

August 31, 2015

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	NSE Name/ *Identifying Number*	Agy/ Univ No	Pass-through From: Pass-Through From Agencies or Universities Amount	Pass-through From: Pass-Through From Non-State Entities Amount	Direct Program Amount
U.S. Department of Defense						
U.S. Department of Defense	12	VIRGINIA TECH UNIVERSITY/UNITE 2012			700.00	
Totals - U.S. Department of Defense				-	700.00	-
U.S. Department of Housing and Urban Development						
Direct Programs:						
Historically Black Colleges and Universities Program	14.52					(312.50)
Totals - U.S. Department of Housing and Urban Development				-	-	(312.50)
U.S. Department of Transportation						
U.S. Department of Transportation	20	*DTFH64-13-00122-00128*				29,090.45
Pass-Through From:						
University Transportation Centers Program	20.701					
Pass-Through From:						
Texas A&M Transportation Institute			727	308,782.52		
Totals - U.S. Department of Transportation				308,782.52	-	29,090.45
National Endowment For The Humanities						
Direct Programs:						
National Endowment For The Humanities	45	*#361420 08062013*				1,034.76
National Leadership Grants	45.312					53,707.52
Pass-Through From:						
Grants to States	45.31					
Pass-Through From:						
Texas State Library and Archives Commission			306	18,269.57		
Totals - National Endowment For The Humanities				18,269.57	-	54,742.28
National Science Foundation						
Direct Programs:						
Mathematical and Physical Sciences	47.049					65,100.00
Education and Human Resources	47.076					117,440.86
Pass-Through From:						
Education and Human Resources	47.076					
Pass-Through From:						
University of Houston			730	130,155.90		
Totals - National Science Foundation				130,155.90	-	182,540.86
U.S. Department of Education						
Direct Programs:						
Higher Education_Institutional Aid	84.031					8,376,796.84
Totals - U.S. Department of Education				-	-	8,376,796.84
U.S. Department of Health and Human Services						
Health Careers Opportunity Program	93.822					17,572.32
PPHF-2012 Geriatric Education Centers	93.969					19,072.28
Totals - U.S. Department of Health and Human Services				-	-	36,644.60
U.S. Department of Homeland Security						
Pass-Through From:						
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036					
Pass-Through From:						
Department of Public Safety			405	4,137,713.17		
Totals - U.S. Department of Homeland Security				4,137,713.17	-	-

Total PT From and Direct Prog. Amount	Agy/ Univ No.	Pass-through To: Pass-Through To Agencies or Universities Amount	Pass-through To: Pass-Through To Non-State Entities Amount	Expenditures Amount	Total PT To and Expenditures Amount
700.00				700.00	700.00
700.00		-	-	700.00	700.00
(312.50)				(312.50)	(312.50)
(312.50)		-	-	(312.50)	(312.50)
29,090.45				29,090.45	29,090.45
308,782.52				308,782.52	308,782.52
337,872.97		-	-	337,872.97	337,872.97
1,034.76				1,034.76	1,034.76
53,707.52				53,707.52	53,707.52
18,269.57				18,269.57	18,269.57
73,011.85		-	-	73,011.85	73,011.85
65,100.00				65,100.00	65,100.00
117,440.86				117,440.86	117,440.86
130,155.90				130,155.90	130,155.90
312,696.76		-	-	312,696.76	312,696.76
8,376,796.84				8,376,796.84	8,376,796.84
8,376,796.84		-	-	8,376,796.84	8,376,796.84
17,572.32				17,572.32	17,572.32
19,072.28				19,072.28	19,072.28
36,644.60		-	-	36,644.60	36,644.60
4,137,713.17				4,137,713.17	4,137,713.17
4,137,713.17		-	-	4,137,713.17	4,137,713.17

TEXAS SOUTHERN UNIVERSITY

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SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

August 31, 2015

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	NSE Name/ *Identifying Number*	Agy/ Univ No	Pass-through From Pass-Through From Agencies or Universities Amount	Pass-through From Pass-Through From Non-State Entities Amount	Direct Program Amount
Research & Development Cluster						
U.S. Department of Agriculture						
Direct Programs:						
Forestry Research	10.652					58,765.10
Totals - U.S. Department of Agriculture				-	-	58,765.10
U.S. Department of Defense						
Basic, Applied, and Advanced Research in Science and Engineering ACADEMY OF APPLIED SCIENCES/	12.63	*W911NF1020076;14-49;14-49A*			4,000.00	
Air Force Defense Research Sciences Program CLARKSON AEROSPACE CORPORATION/	12.8	*12-S567-018-02-C1*			131,282.35	
Direct Programs:						
Basic, Applied, and Advanced Research in Science and Engineering	12.63					373,877.32
Totals - U.S. Department of Defense				-	135,282.35	373,877.32
U.S. Department of Transportation						
University Transportation Centers Program UNIVERSITY OF IDAHO/	20.701	*KLK900-SB-003*			274,907.33	
Direct Programs:						
University Transportation Centers Program	20.701					19,084.52
Totals - U.S. Department of Transportation				-	274,907.33	19,084.52
National Aeronautics and Space Administration						
National Aeronautics and Space Administration	43	THE BOEING COMPANY/ *NAS15-10000/868017*			37,386.60	
National Aeronautics and Space Administration UNITED NEGRO COLLEGE FUND SPECIAL PROGRAMS		*NSTI 2011-2013*			34,440.54	
National Aeronautics and Space Administration UNITED NEGRO COLLEGE FUND SPECIAL PROGRAMS		*NSTI2011-2013*			21,835.46	
National Aeronautics and Space Administration UNITED NEGRO COLLEGE FUND SPECIAL PROGRAMS		*UNCFSP/NNX13AK89A*			136,128.02	
Direct Programs:						
National Aeronautics and Space Administration	43	*NASA SUBAWARD*				1,331.19
National Aeronautics and Space Administration	43	*NNX11AJ73G*				149,488.98
Education	43.008					4,589.77
Pass-Through From:						
Education	43.008					
Pass-Through From:						
University of Texas at Brownsville			747	29,068.56		
Totals - National Aeronautics and Space Administration				29,068.56	229,790.62	155,409.94

		Pass-through To			
Total PT From and Direct Prog. Amount	Agy/ Univ No.	Pass-Through To Agencies or Universities Amount	Pass-Through To Non-State Entities Amount	Expenditures Amount	Total PT To and Expenditures Amount
58,765.10				58,765.10	58,765.10
58,765.10		-	-	58,765.10	58,765.10
4,000.00				4,000.00	4,000.00
131,282.35				131,282.35	131,282.35
373,877.32				373,877.32	373,877.32
509,159.67		-	-	509,159.67	509,159.67
274,907.33				274,907.33	274,907.33
19,084.52				19,084.52	19,084.52
293,991.85		-	-	293,991.85	293,991.85
37,386.60				37,386.60	37,386.60
34,440.54				34,440.54	34,440.54
21,835.46				21,835.46	21,835.46
136,128.02				136,128.02	136,128.02
1,331.19				1,331.19	1,331.19
149,488.98				149,488.98	149,488.98
4,589.77				4,589.77	4,589.77
29,068.56				29,068.56	29,068.56
414,269.12		-	-	414,269.12	414,269.12

TEXAS SOUTHERN UNIVERSITY

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SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

August 31, 2015

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	NSE Name/ *Identifying Number*	Agy/ Univ No	Pass-through From: Pass-Through From Agencies or Universities Amount	Pass-through From: Pass-Through From Non-State Entities Amount	Direct Program Amount
National Science Foundation						
Direct Programs:						
Engineering Grants	47.041					53,851.86
Computer and Information Science and Engineering	47.07					64,347.78
Education and Human Resources	47.076					1,227,570.15
Totals - National Science Foundation				-	-	1,345,769.79
U.S. Department of Health and Human Services						
U.S. Department of Health and Human Services	93	WESTAT CORPORATION/ *8821S001*			13,218.88	
Direct Programs:						
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243					6,649.32
National Center for Research Resources	93.389					554.04
Academic Research Enhancement Award	93.39					115,821.06
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779					241.57
Health Careers Opportunity Program	93.822					35,778.65
Cardiovascular Diseases Research	93.837					90,722.40
Biomedical Research and Research Training	93.859					208,141.40
Totals - U.S. Department of Health and Human Services				-	13,218.88	457,908.44
U.S. Department of Homeland Security						
Centers for Homeland Security THE RUTGERS UNIVERSITY/	97.061	*2009-ST0061CCI00206*			6,377.22	
Centers for Homeland Security UNIVERSITY OF NORTH CAROLINA CHAPEL HILL/		*UNC-CH 5-36456/2008ST061ND0006*			43,647.69	
Direct Programs:						
Scientific Leadership Awards	97.062					12,216.92
Totals - U.S. Department of Homeland Security				-	50,024.91	12,216.92
Highway Planning and Construction Cluster						
U.S. Department of Transportation						
Direct Programs:						
Highway Planning and Construction	20.205					39,650.13
Pass-Through From:						
Highway Planning and Construction	20.205					
Pass-Through From:						
Texas Department of Transportation			601	59,117.63		
Highway Planning and Construction	20.205					
Pass-Through From:						
University of Texas at Austin			721	8,137.74		
Totals - U.S. Department of Transportation				67,255.37	-	39,650.13
Statewide Data Systems Cluster						
U.S. Department of Education						
Pass-Through From:						
Statewide Data Systems	84.372					
Pass-Through From:						
Texas Higher Education Coordinating Board			781	2,385.00		
Totals - U.S. Department of Education				2,385.00	-	-

Total PT From and Direct Prog. Amount	Agy/ Univ No.	Pass-through To: Pass-Through To Agencies or Universities Amount	Pass-through To: Pass-Through To Non-State Entities Amount	Expenditures Amount	Total PT To and Expenditures Amount
53,851.86				53,851.86	53,851.86
64,347.78				64,347.78	64,347.78
1,227,570.15				1,227,570.15	1,227,570.15
1,345,769.79		-	-	1,345,769.79	1,345,769.79
13,218.88				13,218.88	13,218.88
6,649.32				6,649.32	6,649.32
554.04				554.04	554.04
115,821.06				115,821.06	115,821.06
241.57				241.57	241.57
35,778.65				35,778.65	35,778.65
90,722.40				90,722.40	90,722.40
208,141.40				208,141.40	208,141.40
471,127.32		-	-	471,127.32	471,127.32
6,377.22				6,377.22	6,377.22
43,647.69				43,647.69	43,647.69
12,216.92				12,216.92	12,216.92
62,241.83		-	-	62,241.83	62,241.83
39,650.13				39,650.13	39,650.13
59,117.63				59,117.63	59,117.63
8,137.74				8,137.74	8,137.74
106,905.50		-	-	106,905.50	106,905.50
2,385.00				2,385.00	2,385.00
2,385.00		-	-	2,385.00	2,385.00

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

August 31, 2015

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	NSE Name/ *Identifying Number*	Agy/ Univ No	Pass-through From: Pass-Through From Agencies or Universities Amount	Pass-through From: Pass-Through From Non-State Entities Amount	Direct Program Amount
Student Financial Assistance Cluster						
U.S. Department of Education						
Direct Programs:						
Federal Supplemental Educational Opportunity Grants	84.007					681,963.78
Federal Work-Study Program	84.033					841,333.37
Federal Pell Grant Program	84.063					19,410,875.00
Federal Direct Student Loans	84.268					84,713,323.00
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379					63,325.50
Totals - U.S. Department of Education				-	-	105,710,820.65
TRIO Cluster						
U.S. Department of Education						
Direct Programs:						
TRIO Talent Search	84.044					457,486.64
TRIO Upward Bound	84.047					366,437.36
TRIO_Educational Opportunity Centers	84.066					261,191.22
Totals - U.S. Department of Education				-	-	1,085,115.22
Total Expenditures of Federal Awards				4,693,630.09	703,924.09	117,938,120.56

		Pass-through To			
Total PT From and Direct Prog. Amount	Agy/ Univ No.	Pass-Through To Agencies or Universities Amount	Pass-Through To Non-State Entities Amount	Expenditures Amount	Total PT To and Expenditures Amount
681,963.78				681,963.78	681,963.78
841,333.37				841,333.37	841,333.37
19,410,875.00				19,410,875.00	19,410,875.00
84,713,323.00				84,713,323.00	84,713,323.00
63,325.50				63,325.50	63,325.50
105,710,820.65		-	-	105,710,820.65	105,710,820.65
457,486.64				457,486.64	457,486.64
366,437.36				366,437.36	366,437.36
261,191.22				261,191.22	261,191.22
1,085,115.22		-	-	1,085,115.22	1,085,115.22
123,335,674.74		-	-	123,335,674.74	123,335,674.74

SEFA Note 2 Reconciliatons	Note 2 Amount
Federal revenue	33,928,721.65
Federal pass-through revenue	4,693,630.09
Federal family education loan	-
Federal perkins loan program	-
Federal direct student loans	84,713,323.00
Federal grants from Texas A&M Research	-
Total Pass-through and expenditures	123,335,674.74

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

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

For the Year Ended August 31, 2015

Pass Through From:

University of Texas System (Agency# 720.0002)	$ 13,179.85
Texas Higher Education Coordinating Board (Agency# 781.0005)	12,188.00
Texas Higher Education Coordinating Board (Agency# 781.0008)	7,119,072.00
Texas Higher Education Coordinating Board (Agency# 781.0023)	97,870.00
Texas Higher Education Coordinating Board (Agency# 781.0026)	6,600.00
Texas Higher Education Coordinating Board (Agency# 781.0028)	6,000.00
Texas Higher Education Coordinating Board (Agency# 781.0029)	161,544.29
Total Pass Through From Other Agencies	$ 7,416,454.14

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

SCHEDULE 2A - MISCELLANEOUS BOND INFORMATION

For the Year Ended August 31, 2015

Business-Type Activities

Description	Interest Rate	Maturity Dates First Year	Maturity Dates Last Year	First Call Date	Original Issue
Revenue Bonds- Self Supporting					
Series 2011	4.00-6.75%	2011	2030	5/1/2021	$ 31,500,000.00
Series 2013	2.00-5.00%	2013	2023	n/a	62,355,000.00
Total General Bonded Debt					$ 93,855,000.00

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

SCHEDULE 2B - CHANGES IN BOND INDEBTEDNESS

For the Year Ended August 31, 2015

Description	Beginning Balance	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Ending Balance	Amounts Due Within One Year
General Obligation Bonds- Non Self Supporting						
Series 2005 Constitutional Appropriation	$ 4,015,000.00	$ -	$ 4,015,000.00	$ -	$ -	$ -
Revenue Bonds- Self Supporting						
Series 2011	26,360,000.00	-	1,060,000.00	-	25,300,000.00	1,110,000.00
Series 2013	54,810,000.00	-	6,880,000.00	-	47,930,000.00	7,160,000.00
Total General Bonded Debt	$ 85,185,000.00	$ -	$ 11,955,000.00	$ -	$ 73,230,000.00	$ 8,270,000.00

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

SCHEDULE 2C - DEBT SERVICE REQUIREMENTS

For the Year Ended August 31, 2015

Year Ending Aug. 31	Series 2013 Revenue Bonds Refunding			Series 2011 Revenue Bonds			Financing Note Series 2011-4		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2016	$ 7,160,000.00	2,144,050.00	$ 9,304,050.00	$ 1,110,000.00	$ 1,565,987.50	$ 2,675,987.50	$ 2,246,104.13	$ 1,319,753.83	$ 3,565,857.96
2017	7,080,000.00	1,823,850.00	8,903,850.00	1,165,000.00	1,510,487.50	2,675,487.50	2,309,686.53	1,256,171.43	3,565,857.96
2018	6,615,000.00	1,481,475.00	8,096,475.00	1,230,000.00	1,446,412.50	2,676,412.50	2,360,474.69	1,205,383.27	3,565,857.96
2019	5,395,000.00	1,181,225.00	6,576,225.00	1,300,000.00	1,378,762.50	2,678,762.50	2,415,985.14	1,149,872.82	3,565,857.96
2020	5,675,000.00	904,475.00	6,579,475.00	1,365,000.00	1,310,512.50	2,675,512.50	2,469,845.88	1,096,012.08	3,565,857.96
2021-2025	16,005,000.00	1,030,650.00	17,035,650.00	8,085,000.00	5,301,887.54	13,386,887.54	13,260,918.76	4,568,371.04	17,829,289.80
2026-2030	-	-	-	11,045,000.00	2,333,812.50	13,378,812.50	14,895,851.43	2,933,438.37	17,829,289.80
2031-2035	-	-	-	-	-	-	16,732,520.15	1,096,769.40	17,829,289.55
Total	$ 47,930,000.00	$ 8,565,725.00	$ 56,495,725.00	$ 25,300,000.00	$ 14,847,862.54	$ 40,147,862.54	$ 56,691,386.71	$ 14,625,772.24	$ 71,317,158.95

Year Ending Aug. 31	Financing Note Series 2012-10		
	Principal	Interest	Total
2016	$ 1,011,038.95	$ 936,650.07	$ 1,947,689.02
2017	1,266,810.57	680,878.45	1,947,689.02
2018	1,301,833.46	645,855.56	1,947,689.02
2019	1,333,464.93	614,224.09	1,947,689.02
2020	1,364,301.69	583,387.33	1,947,689.02
2021-2025	7,342,345.40	2,396,099.70	9,738,445.10
2026-2030	8,280,857.02	1,457,588.08	9,738,445.10
2031-2035	7,381,447.02	409,308.92	7,790,755.94
Total	$ 29,282,099.04	$ 7,723,992.20	$ 37,006,091.24

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

SCHEDULE 2D - ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE

For the Year Ended August 31, 2015

Business-Type Activities

	Application of Funds	
General Obligation Bonds	**Principal**	**Interest**
Constitutional Appropriation Bonds Series 2005	$ 4,015,000.00	$ 80,300.00
Total	$ 4,015,000.00	$ 80,300.00

	Pledged and Other Sources and Related Expenditures for FY 2015			
	Net Available for Debt Service		Debt Service	
Revenue Bonds	**Total Pledged and Other Sources**	**Operating Expenses/ Expenditures and Capital Outlay**	**Principal**	**Interest**
BOND SERIES 2011, 2013	$ 77,840,232.75	$ 50,235,312.06	$ 7,940,000.00	$ 4,043,837.50
Total	$ 77,840,232.75	$ 50,235,312.06	$ 7,940,000.00	$ 4,043,837.50

717 - Texas Southern University

(An Agency of the State of Texas)
Required Supplementary Information
For the Year Ended August 31, 2015

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

	2014
TSU's proportion of the net pension liability (asset)	0.0677%
TSU's proportionate share of the net pension liability (asset)	18,085,719.51
TSU's Covered payroll	24,812,792.27
TSU's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	72.89%
Plan fiduciary net position as a percentage of the total pension liability	83.25%

Schedule of TSU's Contributions

	2014
Statutorily required contributions	2,151,269.09
Contributions in relation to the statutorily required contributions	1,702,625.90
Contribution deficiency (excess)	448,643.18
TSU's covered-employee payroll	24,812,792.27
Contributions as a percentage of covered-employee payroll	6.86%

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APPENDIX E

FORMS OF CO-BOND COUNSEL OPINIONS

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WINSTEAD

Austin | Charlotte | Dallas | Fort Worth | Houston | San Antonio | The Woodlands

300 Convent Street
Suite 2700
San Antonio, TX 78205

210.277.6800 OFFICE
210.277.6810 FAX
winstead.com

An opinion in substantially the following form will be delivered by Winstead PC, Co-Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

September 15, 2016

TEXAS PUBLIC FINANCE AUTHORITY
TEXAS SOUTHERN UNIVERSITY REVENUE FINANCING SYSTEM BONDS, SERIES 2016
IN THE PRINCIPAL AMOUNT OF $55,490,000

We have acted as "Co-Bond Counsel" for the Texas Public Finance Authority (the "Authority") in connection with the issuance of the captioned bonds (the "Bonds"), and in that connection we have examined into the legality and validity of the Bonds for the sole purpose of providing legal advice and traditional legal services to the Authority including rendering an opinion with respect to the legality and validity of the Bonds under the laws of the State of Texas and with respect to the treatment of interest on the Bonds for federal income tax purposes. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Authority or Texas Southern University (the "University") or the disclosure thereof in connection with the sale of the Bonds.

We have examined the applicable and pertinent provisions of the laws of the State of Texas, including Chapters 1201, 1232, and 1371, Texas Government Code, and Chapter 55, Texas Education Code (such statutes are herein collectively referred to as the "Authorizing Law"); a transcript of certified proceedings of the Authority and the University (the "Transcript"); the approving opinion of the Attorney General of the State of Texas; customary certificates of officers, agents, and representatives of the Authority and the University (including a "Federal Tax Certificate") and other public officials; and other pertinent instruments authorizing and relating to the issuance of the Bonds. Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the "Master Resolution" adopted by the Board of Regents of the University on October 19, 1998, and the Board of Directors of the Authority on October 21, 1998, and the "Tenth Supplemental Resolution" authorizing the issuance of the Bonds adopted by the Board of Directors of the Authority on June 6, 2016 and by the Board of Regents of the University on June 24, 2016 (the Master Resolution and the Tenth Supplemental Resolution, collectively, the "Resolution"). In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the truth and accuracy of the statements contained in such certificates. We have also examined applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations, and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have examined executed Bond No. I-1.

Based on said examination and in accordance with customary legal opinion practice, it is our opinion that:

1. The Authority and the University are validly existing agencies of the State of Texas with power to adopt the Resolution, perform their agreements described therein, and issue the Bonds.

2. The Transcript evidences legal authority for the issuance of the Bonds in full compliance with the Authorizing Law presently in effect, and when authenticated and delivered to and paid for by the

initial purchasers of the Bonds, the Bonds will be valid and legally binding special obligations of the Authority and the University enforceable in accordance with the terms and conditions thereof, except to the extent that the enforcement of the rights and remedies of the owners thereof may be limited by laws relating to sovereign immunity, bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting the rights of creditors, or the exercise of judicial discretion in accordance with general principles of equity.

3. The Bonds are payable solely from and equally secured by an irrevocable first lien on and pledge of the "Pledged Revenues" that consist of the revenues, incomes, receipts, rentals, rates, charges, fees, grants, and tuition levied or collected from any public or private source by the University, including interest or other income from those funds, of the Board of Regents of the University (the "University Board"), and includes all of the funds and balances now or hereafter lawfully available to the University Board and derived from or attributable to any agency, institution, or branch of the University, including any agency, institution, or branch authorized subsequently by the University Board to issue debt secured by the Pledged Revenues, that are lawfully available to the University Board for payments on the Bonds and other obligations secured on a parity basis with the Bonds, all as provided in the Resolution.

4. Interest on the Bonds will be excludable from gross income for federal income tax purposes under section 103 of the Code, and the Bonds will not be treated as "private activity bonds" within the meaning of section 141 of the Code. Interest on the Bonds will not be included as an alternative minimum tax preference item for individuals and corporations under section 57(a)(5) of the Code, except that interest on the Bonds will be included in the "adjusted current earnings" of certain corporations other than an S corporation, a mutual fund, a financial asset securitization investment trust, a real estate mortgage investment conduit, or a real estate investment trust. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed. Corporate purchasers of the Bonds should consult their tax advisors regarding the computation of alternative minimum tax.

We call your attention to the fact that the ownership of obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, certain S corporations with Subchapter C earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred expenses allocable to, tax-exempt obligations.

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

The Service has an ongoing audit program to determine compliance with rules relating to whether interest on state or local obligations is excludable from gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Bonds. If such an audit is commenced, under current procedures, the Service would treat the Authority as the taxpayer, and owners of the Bonds would have no right to participate in the audit process. We observe that the Authority and the University have covenanted not to take any action, or omit to take any action within its respective control, that, if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

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

The opinions set forth above are based on existing laws of the United States (including statutes, regulations, published rulings, and court decisions) and the State of Texas which are subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention, or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based on our review of existing law, and are made in reliance on the representations and covenants referenced above that we deem relevant to such opinions.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement relating to the Bonds or the sufficiency of the security for or the marketability of the Bonds.

This legal opinion expresses the professional judgment of this firm as to the legal issues explicitly addressed therein and is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. In rendering a legal opinion, we do not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of our opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

You are advised that Mahomes Bolden PC, our Co-Bond Counsel, is issuing an opinion to the same effect as this opinion.

THE BONDS ARE NOT AN OBLIGATION OF THE STATE; ANY AGENCY OF THE STATE, POLITICAL CORPORATION, OR POLITICAL SUBDIVISION OF THE STATE; AND NONE OF THEM ARE OBLIGATED TO PAY THE BONDS, EXCEPT TO THE EXTENT THE UNIVERSITY IS OBLIGATED TO PAY AND THE AUTHORITY IS OBLIGATED TO PAY PURSUANT TO THE RESOLUTION AND THE AUTHORIZING LAW; AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY AGENCY, POLITICAL CORPORATION, OR POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS.

Respectfully submitted,

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APPENDIX F

SPECIMEN BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: ________

Risk Premium: $_________
Member Surplus Contribution: $ ________
Total Insurance Payment: $________

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ______________________________
Authorized Officer

APPENDIX G

SPECIMEN DEBT SERVICE RESERVE INSURANCE POLICY

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MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY

ISSUER: ,

Policy No:

MEMBER: ,

BONDS: $_______ in aggregate principal amount of

Effective Date:

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

Maximum Policy Limit: $

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above under the Security Documents, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

BAM will make payment as provided in this Policy to the Trustee or Paying Agent on the later of (i) the Business Day on which such principal and interest becomes Due for Payment and (ii) the first Business Day following the Business Day on which BAM shall have received a completed Notice of Nonpayment in a form reasonably satisfactory to it. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of this paragraph, and BAM shall promptly so advise the Trustee or Paying Agent who may submit an amended Notice of Nonpayment.

Payment by BAM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of BAM under this Policy. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, (a) BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond and (b) BAM shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the Security Documents and Debt Service Reserve Agreement.

The amount available under this Policy for payment shall not exceed the Policy Limit. The amount available at any particular time to be paid to the Trustee or Paying Agent under the terms of this Policy shall automatically be reduced by and to the extent of any payment under this Policy. However, after such payment, the amount available under this Policy shall be reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such payment (after taking into account the payment of interest and expenses) to BAM by or on behalf of the Issuer. Within three (3) Business Days of such reimbursement, BAM shall provide the Trustee or the Paying Agent with Notice of Reinstatement, in the form of Exhibit A attached hereto, and such reinstatement shall be effective as of the date BAM gives such notice.

Payment under this Policy shall not be available with respect to (a) any Nonpayment that occurs prior to the Effective Date or after the end of the Term of this Policy or (b) Bonds that are not outstanding under the Security Documents. If the amount payable under this Policy is also payable under another BAM issued policy insuring the Bonds, payment first shall be made under this Policy to the extent of the amount available under this Policy up to the Policy Limit. In no event shall BAM incur duplicate liability for the same amounts owing with respect to the Bonds that are covered under this Policy and any other BAM issued insurance policy.

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

Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds. **"Policy Limit"** means the dollar amount of the debt service reserve fund required to be maintained for the Bonds by the Security Documents from time to time (the "Reserve Account Requirement"), or the portion of the Reserve Account Requirement for the Bonds provided by this Policy as specified in the Security Documents or Debt Service Reserve Agreement, if any, but in no event shall the Policy Limit exceed the Maximum Policy Limit set forth above. The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of or, if this Policy is only providing a portion of the Reserve Account Requirement, in the same proportion as, each reduction in the Reserve Account Requirement, as provided in the Security Documents or Debt Service Reserve Agreement. **"Security Documents"** means any resolution, ordinance, trust agreement, trust indenture, loan agreement and/or lease agreement and any additional or supplemental document executed in connection with the Bonds. "**Term**" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Bonds and (ii) the date on which the Bonds are no longer outstanding under the Security Documents.

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

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

This Policy is being issued under and pursuant to and shall be construed under and governed by the laws of the State of New York, without regard to conflict of law provisions.

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ________________________________
Authorized Officer

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