

OFFICIAL STATEMENT

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: (See “RATINGS” herein)

Delivery of the Bonds is subject to receipt of the opinion of Bond Counsel, to the effect that, assuming continuing compliance by the Authority and the Board with certain covenants contained in the Bond Resolution (as defined herein) and subject to the matters described under “TAX EXEMPTION” herein, interest on the Bonds will be excludable from the gross income of the owners thereof for federal income tax purposes and will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as herein described, corporations. See “TAX EXEMPTION” herein.



\$48,065,000
TEXAS PUBLIC FINANCE AUTHORITY
TEXAS SOUTHERN UNIVERSITY REVENUE FINANCING SYSTEM
BONDS, SERIES 2002



Dated Date: April 1, 2002

Due: November 1, as shown on the inside cover

The Series 2002 Bonds (the “Bonds”), are issued by the Texas Public Finance Authority (the “Authority”) on behalf of the Board of Regents (the “Board”) of Texas Southern University (the “University”) for the purposes described below. The Bonds are payable from and secured solely by a lien on “Pledged Revenues” (as defined herein) of the University’s Revenue Financing System on a parity with the University’s outstanding “Parity Obligation” (as defined herein). The Bonds are issued pursuant to a Master Resolution and a Third Supplemental Resolution each adopted by the Authority and the Board which provide for the issuance of the Bonds (collectively the “Resolution”). **NEITHER THE STATE OF TEXAS, THE AUTHORITY, NOR ANY OTHER AGENCY, POLITICAL CORPORATION, OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE BONDS, OTHER THAN AS PROVIDED IN THE RESOLUTION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE AUTHORITY, NOR ANY AGENCY, POLITICAL CORPORATION OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.** See “SECURITY FOR THE BONDS” and “SELECTED FINANCIAL INFORMATION.”

The proceeds from the sale of the Bonds will be used for the purpose of (i) constructing and equipping a new science building, (ii) renovating the University’s student center, (iii) renovating the University’s law school building, (iv) renovating other campus facilities including electrical and mechanical systems, and (v) paying costs of issuance. See “PLAN OF FINANCING.”

Interest on the Bonds will accrue from the Dated Date, and is payable on November 1, 2002 and each May 1 and November 1 thereafter, calculated on the basis of a 360 day year composed of twelve 30 day months. The Bonds are initially issuable only to Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”) pursuant to the bookentry only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the purchasers thereof. Interest on and principal of the Bonds will be payable by JPMorgan Chase Bank, the initial Paying Agent/Registrar, to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds.

The Bonds are subject to redemption prior to stated maturity as described herein.



Payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Bonds. See “MUNICIPAL BOND INSURANCE” herein.

See Inside Cover for Maturity Schedules

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 approval of certain legal matters by Vinson & Elkins L.L.P., Houston, Texas, Bond Counsel. Certain legal matters will be passed upon by the Underwriters by their counsel, Fulbright & Jaworski L.L.P., Houston, Texas. The Bonds are expected to be available for delivery through the facilities of DTC on or about April 25, 2002.

Salomon Smith Barney
Loop Capital Markets, LLC
Siebert Brandford Shank & Co, L.L.C.

SBK Brooks Investment Corp.
RBC Dain Rauscher Inc.
SWS Securities

Dated: April 10, 2002

MATURITY SCHEDULE

\$48,065,000

**TEXAS PUBLIC FINANCE AUTHORITY
TEXAS SOUTHERN UNIVERSITY REVENUE FINANCING SYSTEM
BONDS, SERIES 2002**

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Yield</u>	<u>CUSIP</u>
11/01/2002	\$1,435,000	4.000%	1.97%	882756JS9
11/01/2003	1,540,000	4.000	2.33	882756JT7
11/01/2004	1,605,000	4.000	2.88	882756JU4
11/01/2005	1,675,000	4.500	3.33	882756JV2
11/01/2006	1,745,000	4.000	3.59	882756JW0
11/01/2007	1,825,000	5.000	3.86	882756JX8
11/01/2008	1,920,000	5.000	4.03	882756JY6
11/01/2009	2,020,000	5.000	4.20	882756JZ3
11/01/2010	2,120,000	5.000	4.33	882756KA6
11/01/2011	2,225,000	4.375	4.42	882756KB4
11/01/2012	2,325,000	4.400	4.52	882756KC2
11/01/2013	2,440,000	5.500	4.56	882756KD0
11/01/2014	2,580,000	5.500	4.67	882756KE8
11/01/2015	2,725,000	5.500	4.78	882756KF5
11/01/2016	2,880,000	5.500	4.90	882756KG3
11/01/2017	3,045,000	5.500	4.99	882756KH1
11/01/2018	3,215,000	5.500	5.05	882756KJ7
11/01/2019	3,395,000	5.500	5.12	882756KK4
11/01/2020	3,580,000	5.125	5.23	882756KL2
11/01/2021	<u>3,770,000</u>	5.125	5.28	882756KM0
Total	<u>\$48,065,000</u>			

The Authority reserves the right, upon the request of the Board, to redeem Bonds having stated maturities on or after November 1, 2012, on May 1, 2012 or any date thereafter, at par plus accrued and unpaid interest to the date fixed for redemption. See "DESCRIPTION OF THE BONDS-Redemption."

SALE AND DISTRIBUTION OF THE BONDS

Use of Information in Official Statement

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

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

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

Marketability

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

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

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

Securities Laws

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

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

TEXAS PUBLIC FINANCE AUTHORITY

Board of Directors

Mr. John C. Kerr, Chair	Mr. J. Vaughn Brock, Member
Mr. H. L. Bert Mijares, Vice Chair	Mr. R. David Kelly, Member
Ms. Cynthia L. Meyer, CPA, Secretary	Ms. Helen Huey, Member

Certain Appointed Officers

Kimberly K. Edwards, Executive Director	Judith Porras, General Counsel
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TEXAS SOUTHERN UNIVERSITY

Board of Regents

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

Certain Appointed Officials

Name	Title
Dr. Priscilla Dean Slade	President
Dr. Bobby L. Wilson	Provost and Senior Vice President for Academic Affairs
Charlene T. Evans	Executive Vice President
Quintin Wiggins	Senior Vice President for Business and Finance
Bruce Wilson	Vice President for Purchasing and Procurement Services
Dr. Willie Marshall	Associate Vice President for Student Services
Gayla Thomas	Associate Provost for Institutional Effectiveness
Lynn Rodriguez	General Counsel

Consultants and Advisors

Co-Financial Advisors.....	First Southwest Company CKW Financial Group, Inc.
Bond Counsel.....	Vinson & Elkins L.L.P.

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OFFICIAL STATEMENT SUMMARY

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

- The Issuer* The Texas Public Finance Authority (the "Authority") is authorized to issue bonds on behalf of the University pursuant to section 1232.102, Texas Government Code, as amended, and section 55.13, Texas Education Code, as amended. *See* "THE AUTHORITY."
- The University* Texas Southern University (the "University"), located within Houston, Texas, was established in 1947 by the Texas Legislature as an institution of higher education. *See* "THE UNIVERSITY."
- The Bonds* The Bonds are dated April 1, 2002 and mature on November 1 in the years and in the principal amounts set forth on the inside cover page hereof. Interest on the Bonds is payable initially on November 1, 2002, and on each May 1 and November 1 thereafter until the earlier of maturity or redemption.
- Authority for Issuance* The Bonds are being issued pursuant to chapters 1232 and 1371, Texas Government Code, as amended, Chapters 54 and 55, Texas Education Code, as amended, a master resolution, as amended, adopted by the Board of Regents of the University (the "Board") on October 19, 1998 and by the Authority on October 21, 1998 (the "Master Resolution") and a third supplemental resolution, which was approved and adopted by the Board on April 5, 2002 and by the Authority on March 19, 2002 (the "Third Supplemental Resolution," collectively, the "Resolution"). The Texas Bond Review Board has approved the issuance of the Bonds and the Texas Higher Education Coordinating Board has approved the projects to be financed by the Bonds as required by law. *See* "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" and "SECURITY FOR THE BONDS."
- Source of Payment* The Bonds constitute special obligations of the Authority and the Board payable from the Pledged Revenues (as defined herein) pledged thereto pursuant to the Resolution. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE AUTHORITY, NOR ANY AGENCY, POLITICAL CORPORATION OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.
- Redemption* The Authority reserves the right, upon the request of the Board, to redeem Bonds having stated maturities on or after November 1, 2012, on May 1, 2012 or any date thereafter, at par plus accrued and unpaid interest to the date fixed for redemption. *See* "DESCRIPTION OF THE BONDS-Redemption."
- Use of Proceeds* *See* "PLAN OF FINANCING - Purpose."
- Ratings and Municipal Bond Insurance* The Bonds are expected to be rated "Aaa" and "AAA" by Moody's Investor Service and Fitch Ratings, respectively, based on the issuance of a municipal bond insurance policy to be issued for the Bonds by MBIA Insurance Corporation.

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OFFICIAL STATEMENT

relating to

\$48,065,000

TEXAS PUBLIC FINANCE AUTHORITY TEXAS SOUTHERN UNIVERSITY REVENUE FINANCING SYSTEM BONDS, SERIES 2002

INTRODUCTION

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

The University was established under the provisions of the Constitution and the laws of the State of Texas (the "State") as an institution of higher education. For the 2002 Spring Semester, the University had a total enrollment of approximately 8,139 students. The Fiscal Year 2002 budget of the University is approximately \$79.8 million, which includes both unrestricted and restricted funds. The Board is the governing body of the University and its members are officers of the State, appointed by the Governor with the advice and consent of the State Senate. For a general description of the University and its financial condition, *see* "THE UNIVERSITY" and "SELECTED FINANCIAL INFORMATION."

This Official Statement contains summaries and descriptions of the Plan of Financing, the Bonds, the University, the Authority, and other related matters. All references to and descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Senior Vice President for Business and Finance Texas Southern University, 3100 Cleburne Avenue, Hannah Hall, Room 116, Houston, Texas 77004, (713) 313-7050. Copies of documents relating to the Authority may be obtained from the Executive Director, Texas Public Finance Authority, 300 West 15th Street, Suite 411, Austin, Texas 78701, (512) 463-5544.

PLAN OF FINANCING

Authority for Issuance of the Bonds

The Bonds are being issued in accordance with the general laws of the State of Texas, specifically Chapters 54 and 55, Texas Education Code, as amended, including particularly sections 55.13(c) and 55.17391 and Chapters 1232 and 1371, Texas Government Code, as amended ("Authorizing Law"), and additionally pursuant to a master resolution (the "Master Resolution"), as amended, and a third supplemental resolution (the "Third Supplemental Resolution" and collectively, the "Resolution") each adopted by the Authority's governing body and the Board.

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

Purpose

Proceeds from the sale of the Series 2002 Bonds will be used for the purpose of (i) constructing and equipping a new science building, (ii) renovating the University's student center, (iv) renovating the University's law school building and (v) renovating other campus facilities including electrical and mechanical systems. A portion of the proceeds of the Bonds will be used to pay issuance costs.

Sources and Uses of Funds

The proceeds of the Bonds will be applied as follows:

Sources:

Par Amount	\$48,065,000.00
Accrued Interest	160,957.08
Original Issue Premium	<u>1,432,688.15</u>
Total	<u>\$49,658,645.23</u>

Uses:

Deposit to 2002 Project Fund	\$48,470,065.00
Deposit to Interest and Sinking Fund	160,957.08
Costs of Issuance*	<u>1,027,623.05</u>
Total	<u>\$49,658,645.23</u>

* Includes Underwriter's Discount, Bond Insurance and Surety Premium.

Additional Obligations

The Board plans to issue approximately \$30 million of additional obligations for acquisition, new construction or renovation of projects in Spring 2003. See "SELECTED FINANCIAL INFORMATION-Future Capital Improvement Needs and Projected Debt 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 be dated April 1, 2002, will accrue interest from their dated date, and will bear interest at the per annum rates shown on the inside cover page hereof. Interest on the Bonds is payable on November 1 and May 1 of each year, commencing November 1, 2002, and is calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds mature on November 1 in the years and in the principal amounts set forth on the inside cover page hereof.

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

Transfer, Exchange, and Registration

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

Record Date for Interest Payment

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

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

Redemption

Optional Redemption

On May 1, 2012 or on any date thereafter, the Bonds stated to mature on and after November 1, 2012 may be redeemed prior to their Stated Maturities, at the option of the Authority, upon request by the Board, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Bonds, or portions thereof, to be redeemed shall be selected by the Paying Agent/Registrar (provided that a portion of a Bond may be

redeemed only in an integral multiple of \$5,000), at par and accrued and unpaid interest to the date fixed for redemption; provided, that during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same stated maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Paying Agent/Registrar and the securities depository.

Notice of Redemption

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

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

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

Paying Agent/Registrar

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

Book-Entry Only System

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Bank Law, a “banking organization” within the meaning of the New York Banking law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds

and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct to Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating; AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe that it will not receive payment on the payable date. Payments by DTC Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street names," and will be the responsibility of such Participant and not

of DTC, the Paying Agent or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Agent/Registrar, and disbursement of such payment to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

Defeasance

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

SECURITY FOR THE BONDS

The Revenue Financing System

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

Upon becoming a Participant, an entity may no longer issue obligations having a lien on Pledged Revenues prior to the lien on the Outstanding Parity Obligations. Generally, Prior Encumbered Obligations are those bonds or other

obligations issued on behalf of a Participant which were outstanding on the date such entity became a Participant in the Revenue Financing System. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" and "APPENDIX A - DEFINITIONS."

Pledge Under Resolution

The Bonds and any additional obligations issued on a parity with the Bonds (referred to herein collectively as "Parity Obligations") are special obligations of the Board equally and ratably secured solely by and payable solely from a pledge of and lien on the Pledged Revenues as described below. The Parity Obligations currently outstanding are the Series 1998A-1 Bonds, Series 1998A-2 Bonds, Series 1998B Bonds and Series 1998C Bonds.

The Resolution presently provides that the Pledged Revenues consist of, subject to the provisions of the Prior Encumbered Obligations, if any, the Revenue Funds, including all of the revenues, funds, and balances now or hereafter lawfully available to the Board and derived from or attributable to any Participant of the Revenue Financing System which are lawfully available to the Board for the payment of Parity Obligations.

Revenue Funds 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 from the operations of each of the Participants. Revenue Funds do not include, with respect to each series or issue of Parity Obligations, any tuition, rentals, fees, or other charges attributable to any student in a category which, at the time of the adoption by the Board of a resolution relating to such Parity Obligations, is exempt by law or by the Board from paying such tuition, rentals, fees, or other charges; provided, however, that 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 on behalf of any Participant under Article VII, Section 17 of the Constitution of the State of Texas, including the income therefrom and any fund balances relating thereto (see "SELECTED FINANCIAL INFORMATION - Financing Programs - *Higher Education Assistance Fund Bonds*"), and (b) except to the extent so specifically appropriated, General Revenue Funds appropriated to the Board by the Legislature of the State of Texas (the "Texas Legislature") (see "SELECTED FINANCIAL INFORMATION - Unrestricted Current Funds Revenues, TABLE 3 - Percent of Total Sources of Unrestricted Current Fund Revenues, and - *Government Appropriations*"). All legally available funds of the University, including unrestricted fund and reserve balances, are pledged to the payment of the Parity Obligations. A more detailed description of the types of revenues and expenditures of the Revenue Financing System and their availability to the Board for various purposes may be found under "SELECTED FINANCIAL INFORMATION" (see also "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" and "APPENDIX A - DEFINITIONS").

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

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

Pledged Revenues

The following table contains a summary of the Pledged Revenues for Fiscal Years 2000 and 2001, including pledged unappropriated fund balances available at the beginning of each year, and the amounts budgeted for Fiscal

Year 2002. The Pledged Revenues consist of Unrestricted Current Funds Revenues but do not include: remissions, governmental appropriations and gifts, grants and contracts within the Educational and General Fund Group; Higher Education Assistance Funds; and private gifts in the Auxiliary Fund Group, as such terms are used in "APPENDIX B - FINANCIAL REPORT OF TEXAS SOUTHERN UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2001". See "SELECTED FINANCIAL INFORMATION."

TABLE 1-A - Pledged Revenues

	<u>Fiscal Years</u>		
	<u>2000</u>	<u>2001</u>	<u>2002*</u>
Available Pledged Revenues	\$17,907,525	\$17,303,324	\$20,321,172

Maximum annual debt service on a fiscal year basis over the life of the Bonds is \$4,021,852.61.

Maximum annual debt service on a fiscal year basis over the life of the Outstanding Parity Obligations and the Bonds is \$8,175,990.13.

*Budgeted for FY 2002.

TABLE 1-B – Additional Revenues for Certain Outstanding Bonds

	<u>Fiscal Years</u>		
	<u>2000</u>	<u>2001</u>	<u>2002³</u>
Recreational Facilities Fee ¹	\$705,859	\$833,429	\$898,313
Medical Services Fee ²	<u>510,573</u>	<u>534,953</u>	<u>647,420</u>
Total	<u>\$1,216,332</u>	<u>\$1,368,382</u>	<u>\$1,545,733</u>
Total Enrollment	14,949	16,049	--

(1) Revenues available for debt service for the Series 1998B Bonds only.

(2) Revenues available for debt service for the Series 1998C Bonds only.

(3) These figures are estimates prepared by the University based on assumptions which the University believes to be reasonable. However, no assurance can be or is given by the Board, the University, the Authority or the Underwriters that such estimates will not materially differ from actual results in the future.

Reserve Fund

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

Debt Service Reserve Fund Surety

The Resolution requires the establishment of a Reserve Fund in an amount equal to the Required Reserve Amount for the Bonds. The Resolution authorizes the Board to obtain a Surety Bond in place of funding the Reserve Fund with cash. The Bonds will only be delivered upon issuance of such Surety Bond. The premium on the surety Bond is to be fully paid at or prior to the issuance and delivery of the Bonds.

Application has been made to the MBIA Insurance Corporation (the "Insurer") for a commitment to issue a surety bond (the "Debt Service Reserve Fund Surety Bond"). The Debt Service Reserve Fund Surety Bond will provide that upon notice from the Paying Agent/Registrar to the Insurer to the effect that insufficient amounts are on deposit in the Interest and Sinking Fund to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the Bonds, the Insurer will promptly deposit with the Paying Agent/Registrar an

amount sufficient to pay the principal of and interest on the Bonds or the available amount of the Debt Service Reserve Fund Surety Bond, whichever is less. Upon the later of: (i) three (3) days after receipt by the Insurer of a Demand for Payment in the form attached to the Debt Service Reserve Fund Surety Bond, duly executed by the Paying Agent/Registrar; or (ii) the payment date of the Bonds as specified in the Demand for Payment presented by the Paying Agent/Registrar to the Insurer, the Insurer will make a deposit of funds in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment to the Paying Agent/Registrar, of amounts which are then due to the Paying Agent/Registrar (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

The available amount of the Debt Service Reserve Fund Surety Bond is the initial face amount of the Debt Service Reserve Fund Surety Bond less the amount of any previous deposits by the Insurer with the Paying Agent/Registrar which have not been reimbursed by the University. The Authority, the University and the Insurer have entered into a Financial Guaranty Agreement dated April 1, 2002 (the "Agreement"). Pursuant to the Agreement, the University is required to reimburse the Insurer, within one year of any deposit, the amount of such deposit made by the Insurer with the Paying Agent/Registrar under the Debt Service Reserve Fund Surety Bond. Such reimbursement shall be made only after all required deposits to the Interest and Sinking have been made.

Under the terms of the Agreement, the Paying Agent/Registrar is required to reimburse the Insurer, with interest, until the face amount of the Debt Service Reserve Fund Surety Bond is reinstated before any deposit is made to the 2002 Project Fund. No optional redemption of the Bonds may be made until the Insurer's Debt Service Reserve Fund Surety Bond is reinstated. The Debt Service Reserve Fund Surety Bond will be held by the Paying Agent/Registrar in the Reserve Fund and is provided as an alternative to the University depositing funds equal to the Required Reserve Amount for outstanding Bonds. The Debt Service Reserve Fund Surety Bond will be issued in the face amount equal to Required Reserve Amount for the Bonds and the premium therefor will be fully paid by the University at the time of delivery of the Bonds. See "MUNICIPAL BOND INSURANCE."

No cash amounts are expected to be deposited to the Reserve Fund, and neither the University nor the Authority are under any obligation to replace the Surety Policy in the event of a downgrade or default by the Insurer.

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

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

Parity Obligations

The Board reserves the right to issue or incur, or request that the Authority, on its behalf, issue or incur Additional Parity Obligations for any purpose authorized by law pursuant to the provisions of the Resolution. The Board or the Authority acting on behalf of the Board may incur, assume, or guarantee, or cause to be incurred, assumed or guaranteed, or otherwise become liable with respect to any Parity Obligations if (i) the Board will have determined (A) that it will have sufficient funds to meet the financial obligations of the University, including sufficient Pledged Revenues to satisfy the annual debt service requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System and (B) the Participant or Participants for whom the Parity Obligations are being issued or incurred possess the financial capacity to satisfy their respective Direct Obligations, after taking into account the then proposed additional Parity Obligations, and (ii) a Designated Financial Officer delivers to the Board and the Authority a certificate stating that the Board is in compliance with all covenants contained in the 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 thereof. See “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION.”

Reserve Funds – Parity Obligations

In addition to the Reserve Fund with respect to the Bonds, under the Master Resolution and the first and second supplements thereto, a reserve fund is created for each series of Parity Obligations currently Outstanding. With respect to the Series 1998A-1 Bonds, the Authority and Board purchased a Debt Service Reserve Fund Surety Bond from MBIA Insurance Corporation in the amount of \$1,528,222.26 with an expiration of the earlier of (i) November 1, 2018 or (ii) the date on which the Issuer has made all payments to be made on the Series 1998A-1 Bonds. The reserve fund for the Series 1998A-2 Bonds, Series 1998B Bonds and Series 1998C Bonds was satisfied by the deposit of cash and a surety bond from Ambac Assurance Corporation. Ambac Assurance Corporation has provided a Surety Bond in the amount which is the lesser of (i) \$722,125.00 for the Series 1998A-2 Bonds, \$467,637.50 for the Series 1998B Bonds and \$127,522.50 for the Series 1998C Bonds or (ii) the reserve fund requirement for the respective series of bonds. The Ambac Surety Policies have an expiration of the earlier of (i) November 1, 2018 for the Series 1998A-2 Bonds, November 1, 2023 for the Series 1998B Bonds and November 1, 2008 for the Series 1998C Bonds or (ii) the date on which all payments required to be made on each respective series of Parity Obligations are made. The reserve funds for the Series 1998A-1 Bonds, Series 1998A-2 Bonds, Series 1998B Bonds and Series 1998C Bonds are not available for payment of the Bonds. See –Pledge Under Resolution,” and “Debt Service Schedule.”

Nonrecourse Debt and Subordinated Debt

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

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Debt Service Schedule

(August 31) Fiscal Year	Parity Obligation* Debt Service	The Bonds			Total Debt Service
		Principal	Interest	Annual Debt Service	
2002	\$4,154,977.52				\$4,154,977.52
2003	4,154,137.52	\$ 1,435,000	\$2,586,852.61	\$4,021,852.61	8,175,990.13
2004	4,153,655.02	1,540,000	2,326,156.26	3,866,156.26	8,019,811.28
2005	4,153,197.52	1,605,000	2,263,256.26	3,868,256.26	8,021,453.78
2006	4,152,417.52	1,675,000	2,193,468.76	3,868,468.76	8,020,886.28
2007	4,155,852.52	1,745,000	2,120,881.26	3,865,881.26	8,021,733.78
2008	4,159,252.52	1,825,000	2,040,356.26	3,865,356.26	8,024,608.78
2009	4,147,575.02	1,920,000	1,946,731.26	3,866,731.26	8,014,306.28
2010	3,907,537.52	2,020,000	1,848,231.26	3,868,231.26	7,775,768.78
2011	3,905,590.02	2,120,000	1,744,731.26	3,864,731.26	7,770,321.28
2012	3,906,410.02	2,225,000	1,643,059.38	3,868,059.38	7,774,469.40
2013	3,904,476.89	2,325,000	1,543,237.50	3,868,237.50	7,772,714.39
2014	3,901,470.63	2,440,000	1,424,987.50	3,864,987.50	7,766,458.13
2015	3,905,196.26	2,580,000	1,286,937.50	3,866,937.50	7,772,133.76
2016	3,905,393.76	2,725,000	1,141,050.00	3,866,050.00	7,771,443.76
2017	3,909,306.25	2,880,000	986,912.50	3,866,912.50	7,776,218.75
2018	3,907,118.75	3,045,000	823,975.00	3,868,975.00	7,776,093.75
2019	2,320,287.50	3,215,000	651,825.00	3,866,825.00	6,187,112.50
2020	912,287.50	3,395,000	470,050.00	3,865,050.00	4,777,337.50
2021	912,975.00	3,580,000	284,950.00	3,864,950.00	4,777,925.00
2022	912,087.50	3,770,000	96,606.25	3,866,606.25	4,778,693.75
2023	914,512.50				914,512.50
2024	915,137.50				915,137.50
TOTAL	<u>\$75,270,852.76</u>	<u>\$48,065,000.00</u>	<u>\$29,424,255.82</u>	<u>\$77,489,255.82</u>	<u>\$152,760,108.58</u>

*Additional revenues are available for the Series 1998B Bonds and the Series 1998C Bonds. See "PLAN OF FINANCING – Pledged Revenues – Table 1-B – Additional Revenues for Certain Outstanding Bonds."

MUNICIPAL BOND INSURANCE

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to Appendix D for a specimen of MBIA's policy.

MBIA's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Paying Agent/Registrar or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by MBIA's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. MBIA's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent/Registrar or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent/Registrar or any owner of a Bonds the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Paying Agent/Registrar payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent/Registrar for the payment of such insured amounts and legally available therefor.

MBIA

MBIA Insurance Corporation ("MBIA") is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

MBIA 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 the policy and MBIA set forth under the heading "BOND INSURANCE." Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The Financial Guarantee Insurance Policies are not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

MBIA Information

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2000;
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001; and
- (3) The report on Form 8-K filed by the Company on January 30, 2001.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2000, (2) the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001, and (3) the report on Form 8-K filed by the Company on January 30, 2001) are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2000, MBIA had admitted assets of \$7.6 billion (audited), total liabilities of \$5.2 billion (audited), and total capital and surplus of \$2.4 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2001, MBIA had admitted assets of \$8.4 billion (unaudited), total liabilities of \$6.0 billion (unaudited), and total capital and surplus of \$2.4 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch, Inc. rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. MBIA does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

DISCLOSURE OF GUARANTY FUND NONPARTICIPATION: In the event the Insurer is unable to fulfill its contractual obligation under this policy or contract or application or certificate or evidence of coverage, the policyholder or certificate holder is not protected by an insurance guaranty fund or other solvency protection arrangement.

THE AUTHORITY

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

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

<u>Name</u>	<u>Position</u>	<u>Term Expires</u> <u>(February 1)</u>
John C. Kerr	Chair*	02/01/01
H. L. Bert Mijares, Jr.	Vice-Chair	02/01/05
Cynthia L. Meyer, CPA	Secretary	02/01/03
J. Vaughn Brock	Member	02/01/07
Helen Huey	Member	02/01/05
R. David Kelly	Member	02/01/07
Vacant	-	-

* Appointed to serve at the pleasure of the Governor.

The Authority employs an Executive Director (the “Executive Director”) who is charged with managing the affairs of the Authority, subject to and under the direction of the Authority Board. The Executive Director is Kimberly K. Edwards. Ms. Edwards has been with the Authority since March 1997.

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

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

Sunset Review

In 1977, the Texas Legislature enacted the Texas Sunset Act (Chapter 325, Texas Government Code, as amended) which provides that virtually all agencies of the state, including the Authority, are subject to periodic review of the Legislature and that each agency subject to sunset review will be abolished unless the Legislature specifically determines to continue its existence. The Authority was reviewed during the 1997 legislative session under the Texas Sunset Act, and the next scheduled review of the Authority is during the legislative session in 2009. The Enabling Act of the Authority, as amended by the 75th Legislature, provides that if the Authority is not continued in existence, the Authority will cease to exist as of September 1, 2009; however, the Texas Sunset Act provides that the Authority will exist until September 1 of the following year (September 1, 2010) in order to conclude its business.

In the event the Authority is abolished pursuant to the Texas Sunset Act in 2009, the Governor is required to designate an appropriate state agency to carry out the Authority's covenants contained in the Bonds and in the documents authorizing the Bonds. In such event, the Authority's General Counsel has opined (1) the Bonds would remain valid and binding obligations, subject to all applicable terms and conditions of the laws and proceedings authorizing the Bonds and (2) such designated agency would be obligated and authorized to carry out all such covenants and to provide payment from the sources pledged to the Bonds in accordance with the terms thereof until the Bonds are paid in full.

Relationship with other State Agencies

Under the Enabling Act, the Authority's power is limited to financing projects and does not affect the power of the Board to carry out its statutory authority, including its authority to construct buildings. Accordingly, the Authority will not be responsible for supervising the construction and maintenance of any of the projects of the University. *See* also "THE UNIVERSITY" for a discussion of the University's relationship with other state agencies.

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

With certain exceptions, bonds issued by State agencies and institutions, including bonds issued by the Authority, must be approved by the Texas Bond Review Board prior to their issuance. The Texas Bond Review Board is composed of the Governor, the Lieutenant Governor, the Speaker of the House of Representatives and the Comptroller of Public Accounts. The Governor is the Chairman of the Texas Bond Review Board. Each member of the Texas Bond Review Board may, and frequently does, act through a designee. An application was submitted to the Texas Bond Review Board and approved on March 21, 2002. In the case of bonds issued by institutions of higher education, such as the University, the projects to be financed by the bonds are also reviewed and approved by the Texas Higher Education Coordinating Board ("Coordinating Board"). The projects (that exceed two million dollars) to be financed by the Bonds were reviewed and/or approved by the Coordinating Board as required by law.

THE UNIVERSITY

General

Texas Southern University (the "University") was established by the Texas Legislature in 1947 as Houston's first state supported university for the purpose, among others, to serve the African-American population of Texas. The University's involvement with programs and services was especially suited to the needs and requirements of people

in urban areas and caused the Legislature in 1973 to designate the University as a “special purpose institution for urban programming.” The University offers a wide array of diverse programs to compliment its diverse student body and faculty. Various opportunities exist for internships, cooperative education, teacher training, and research.

The University’s single campus is located on 145 acres approximately 3 miles from downtown Houston, Texas. It is one of the largest historically black institutions in the nation with an enrollment of approximately 8,139 students for the Spring 2002 semester. The University has eight schools and colleges - the College of Arts and Sciences, the College of Pharmacy and Health Sciences, the Jesse H. Jones School of Business, the College of Education, the College of Continuing Education, the School of Technology, the Thurgood Marshall School of Law, and the Graduate School. These programs offer baccalaureate degrees in 78 areas and master’s degrees in more than 30 areas. At the professional and graduate level, post baccalaureate degrees are available in various areas, including law, pharmacy, and education.

The University administers approximately \$19 million in research funding from agencies such as the National Science Foundation, NASA, the Department of Education, the National Institute of Health, the Department of Energy, and private foundations and corporations. Major research centers and activities include the Center for the Study of Ethnic Diseases, Minority Biomedical Research Support Program, Mickey Leland Center on World Hunger and Peace, the Center for Transportation, the Economic Development Center, the Center for Excellence in Urban Education and the Center for the Family: Black Male Initiative. The University’s Library collection exceeds 800,000 and includes the Barbara Jordan and Mickey Leland archives, in addition to a significant art collection.

Accreditation

The University is a member of the following professional associations and fully accredited by those which apply accreditation standards: Commission on Colleges of the Southern Association of Colleges and Schools; Association of Texas Colleges and Universities; American Council on Education; American Association of State Colleges and Universities; and the Association of Advanced Collegiate Schools of Business.

Administration of The University

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

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

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

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

ALPHONSO JACKSON, *Vice Chair and Board Member.* Deputy Secretary of the United States Department of Housing & Urban Development. Mr. Jackson, a resident of Washington, D.C., was appointed on August 25, 1997. His current term on the Board expires on February 1, 2003.

FRED S. ZEIDMAN, *2nd Vice Chair and Board Member*. Executive Vice President and Chief Executive Officer of EnDuro Systems. Mr. Zeidman, a resident of Houston, Texas, was appointed on August 25, 1997. His current term on the Board expires on February 1, 2003.

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Support

As a State institution, the University receives approximately sixty percent (60%) of its operating funds from State appropriations. Other operating funds are derived from student tuition and fees and auxiliary enterprises such as dormitories and dining halls. For financial information concerning the State of Texas, reference is made to "APPENDIX A", the disclosure appendix published by the Comptroller of Public Accounts of the State of Texas, which is filed quarterly with each NRMSIR and SID. See "SELECTED FINANCIAL INFORMATION - Funding for the University."

Financial Aid Issues

Due to certain routine audits conducted by the State Auditor's Office in 1996, the University became aware that certain requirements and regulations relating to the approval and disbursement of student financial aid were not being adhered to by the University's financial aid department between 1993 and 1997. In particular, it was determined that the University's financial aid office was not following the necessary procedures to ensure that students seeking financial aid were qualified under applicable financial aid regulations.

In conjunction with the State Auditor's Office audit, the United States Department of Education ("DOE") initiated an audit to review the University's records between 1994 and 1997 pertaining to student financial aid. As a result of this audit, the DOE determined that certain amounts relating to non-conforming student financial aid awards should be refunded to the DOE. The DOE and the University approved a settlement agreement ("Settlement Agreement") in August 1997 wherein the University entered into a repayment agreement ("Repayment Agreement") which provided that the University would repay a total of \$15.1 million related to non-conforming student financial aid awards. At August 31, 2001, the remaining liability was \$11,291,022, and is due over a nine year period at 5% per annum payable in quarterly installments.

As part of the Settlement Agreement with the DOE, the University was required to submit each student's application for financial aid to the DOE for approval, and upon approval of the financial aid request by the DOE, the award is reimbursed to the University. Typically, financial aid awards are sent immediately to the University upon submission of the financial aid request. This requirement ended in April 2000 when the University was removed from reimbursement by DOE.

State Auditor's Report

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

On October 2, 1998, the State Auditor's Office released its Audit Report on Texas Southern University ("Audit Report") as required by the legislative mandate. The Audit Report noted that the University had made significant progress in improving its management information systems, but also expressed concern with the accounting, human resources, planning and communication, and financial aid systems. The Audit Report stated that University had made "some progress," but had not made substantial demonstrable progress through the date of the audit.

Since its initial Audit Report, the State Auditor has released periodic reports of the University's progress in complying with the performance measures. Copies of all of the State Auditor's reports are available at <http://www.sao.state.tx.us/reports/education.cfm>.

For fiscal year ended August 31, 2001, KPMG LLP, acting as an independent auditor for the State of Texas, reported that all of the Federal Financing Reporting Guidelines had been met by the University.

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

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

Capital Improvement Plan

The University employed the architectural firm of Hermes & Reed to develop a master plan for the University. The master plan included \$55 million of maintenance and renovation projects that need to be performed by the University. The University has developed a spending plan to address the needed maintenance and renovations.

Enrollment

Following is headcount enrollment by semester for Fiscal Years 1996-2002:

Fiscal Year	Fall Semester	Spring Semester	Summer Session	
			First Term	Second Term
1996	9,254	8,528	2,502	1,742
1997	7,837	7,527	1,964	1,427
1998	7,141	6,718	1,749	984
1999	6,345	6,186	1,660	923
2000	6,314	6,296	1,510	829
2001	6,950	6,935	1,745	419*
2002	8,203	8,139	_____	_____

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

To address the decline in enrollment in 1999, the University has taken significant steps to increase enrollment, including increasing its budget for recruiting and offering more academic scholarships. In addition, the University initiated the "Urban Academic Village" concept, which is designed to nurture a vigorous intellectual community through various enhancements to campus facilities and student services. In 2001, the University constructed 300 additional housing units through private developers and is contemplating the addition of two more privately developed housing projects. The University believes that allowing more students to live on campus will enhance the experience for students, especially for freshmen and sophomores. The University received \$2 million from the

Legislature for the 1999-2000 biennium to attract high performing students through scholarships and other enrichment programs. A portion of the Bond proceeds will be used to fund enhancements and improvements (including deferred maintenance) for various existing campus buildings. The University believes that these capital improvements will help attract and retain more students. Furthermore, to address student retention, the University has added counselors for students to provide assistance on academic issues and social adjustment issues.

Retirement Systems

The State of Texas has joint contributory retirement plans for substantially all its employees. One of the primary plans in which the University participates is administered by the Teacher Retirement System of Texas. The contributory percentages of participant salaries currently provided by the State and by each participant are 6% and 6.4%, respectively, of annual compensation. The Teacher Retirement System does not separately account for each of its component government agencies, since the Retirement System itself bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. According to an independent actuarial evaluation as of August 31, 1999, the present value of the Retirement System's actual and projected liabilities, including projected benefits payable to its retirees and active members and their beneficiaries, was less than the assets of the Retirement System; the Retirement System is overfunded. The State has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts. The contributory percentages on salaries for participants entering the program prior to September 1995 are 8.5% and 6.65% by the state and each participant, respectively. The State's contribution is comprised of 6.00% from the ORP's appropriation, 1.31% from a special appropriation to the University, and 1.19% directly by the University. The 6.00% contribution is mandatory with the other two state contributions being at the discretion of the Board. The Board has approved the additional contributions for employees of the University. The contributory percentages on salaries for participants entering the program after August 31, 1995 are 6.00% and 6.65% by the state and each participant, respectively. Since these are individual annuity contracts, the State has no additional or unfunded liability for this program.

SELECTED FINANCIAL INFORMATION

Audits and Financial Reports

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

Any material compliance exceptions related to bond covenants are addressed in the overall management letter for the State audit.

Annually, not later than November 29, an unaudited financial report dated as of August 31, prepared from the books of the University, must be delivered to the Governor and the State Comptroller of Public Accounts. Each year, the State Auditor must certify the financial statements of the State as a whole, inclusive of the University, and in so doing examines the financial records of the University. No outside audit in support of this detailed review is required or obtained by the University.

The financial statements of the University are prepared on a modified accrual basis consistent with principles recommended in College and University Business Administration, Fourth Edition (1982).

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. These requirements follow, as near as practicable, the AICPA Industry Audit Guide *Audits of Colleges and Universities, 1973*, as amended by *AICPA Statement of Position (SOP) 74-8, Financial Accounting and Reporting by Colleges and Universities*.

Attached to this Official Statement is "APPENDIX B - FINANCIAL REPORT OF TEXAS SOUTHERN UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2001", which is the most recent unaudited combined primary financial reports of the University (with the relevant portion of the Notes to the combined primary financial reports), for the University's Fiscal Year ended August 31, 2001, excerpted from the 2001 Annual Report of the University. The University's unaudited combined primary financial reports set forth as APPENDIX B consist of the Combined Balance Sheet as of August 31, 2001, the Combined Statement of Changes in Fund Balances for the Year Ended August 31, 2001, and the Combined Statement of Current Funds Revenues and Expenditures for the Year Ended August 31, 2001.

Funding for the University

Funding for the University for the Fiscal Year ended August 31, 2001 consisted of government appropriations; tuition and student fees; gifts, grants, and scholarships; sales, services, and other sources; designated funds; and auxiliary enterprises. As shown below in Table 3, 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 60% of its operating funds from State appropriations. 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.

Current Funds

Current funds are funds expendable for current operating purposes. Within the current funds group, funds are segregated between unrestricted and restricted. The current funds revenues and expenditures described below are derived from the Combined Statement of Current Funds Revenues and Expenditures included in the University's unaudited combined primary financial report for each of the Fiscal Years indicated. This statement, prepared under the principles of fund accounting, presents the financial activities of current funds related to the applicable reporting period and does not purport to present the results of operations or the net income or loss for the period. See "APPENDIX B."

Unrestricted Current Funds Revenues

Unrestricted funds are funds over which the Board retains full control in achieving institutional purposes. Not all unrestricted funds constitute Pledged Revenues. See "SECURITY FOR THE BONDS - Pledge Under Resolution." The Unrestricted Current Funds Revenues described below are derived from the unaudited combined primary financial report of the University for each of the Fiscal Years in the five year period ended August 31, 2001. See "APPENDIX B." Unrestricted Current Funds Revenues are categorized by source. Each category of Unrestricted Current Funds Revenues presented below as a percent of total sources of such revenues is as follows:

TABLE 3 - Percent of Total Sources of Unrestricted Current Funds Revenues

	Fiscal Year Ended August 31				
	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
CURRENT INCOME					
Tuition and Fees	28.4%	27.4%	26.7%	29.6%	28.2%
State Appropriations	59.2	59.4%	62.8%	60.3	58.5
Gifts, Grants, and Contracts	4.7	3.2%	1.5%	1.5	1.8
Endowment/Investment/Interest Income	1.2	1.8%	.9%	*	*
Sales and Service	4.7	6.0%	4.7%	3.4	5.2
Other Sources	1.8	2.3%	3.4%	5.1	6.3
Total Unrestricted Current Funds Revenues	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Unaudited Annual Financial Reports for Fiscal Years 1997 through 2001 - Combined Exhibit C - Statement of Current Funds Revenues and Expenditures.

* Percentages are less than 1%

Tuition and Fees

The University charges tuition and fees as set by the Texas Legislature and the Board under Chapters 54 and 55 of the Texas Education Code which permits (i) undergraduate tuition applicable to state residents to be charged up to \$84 per semester credit hour for the 2001-2002 academic year; and (ii) tuition of a nonresident student at a general academic teaching institution or medical and dental unit to be increased to an amount equal to the average of the nonresident undergraduate tuition charged to a resident of Texas at a public state university in each of the five most populous states other than Texas (the amount of which would be computed by the Coordinating Board for each academic year). In 1997, the Texas Legislature redesignated the “building use fee” previously authorized by Section 55.16, Texas Education Code as “tuition”, and of the per semester credit hour amounts referenced above, up to \$40 per semester credit hour for the 2000-2001 academic year and each academic year thereafter may be charged and pledged as a part of Pledged Revenues.

For the academic year 2002-2003, the Coordinating Board has computed \$287 per semester credit hour for nonresident undergraduate tuition. As stated above, unless it is necessary to meet a debt service obligation, the amount of the tuition pledged under the Resolution as a Revenue Fund and charged in any academic year may not exceed the amount of tuition to be charged in that academic year.

Amendments to the provisions of the Education Code were enacted in 1997 which allow the Board to set the tuition and any other necessary fees, rentals, rates, or other Revenue Funds of the Board at the level necessary, without limit, to enable the Board to meet its obligations with respect to the payment of debt service on the Parity Obligations. Thus, notwithstanding the limitations outlined above, the rate of the tuition pledged as a Revenue Fund actually imposed to secure the Parity Obligations will not be limited by law or the Resolution, to the extent it is necessary to raise such rates if there are not sufficient Pledged Revenues to pay debt service on Parity Obligations.

The tuition to be charged to the University’s students for the 2002-03 academic year is (i) \$69 per semester hour for undergraduate resident students and (ii) \$287 per semester hour for non-resident undergraduate students.

The following table sets forth the total of tuition and fees (net of refunds) collected during each of the Fiscal Years indicated at the University.

Tuition and Fees				
<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$21,087,602	\$21,125,715	\$19,469,523	\$22,108,914	\$19,293,709

Government Appropriations

The University receives support annually from the State through annual general revenue fund appropriations made by the Texas Legislature. For the Fiscal Year ended August 31, 2001, 59.22% of Current Funds Revenues were from State appropriations. The following table sets forth the amount of State appropriations received by the University for the Fiscal Years indicated:

State Appropriations				
<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$43,935,647	\$45,705,925	\$45,864,540	\$44,986,524	\$40,033,112

Gifts, Grants, and Contracts

The University receives federal, state, and local grants and contracts for research which incorporate an overhead component for use in defraying operating expenses. This overhead component is treated as Unrestricted Current Funds Revenues while the balance of the grant or contract is treated as restricted current funds revenues. Indirect cost recovery rates used in calculating the overhead component are negotiated periodically with the appropriate governmental agency. The following table sets forth the amount of overhead received from gifts, grants and contracts received by the University for the Fiscal Years indicated:

Gifts, Grants, and Contracts				
<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$3,463,003	\$2,452,687	\$1,652,559	\$1,126,657	\$1,243,878

Endowment, Investment, and Other Interest Income

The University generates interest from the investment of cash under an investment policy adopted by the Board in accordance with state law. The following table sets forth the amounts generated for the Fiscal Years indicated:

Endowment, Investment, and Other Interest Income				
<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$915,517	\$1,385,534	\$105,957	-0-	-0-

Since 1995, endowment, investment, and other interest income is received only on a restricted basis. See "-- Total Restricted Current Funds Revenues and Expenditures."

Sales and Services

Other educational activities and auxiliary enterprises generate revenue from sales and services which is unrestricted. The following table sets forth the amount of sales and services received by the University for the Fiscal Years indicated:

Sales and Services				
<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$3,465,625	\$4,602,853	\$3,458,683	\$2,536,738	\$3,569,645

Other Sources

All miscellaneous revenues including rents, fees, fines, sales, and other receipts not categorized above have been grouped together as "other sources." The following table sets forth the amount of other sources received by the University for the Fiscal Years indicated:

Other Sources

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$1,321,522	\$1,741,917	\$2,498,130	\$3,832,499	\$4,244,263

Total Unrestricted Current Funds Revenues

The following table presents a history of the total of all categories of Unrestricted Current Funds Revenues for each of the Fiscal Years indicated:

Total Unrestricted Current Funds Revenues				
<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$74,188,916	\$77,014,631	\$73,049,392	\$74,591,332	\$68,384,607

Unrestricted Current Funds Expenditures

Unrestricted Current Funds Expenditures represent the cost incurred for goods and services used in the conduct of the University's operations. Such expenditures include the acquisition cost of capital assets, such as equipment and library books, to the extent Unrestricted Current Funds are budgeted for and used by operating departments for such purposes. The Unrestricted Current Funds Expenditures are derived from the unaudited Combined Primary Financial Reports for each of the Fiscal Years in the five-year period ended August 31, 2001. See "APPENDIX B." Unrestricted Current Funds Expenditures are categorized by function. Each category of Unrestricted Current Funds Expenditures and mandatory transfers, which are presented below as a percent of total expenditures by function and mandatory transfers, is as follows:

TABLE 4 - Percent of Total Sources of Unrestricted Current Funds Expenditures

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Expenditures					
Instruction	38.3%	34.8%	35.0	41.7%	42.2%
Research	*	*	*	*	*
Public Service	1.0%	*	*	*	*
Academic Support	8.8%	7.4%	7.0	6.7	10.8
Student Services	4.5%	3.0%	3.7	3.8	3.0
Institutional Support	18.5%	28.1%	27.9	22.7	17.1
Operation and Maintenance of Plant	9.5%	7.0%	7.0	8.7	11.1
Scholarships and Fellowships	3.0%	3.1%	3.1	2.1	2.4
Auxiliary Enterprises Expenditures	8.8%	8.2%	10.9	8.9	7.9
Mandatory Transfers	7.7%	7.9%	4.7	5.5	5.1
Total Unrestricted Current Funds Expenditures and Mandatory Transfers	100.0%	100.0%	100.0%	100.0%	100.0%

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

* Percentages are less than 1%

Instruction

This category includes expenditures for all activities that are part of the University's instructional programs. Expenditures are included for credit and non-credit courses, for academic, vocational and technical instruction, for remedial and tutorial instruction and for regular, special and extension sessions. The following table presents a history of these expenditures for each of the Fiscal Years indicated:

Instruction

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$28,836,870	\$26,567,558	\$24,435,270	\$27,361,177	\$25,727,462

Research

This category includes all expenditures for research. Expenditures may be either internally or externally sponsored. The following table presents a history of these expenditures by the University for each of the Fiscal Years indicated:

Research

<u>2001*</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$36,609	\$73,777	\$232,191	\$232,191	\$97,413

* Expenditures for research have decreased due to the reclassification of the institutional research department as Institutional Support.

Public Service

This category includes funds expended primarily for non-instructional services beneficial to individuals and groups which are not part of the University. The following table presents a history of these expenditures for each of the Fiscal Years indicated:

Public Service

<u>2001*</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$740,001	\$271,994	\$201,724	\$313,790	\$78,757

* The increase is due to \$500,000 distribution to the University by the Texas Legislature to fund the Texas Summer Academy Program.

Academic Support

This category includes funds expended primarily to provide support services for instruction, research, and public service. Expenditures included in this category are those supporting the operation of libraries, museums, and galleries, as well as those for academic administration, technical support, and curriculum development. The following table presents a history of these expenditures for each of the Fiscal Years indicated:

Academic Support

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$6,676,207	\$5,678,026	\$4,889,802	\$4,422,230	\$6,577,103

Student Services

This category includes funds expended for those activities whose primary purpose is to contribute to the student's emotional and physical well-being and intellectual, cultural, and social development outside the context of the formal instructional program. It includes expenditures of the offices of admissions and student records. The following table presents a history of these expenditures for each of the Fiscal Years indicated:

Student Services

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$3,279,188	\$2,317,727	\$2,610,572	\$2,086,705	\$1,810,675

Institutional Support

This category includes expenditures for administration, planning, fiscal operations, data processing, personnel and records, and logistical activities. The following table presents a history of these expenditures for each of the Fiscal Years indicated:

Institutional Support

<u>2001*</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$13,959,435	\$21,481,402	\$19,464,694	\$14,880,481	\$10,450,750

* The decrease is due to the University's reallocation of costs to functional areas.

Operation and Maintenance of Plant

This category includes all expenditures of unrestricted current funds for the operation and maintenance of physical plant, net of amounts charged to auxiliary enterprises. The following table presents a history of these expenditures for each of the Fiscal Years indicated:

Operation and Maintenance of Plant

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$7,176,798	\$5,324,978	\$4,853,049	\$5,673,544	\$6,775,723

Scholarships and Fellowships

This category includes expenditures for scholarships and fellowships, including tuition remissions and exemptions, in the forms of grants to students resulting either from selection by the University or from an entitlement program. The following table presents a history of these expenditures for each of the Fiscal Years indicated:

Scholarships and Fellowships

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$2,231,836	\$2,392,528	\$2,130,921	\$1,365,080	\$1,493,340

Auxiliary Enterprises

This category includes all expenditures relating to the operation of auxiliary enterprises, including expenditures for operation and maintenance of plant and institutional support. The following table presents a history of these expenditures for each of the Fiscal Years indicated:

Auxiliary Enterprises

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$6,622,399	\$6,227,854	\$7,642,626	\$5,851,188	\$4,834,098

Mandatory Transfers

This category includes transfers from the unrestricted current funds group to other fund groups primarily for the payment of debt service on the Prior Encumbered Obligations. The following table presents a history of these expenditures for each of the Fiscal Years indicated:

Mandatory Transfers				
<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$5,775,665	\$6,042,421	\$3,285,507	\$3,592,858	\$3,137,875

Total Unrestricted Current Funds Expenditures and Mandatory Transfers

The following table presents a history of the total of all categories of Unrestricted Current Funds Expenditures and Mandatory Transfers for each of the Fiscal Years indicated:

Total Unrestricted Current Funds Expenditures and Mandatory Transfers				
<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$75,335,008	\$76,378,265	\$69,746,356	\$65,566,136	\$60,983,196

Total Restricted Current Funds Revenues and Expenditures

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

Total Restricted Current Funds				
<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$22,760,372	\$18,253,982	\$17,667,417	\$18,284,473	\$16,423,418

Fund Balances

Fund balances represent the difference between total assets and total liabilities and are reported by fund group. The fund balances described below are derived from the Combined Balance Sheet included in the unaudited primary financial statements for each of the Fiscal Years indicated. *See* "APPENDIX B." The Combined Statement of Changes in Fund Balances of the Fiscal Year ended August 31, 2001, included in "APPENDIX B", is essentially a statement of changes in financial position between reporting dates and is presented for all fund groups.

Unrestricted Current Funds

Unrestricted current funds balances represent the accumulation of the excess of Unrestricted Current Funds Revenues over Unrestricted Current Funds Expenditures and transfers. This amount is available for future operating purposes or other use as determined by the Board to the extent that such amount exceeds the amount reported as Unrestricted-Reserves. *See* the Combined Balance Sheet included in "APPENDIX B" for details for the year ended August 31, 2001. The total fund balance of all categories of unrestricted current funds (which relates to the revenues and expenditures presented above) as of the end of each of the Fiscal Years indicated was as follows:

Unrestricted Current Funds Balances

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
(\$10,848,820)	(\$4,058,360)	\$11,441,066	\$15,320,122	\$7,693,051

The negative balance is due to the \$15.1 million liability which the University incurred in connection with the Repayment Agreement. See *“THE UNIVERSITY-Financial Aid Issues.”*

Restricted Current Funds

Restricted current funds represent unexpended balances of funds externally restricted to specific operating purposes. Such funds originate from income on restricted endowment funds, gifts whose donors have placed limitations on their use and grants and contracts from private or governmental sources for research, training and other sponsored programs (other than the overhead component which is treated as unrestricted current funds). The total fund balance of restricted current funds (which relates to the revenues and expenditures presented above) as of the end of each of the Fiscal Years indicated was as follows:

Restricted Current Funds Balances

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
(\$1,416,179)	(\$1,603,418)	(\$11,547,691)	\$(3,531,354) ^(*)	\$1,274,060

The negative balance is due to the interest expense incurred in connection with the Repayment Agreement. See *“THE UNIVERSITY-Financial Aid Issues.”*

^{*} The balance of the DOE Settlement Amount was recorded in this fund. See *“THE UNIVERSITY - Financial Aid Issues and State Auditor’s Report.”*

Loan Funds

Loan funds represent student loans or funds available for loans to students administered by the University pursuant to federal and private programs. Such loans are funded by the University either through federal funds, private sources or from student tuition as authorized by state law. The loan funds balance as of the end of each of the Fiscal Years indicated was as follows:

Loan Funds

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$2,989,704	\$2,854,879	\$2,821,465	\$2,384,265	\$1,815,019

Endowment and Similar Funds

Endowment and Similar Funds are composed of multiple funds which provide for the investment of funds for endowed chairs, scholarships, and other donor or Board designated purpose. The endowment and similar funds balance as of the end of each of the Fiscal Years indicated was as follows:

Endowment and Similar Funds

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$11,389,718	\$14,577,666	\$11,631,207	\$8,081,634	\$5,856,150

Plant Funds

The University reports its Plant Funds in the following four categories: Unexpended Plant Funds; Renewals and Replacements Funds; Retirement of Indebtedness Fund; and Investment in Plant Funds.

Unexpended Plant Funds

Unexpended plant funds are unexpended funds derived from various sources to finance the acquisition of long-term plant assets. The unexpended plant fund balance as of the end of each of the Fiscal Years indicated was as follows:

Unexpended Plant Funds				
<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
(\$13,082,416)	(\$4,911,427)	\$4,174,062	\$12,893,032	\$21,383,787

Renewals and Replacements Funds

These funds provide for the renewal and replacement of plant fund assets as distinguished from additions and improvements to plant. The renewals and replacements fund balance as of the end of each of the Fiscal Years indicated was as follows:

Renewal and Replacements Funds				
<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Retirement of Indebtedness Funds

Funds for the retirement of indebtedness represent those funds held by the University in interest bearing accounts relating to Plant Fund indebtedness. The retirement of indebtedness fund balance as of the end of each of the Fiscal Years indicated was as follows:

Retirement of Indebtedness Funds				
<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$235,976	(\$480,742)	\$293,769	\$215,321	\$132,927

Investment in Plant Funds

Investment in plant represents the long-term plant and equipment assets of the University and their associated liabilities. The investment in plant fund balance as of the end of each of the Fiscal Years indicated was as follows:

Investment in Plant				
<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$233,937,730	\$199,137,317	\$181,291,318	\$183,988,552	\$167,176,726

At August 31, 2001, gross plant assets totaled \$260,357,734. Of this total, 65.9% was in the form of buildings, 13.2% in equipment, 6.3% in library books, 3.3% in construction in progress, and 11.3% in land and other.

Agency Funds

Agency funds represent funds held by the University as custodian or agent for individual students, faculty, staff members, and organizations. The total agency funds assets as of the end of each of the Fiscal Years indicated was as follows:

Agency Funds				
<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$437,406	\$2,117,265	\$392,763	\$1,869,149	\$2,218,513

Agency Fund assets are offset by liabilities (recognizing that funds are held in custody for others) and miscellaneous payables, with the result that agency funds balances are zero in any given Fiscal Year.

Financing Programs

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

Higher Education Assistance Fund Bonds

Pursuant to the Higher Education Assistance Fund (“HEAF”) program, the University is qualified to receive an annual allocation from amounts constitutionally appropriated to institutions of higher education that are not entitled to participate in Permanent University Fund bond financing in order to fund permanent improvements (except those for auxiliary enterprises). Under the constitutional provision authorizing HEAF, the Board is authorized to issue bonds and notes to finance permanent improvements at such institution and to pledge up to 50% of its allocation to secure the payment of principal of and interest on the bonds and notes. As of August 31, 2001, the University had \$7,610,000 outstanding under this program.

TABLE 5 - Outstanding Indebtedness

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

Revenue Financing System

Texas Public Finance Authority Texas Southern University Revenue Financing System Refunding Bonds, Series 1998A-1	\$ 18,025,000
Texas Public Finance Authority Texas Southern University Revenue Financing System Improvement Bonds, Series 1998A-2	\$ 16,430,000
Texas Public Finance Authority Texas Southern University Revenue Financing System Improvement Bonds (Recreational Facility Project), Series 1998B*	\$ 12,585,000
Texas Public Finance Authority Texas Southern University Revenue Financing System Improvement Bonds (Medical Services Facility Project), Series 1998C*	\$ 1,520,000
Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2002	<u>\$ 48,065,000</u>
TOTAL	<u>\$96,625,000</u>

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

Investment Policy and Procedures

Management of Investments

As provided in the Texas Education Code, each member of the Board has the legal responsibilities of a fiduciary in the management of funds under the control of the University. All investments are made in accordance with applicable State and federal regulations. The Board has provided for centralized investment management under the direction of NCM Capital Management Group Incorporation and MDL Capital Incorporation for Endowment Funds

and Smith Graham & Co. for existing bond proceeds. Cash on hand is invested in overnight collateralized repurchase agreements. The Board receives monthly reports regarding asset allocation, investment returns, and comparative investment results of other indices.

Authorized Investments

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

Investment Programs

Specific investment ranges and investment policy limitations without regard to collateralized mortgage obligations acquired prior to September 1, 1995 are as follows:

	<u>Operating Funds</u>		<u>Endowment Funds</u>	
	<u>Minimum</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Maximum</u>
U.S. Treasury Obligations	0%	100%	9.5%	25%
Federal Agency Obligations	0%	100%	9.5%	25%
Commercial Paper	0%	100%	9.5%	25%
Certificates of Deposit	0%	100%	9.5%	25%
Collateral Repurchase Agreements	0%	100%	9.5%	25%
Corporate Bonds	0%	100%	20.0%	60%
Corporate Stocks	0%	0%	40.0%	80%
Cash Equivalents	0%	0%	0.0%	25%

The University's pooled investment fund is comprised primarily of operating funds and fund balance equity that carries forward from year to year. Endowment funds are invested separately from the University's investment pool.

As of August 31, 2001, the asset allocation of the pool was as follows:

U.S. Government Treasury Obligations	72.55%
Federal Agency Obligations	2.57%
Commercial Paper	0.00%
Certificates of Deposit	0.00%
Collateral Repurchase Agreements	0.00%
Corporate Bonds	0.58%
Corporate Stock	20.85%
Cash Equivalents	3.45%

Book value of Operating Funds at August 31, 2001, was \$15,825,739 and market value was \$15,963,311. Book value of Endowment Funds at August 31, 2001, was \$12,046,790 and market value was \$11,389,717.

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Summary Balance Sheet

Fiscal Year Ended August 31

ASSETS	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Current Funds:					
Educational and General	\$ 8,751,922	\$ 15,358,779	\$ 13,442,293	\$ 17,286,657	\$ 13,216,054
Designated Funds	10,547,768	11,954,827	13,182,624	6,903,282	1,440,449
Auxiliary Funds	(533,062)	(702,853)	740,216	1,122,376	1,872,423
Restricted Current	<u>87,905</u>	<u>308,361</u>	<u>4,006,873</u>	<u>10,867,601</u>	<u>3,946,244</u>
Total Current Funds	\$ 18,854,533	\$ 26,919,114	\$ 31,372,006	\$ 36,179,916	\$ 20,475,170
Loan Funds	\$ 2,991,113	\$ 2,854,742	\$ 2,821,465	\$ 2,387,078	\$ 1,815,019
Endowment Funds	11,389,718	14,577,666	11,631,207	8,081,634	5,856,150
Plant Funds					
Unexpended	19,408,373	38,798,691	54,468,240	18,696,653	28,541,727
Renewals and Replacement	-0-	-0-	-0-	-0-	-0-
Retirement of Debt	235,976	-0-	2,413,930	215,321	132,927
Investment in Plant	<u>260,357,734</u>	<u>228,570,484</u>	<u>212,441,318</u>	<u>212,853,337</u>	<u>195,944,051</u>
Total Plant Funds	280,002,083	267,369,175	269,323,488	231,765,311	224,618,705
Agency Funds	<u>437,406</u>	<u>2,117,265</u>	392,763	1,869,149	2,218,513
Total Assets	<u>\$ 313,674,853</u>	<u>\$ 313,837,962</u>	<u>\$ 315,540,929</u>	<u>\$ 280,283,088</u>	<u>\$ 254,983,558</u>
 LIABILITIES AND FUND BALANCES					
Total Liabilities	\$ 90,469,141	\$ 108,322,047	\$ 115,435,733	\$ 60,931,516	\$ 49,651,839
Total Fund Balances	<u>223,205,712</u>	<u>205,515,915</u>	<u>200,105,196</u>	<u>219,351,572</u>	<u>205,331,720</u>
Total Liabilities & Fund Balances	<u>\$ 313,674,853</u>	<u>\$ 313,837,962</u>	<u>\$ 315,540,929</u>	<u>\$ 280,283,088</u>	<u>\$ 254,983,558</u>

Source: Unaudited Annual Financial Reports for Fiscal Years 1996 through 2001 - Exhibit A - Balance Sheet.

Summary Statement of Current Funds Revenues and Expenditures

Fiscal Year Ended August 31

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
CURRENT REVENUES:					
State Legislature Appropriations	\$36,744,154	\$37,506,637	\$37,665,252	\$36,787,236	\$31,833,824
Higher Education Assistance Funds	7,191,493	8,199,288	8,199,288	8,199,288	8,199,288
Student Tuition and Fees	21,087,602	21,125,715	19,469,523	22,108,914	19,293,709
Sales and Services	3,465,625	4,602,853	3,458,683	2,536,738	3,569,645
Gifts and Grants					
Federal	19,993,130	15,269,504	14,645,257	15,487,313	15,212,638
State	2,511,450	2,425,403	1,087,708	1,673,444	730,461
Local/Private	3,718,795	3,011,763	3,587,011	2,250,373	1,724,197
Interest Income	335,021	387,422	-0-	0	0
Endowment Income	580,496	998,112	105,957	0	0
Miscellaneous Income	<u>1,321,522</u>	<u>1,741,917</u>	<u>2,498,130</u>	<u>3,832,499</u>	<u>4,244,263</u>
TOTAL CURRENT REVENUES	<u>\$96,946,288</u>	<u>\$95,268,614</u>	<u>\$90,716,809</u>	<u>\$92,875,805</u>	<u>\$84,808,025</u>
CURRENT EXPENDITURES:					
Instructional	\$33,658,462	\$29,753,828	\$28,229,516	\$31,332,576	\$30,558,099
Research	3,085,130	2,669,772	2,615,886	3,341,545	3,291,352
Public Service	2,337,882	1,190,729	549,845	378,287	78,757
Academic Support	7,682,729	6,907,160	6,487,157	6,067,411	7,746,675
Student Services	5,563,410	4,255,561	3,716,526	2,921,828	2,479,673
Institutional Support	14,369,534	22,216,337	20,740,825	16,307,333	11,893,555
Operation and Maintenance of					
Physical Plant	7,185,757	5,338,842	4,484,228	5,729,369	6,860,989
Scholarships/Fellowships	11,814,412	10,029,743	9,091,657	8,328,213	6,525,542
Auxiliary Enterprises	<u>6,622,399</u>	<u>6,227,854</u>	<u>7,642,628</u>	<u>5,851,188</u>	<u>4,834,098</u>
TOTAL CURRENT EXPENDITURES	<u>\$92,319,715</u>	<u>\$88,589,826</u>	<u>\$84,128,268</u>	<u>\$80,257,750</u>	<u>\$74,268,740</u>

Source: Unaudited Annual Financial Reports for Fiscal Years 1996 through 2001 - Combined Exhibit C - Statement of Current Funds Revenues and Expenditures

Debt Management

Debt management of the University is the responsibility of the Senior Vice President for Business and Finance. Debt is issued by the Authority pursuant to the University's debt capacity analyses and annual funding requirements in accordance with the capital budget. Issuance of debt requires approval of the Board, the Authority, and the Texas Bond Review Board.

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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

Establishment of Revenue Financing System

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

Security and Pledge; Membership in the Revenue Financing System

Subject to the provisions of the resolutions authorizing Prior Encumbered Obligations, Parity Obligations issued under the Resolution are payable from and secured by a lien on all Pledged Revenues. The Board has assigned and pledged the Pledged Revenues to the payment of the principal of and interest on Parity Obligations and to the establishment and maintenance of any funds that may be created under the Resolution or a supplemental resolution to secure the repayment of Parity Obligations. The Authority, upon approval and consent of the Board, may execute and deliver one or more Credit Agreements to additionally secure Parity Obligations. Credit Agreements may also be secured by a pledge of Pledged Revenues on a parity with or subordinate to Parity Obligations.

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

Annual and Direct Obligation of Participants

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

Pledged Revenues

Tuition and Other Pledged Revenues

Subject to the provisions of the resolutions authorizing the Prior Encumbered Obligations and to the other provisions of the Resolution and any resolution authorizing the issuance of Parity Obligations, the Board has covenanted and agreed at all times to fix, levy, charge, and collect from each student enrolled at each Participant, respectively, at each regular fall and spring semester and at each term of each summer session, for the use and availability of such institution or branch thereof, respectively, in such amounts, without any limitation whatsoever, as will be at least sufficient at all times, together with other legally available funds, including other Pledged Revenues, to provide the money to make or pay the principal of, interest on, and other payments or deposits with respect to the Parity Obligations then outstanding when and as required. Students exempt by law or the Board may be excluded from the requirement to pay student tuition. Tuition and the other rentals, rates, fees, and charges included in Pledged Revenues will be adjusted, if and when permitted or required by the Resolution, to provide Pledged Revenues sufficient to make when due all payments and deposits in connection with the Parity Obligations then outstanding. The Board may fix, levy, charge, and collect the Pledged Revenues in any manner it may determine within its discretion, and in different amounts from students enrolled in different Participants, respectively, and in addition it may totally suspend the collection of any item included in Pledged Revenues from the students enrolled in any Participant, so long as total Pledged Revenues are sufficient, together with other legally available funds, to meet all financial obligations of the Board relating to the Revenue Financing System including all payments and deposits in connection with the Parity Obligations then outstanding. All changes in the tuition charged students at each Participant must be made by a resolution of the Board, but such procedure will not constitute or be regarded as an amendment of the Resolution, but merely the carrying out of the provisions and requirements thereof.

Annual Obligation

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

Anticipated Deficit

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

Economic Effect of Adjustments

Any adjustments in the rate or manner of charging for any rentals, rates, fees, tuition, or other charges included in Pledged Revenues, at any of the Participants pursuant to the provisions described above will be based upon a certificate and recommendation of a Designated Financial Officer, delivered to the Board, as to the rates and anticipated collection of the Pledged Revenues at the various Participants (after taking into account the anticipated effect the proposed adjustments in such rentals, rates, fees, tuition, or other charges would have on enrollment and the receipt of Pledged Revenues and other funds at each Participant) which will be anticipated to result in (i) Pledged Revenues attributable to each Participant being sufficient (to the extent possible) to satisfy the Annual

Obligation of such Participant and (ii) Pledged Revenues being sufficient, together with other legally available funds, to meet all financial obligations of the Board relating to the Revenue Financing System including all deposits and payments due on or in connection with Outstanding Parity Obligations when and as required by the Resolution.

Payment and Funds

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

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

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

Additional Parity Obligations; Non-Recourse Debt and Subordinated Debt

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

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

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

Participants

Combination or Release of Participants

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

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

- (2) the Board and the Authority have received an Opinion of Counsel which states that such release will not adversely affect the status for federal income tax purposes of interest on any Outstanding Parity Obligations and that all conditions precedent provided in the Resolution or any resolution hereafter adopted governing the issuance of Parity Obligations relating to such release have been complied with; and
- (3)
 - (A) if the Participant or portion thereof to be released from the Revenue Financing System is to remain under the governance and control of the Board, the Board must either (i) provide, from lawfully available funds, including Pledged Revenues attributable to said withdrawing Participant, for the payment or discharge of said Participant's Direct Obligations or (ii) pledge to the payment of Parity Obligations, additional resources not then pledged in an amount sufficient to satisfy such withdrawing Participant's Direct Obligation; or
 - (B) if the Participant or portion thereof to be released from the Revenue Financing System is to no longer be under the governance and control of the Board and remains in operation independent of the Board, the Board must enter into a binding obligation with the new governing body of the withdrawing institution or the portion thereof being withdrawn, obligating said governing body to make payments to the Board at the times and in the amounts equal to said Participant's Annual Obligation or to pay or discharge said Participant's Direct Obligation, or, in the case of a portion of a Participant being withdrawn, the proportion of the Participant's Annual Obligation or Direct Obligation, as the case may be, attributable to the withdrawing portion of the Participant.

Disposition of Assets

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

- (1) such conveyance, sale or disposition must occur in the ordinary course of business of such Participant which uses, operates, owns or is otherwise responsible for such properties; or
- (2) the Board determines that after the conveyance, sale or disposition, the Board has sufficient funds during each Fiscal Year during which Parity Obligations are to be Outstanding to meet the financial obligations of each Participant in the Revenue Financing System, including sufficient Pledged Revenues, to satisfy the annual debt service requirements of the Revenue Financing System and to meet all other financial obligations of the Board relating to the Revenue Financing System.

Admission of Participants

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

Certain Covenants

Rate Covenant

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

Tuition

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

General Covenants

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

Special Obligations

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

Waiver of Covenants

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

Remedies

Any owner of Parity Obligations in the event of default in connection with any covenant contained in the Resolution or in any resolution adopted hereafter authorizing the issuance of Parity Obligations, or default in the payment of said obligations, or of any interest due thereon, or other costs and expenses related thereto, may require the Board, the Authority, their respective officials and employees, and any appropriate official of the State of Texas, to carry

out, respect, or enforce the covenants and obligations of the Resolution by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings in any court of competent jurisdiction against the Board, the Authority, their respective officials and employees, or any appropriate official of the State of Texas. The principal of the Bonds cannot be accelerated in the event of default, and the Board has not granted a lien on any physical property which may be levied or foreclosed against.

Amendment of Resolution

Amendment Without Consent

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

- (i) To add to the covenants and agreements of the Board or the Authority contained in the Resolution, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Board or the Authority in the Resolution;
- (ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in the Resolution, upon receipt by the Board and the Authority of any approving opinion of Bond Counsel, that the same is needed for such purpose, and will more clearly express the intent of the Resolution;
- (iii) To provide for the issuance of Additional Parity Obligations;
- (iv) To supplement the security for the Parity Obligations to provide for the additions of new institutions and agencies to the Revenue Financing System or to clarify the provisions regarding the University as a Participant in the Revenue Financing System; provided, however, that any amendment to the definition of Pledged Revenues which results in the pledge of additional resources may limit the amount of such additional pledge and the manner, extent, and duration of such additional pledge all as set forth in such amendment;
- (v) To make any changes or amendments requested by any bond rating agency then rating or requested to rate Parity Obligations, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Board and the Authority, materially adversely affect the interests of the owners of the Outstanding Parity Obligations;
- (vi) To make such changes, modifications, or amendments as may be necessary or desirable, which will not adversely affect the interests of the owners of the Outstanding Parity Obligations, in order, to the extent permitted by law, to facilitate the economic and practical utilization of Credit Agreements with respect to the Parity Obligations; or
- (vii) To make such other changes in the provisions of the Resolution as the Board and the Authority may deem necessary or desirable and which does not, in the judgment of the Board and the Authority, materially adversely affect the interests of the owners of Outstanding Parity Obligations.

Amendments With Consent

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

- (1) Grant to the owners of any Outstanding Parity Obligations a priority over the owners of any other Outstanding Parity Obligations;
- (2) Materially adversely affect the rights of the owners of less than all Parity Obligations then Outstanding;
- (3) Change the minimum percentage of the Outstanding Principal Amount necessary for consent to such amendment;
- (4) Make any change in the Stated Maturity, or the provisions for redemption prior to Stated Maturity of the Outstanding Parity Obligations;
- (5) Reduce the rate of interest borne by the Outstanding Parity Obligations;
- (6) Reduce the amount of principal payable on the Outstanding Parity Obligations; or
- (7) Modify the terms of payment of principal of or interest on the Outstanding Parity Obligations or impose any conditions with respect to such payment.

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

Defeasance

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

LEGAL MATTERS

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

Certain legal matters will be passed upon for the Underwriters by Fulbright & Jaworski L.L.P., Houston, Texas. The Underwriters were selected by the governing board of the Authority. The senior managing underwriter selected Fulbright & Jaworski L.L.P. to serve as Underwriters' Counsel.

TAX EXEMPTION

In the opinion of Vinson & Elkins L.L.P., Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, (ii) certain “original issue discount” on the Bonds, maturing in the years 2011, 2012, 2020 and 2021 (the “Original Issue Discount Bonds”), is excludable from gross income for federal income tax purposes under existing law as described more fully in “Tax Accounting Treatment of Original Discount Bonds” and (iii) the Bonds are not “private activity bonds” under the Internal Revenue Code of 1986, as amended (the “Code”), and interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations.

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

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

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

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

Except as stated above and as stated below in “Tax Accounting Treatment of Original Discount Bonds,” Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively-connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel’s knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention or to reflect

any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Authority as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

Tax Accounting Treatment of Original Issue Discount Bonds

The initial offering price for the Original Issue Discount Bonds is less than the principal amount thereof. In such case, Bond Counsel, under existing law and based upon the assumptions hereinafter stated, will render an opinion to the effect that:

(a) The difference between (i) the principal amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of an owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds; and

(b) Such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "Tax Exemption" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

In rendering the foregoing opinion, Bond Counsel will assume, in reliance upon certain representations of the Underwriters, that (a) the Underwriters have purchased the Bonds for contemporaneous sale to the public and (b) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this Official Statement. Neither the Authority nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions. Certain of the representations of the Underwriters, upon which Bond Counsel will rely in rendering the foregoing opinion, will be based upon records or facts the Underwriters had no reason to believe were not correct.

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

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

Tax Accounting Treatment of Original Issue Premium

The issue price of the Bonds maturing in years 2002 through 2010, inclusive, and 2013 through 2019, inclusive, exceeds the stated redemption price payable at maturity of such Bonds. Such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Bond.

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

LEGAL INVESTMENTS IN TEXAS

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

RATINGS

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The Board will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the University of the general type included in this Official Statement under the heading(s) "SECURITY FOR THE BONDS - TABLE 1-A - Pledged Revenues" and "- TABLE 1-B - Special Fees", "THE UNIVERSITY - TABLE 2 - University Enrollment Data", "SELECTED FINANCIAL INFORMATION", and in APPENDIX B. The Board will update and provide this information within 180 days after the end of each Fiscal Year ending in or after 2002. The Board will provide the updated information to the Authority and each NRMSIR and to any SID that is designated and approved by the staff of the United States Securities and Exchange Commission (the "SEC").

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

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

Material Event Notices

The Board will also provide timely notices of certain events to certain information vendors. The Board will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on 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 or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. (Neither the Bonds nor the Resolution make any provision for liquidity enhancement.) In addition, the Board will provide timely notice of any failure by the Board to provide information, data, or financial reports in accordance with its agreement described above under "Annual Reports." The Board will provide each notice described in this paragraph to any SID and to either each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB").

Availability of Information from NRMSIRs and SID

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

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

Limitations and Amendments

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

The Board, with the consent of the Authority, may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Board, but only if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Resolution that authorizes such an amendment) of the Bonds then Outstanding consent to the amendment or (b) any person unaffiliated with the Board (such as nationally recognized Bond Counsel) determines that the amendment will not materially impair the interests of the registered owners and beneficial owners of the Bonds. The Board may also amend or repeal its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds. If the Board so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Agreements

The Board and the Authority are in full compliance with all other continuing disclosure agreements made in accordance with the Rule.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the Authority and the Board at an underwriting discount of \$290,623.05 from the initial public offering prices therefor set forth on the inside cover page of this Official Statement. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than the initial public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

FINANCIAL ADVISORS

First Southwest Company and CKW Financial Group, Inc. have acted as Co-Financial Advisor to the Authority in connection with the issuance of the Bonds. The Co-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 Co-Financial Advisors have read and participated in the preparation of this Official Statement, they have not independently verified any of the information set forth herein. The information contained in this Official Statement has been obtained primarily from the Authority's and the University's records and from other sources which are believed to be reliable. No guarantee is made as to the accuracy or completeness of any such information. No person, therefore, is entitled to rely upon the participation of the Co-Financial Advisors as an implicit or explicit expression of opinion as to the completeness and accuracy of the information contained in this Official Statement.

PENDING LITIGATION AND CLAIMS THREATENING LITIGATION

At March 15, 2002, various lawsuits and claims involving the University were pending. While the ultimate liability with respect to litigation and other claims asserted against the University cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the University or the Pledged Revenues.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

APPENDIX A

DEFINITIONS

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

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

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

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

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

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

(4) *Prepaid Debt*. Principal of and interest on Parity Obligations, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which

such principal or interest are payable from funds on deposit or set aside in trust for the payment thereof at the time of such calculations (including without limitation capitalized interest and accrued interest so deposited or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such Debt;

(5) Variable Rate. As to any Parity Obligation that bears interest at a variable interest rate which cannot be ascertained at the time of calculation of the Annual Debt Service Requirement then, at the option of the Board, either (1) an interest rate equal to the average rate borne by such Parity Obligations (or by comparable debt in the event that no such Parity Obligation has been outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation, or (2) an interest rate equal to the 30-year Tax-Exempt Revenue Bond Index (as most recently published in The Bond Buyer), shall be presumed to apply for all future dates, unless such index is no longer published in The Bond Buyer, in which case an index of tax-exempt revenue bonds with maturities of at least 20 years which is published in a newspaper or journal with national circulation may be used for this purpose. If two Series of Parity Obligations which bear interest at variable interest rates, or one or more Stated Maturities within a Series, of equal par amounts, are issued simultaneously with inverse floating interest rates providing a composite fixed interest rate for such Parity Obligations taken as a whole, such composite fixed rate shall be used in determining the Annual Debt Service Requirement with respect to such Parity Obligations;

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

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

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

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

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

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

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

“*Authority Act*” means Article 601d, Texas Revised Civil Statutes, as amended.

“*Authorized Denomination*” shall have the meaning ascribed to said term in the Resolution.

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

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

“*Bonds*” means the Series 2002 Bonds, and all substitute bonds exchanged therefor, and all other substitute and replacement bonds issued pursuant to the Resolution; and the term “Bond” means any of the Bonds.

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

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

“*Cost of Issuance Account*” means the *Texas Southern University Revenue Financing System Bonds, Series 2002 Cost of Issuance Account* created within the 2002 Project Fund pursuant to the Third Supplemental.

“*Counsel*” means Vinson & Elkins L.L.P., or such other firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the Authority with the approval of the Board.

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

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

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

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

“*Debt*” means all:

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

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

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

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

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

“*Designated Financial Officer*” shall mean the Senior Vice President for Administration of the University, or such other official of the University appointed by the Board to carry out the functions of the Designated Financial Officer specified in the Resolution.

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

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

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

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

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

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

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

“*Holder*” or “*Bondholder*” or “*Owner*” means the registered owner of any Parity Obligation registered as to ownership and the holder of any Parity Obligation payable to bearer.

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

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

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

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*2002 Costs of Issuance Account*” means the *Texas Southern University Revenue Financing System Bonds, Series 2002 Cost of Issuance Account* created within the 2002 Project Fund pursuant to Section 5 of the Third Supplement.

“*2002 Fund(s)*” means collectively or individually the Interest and Sinking Fund, the 2002 Project Fund, the 2002 Costs of Issuance Account and the 2002 Reserve Fund.

“*2002 Project*” means the project described in Exhibit C to the Third Supplement.

“*2002 Project Fund*” means the *Texas Southern University Revenue Financing System Bonds, Series 2002 Project Fund* created pursuant to Section 5 of the Third Supplement.

“*2002 Reserve Fund*” means the Texas Southern University Revenue Financing System Bond, Series 2002 Reserve Fund created pursuant to the Third Supplement.

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

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

“*Officer’s Certificate*” means a certificate executed by the Designated Financial Officer.

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

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

- (1) Parity Obligations theretofore canceled and delivered to the Board or delivered to the Paying Agent or the Registrar for cancellation;
- (2) Parity Obligations deemed paid pursuant to the provisions of Section 21 of the Master Resolution or any comparable section of any resolution hereafter adopted authorizing the issuance of Parity Obligations;
- (3) Parity Obligations upon transfer of or in exchange for and in lieu of which other Parity Obligations have been authenticated and delivered pursuant to the Master Resolution; and
- (4) Parity Obligations under which the obligations of the Board, or the Authority on behalf of the Board, have been released, discharged, or extinguished in accordance with the terms thereof;

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

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

“*Outstanding Revenue Bonds*” means those bonds listed below which are secured by a lien on and pledge of the Prior Encumbered Revenues charged and collected at the University in support thereof:

Texas Public Finance Authority Texas Southern University Revenue Financing System Refunding Bonds, Series 1998A-1 (the “Series 1998A-1 Bonds”);

Texas Public Finance Authority Texas Southern University Revenue Financing System Improvement Bonds, Series 1998A-2 (the “Series 1998A-2 Bonds”);

Texas Public Finance Authority Texas Southern University Revenue Financing System Improvement Bonds (Recreational Facility Project), Series 1998B (the “Series 1998B Bonds”);

Texas Public Finance Authority Texas Southern University Revenue Financing System Improvement Bonds (Medical Services Facility Project), Series 1998C (the “Series 1998C Bonds”); and

Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2002 (the “Bonds”).

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

Texas Public Finance Authority Texas Southern University Revenue Financing System Refunding Bonds, Series 1998A-1 (the “Series 1998A-1 Bonds”);

Texas Public Finance Authority Texas Southern University Revenue Financing System Improvement Bonds, Series 1998A-2 (the “Series 1998A-2 Bonds”);

Texas Public Finance Authority Texas Southern University Revenue Financing System Improvement Bonds (Recreational Facility Project), Series 1998B (the “Series 1998B Bonds”);

Texas Public Finance Authority Texas Southern University Revenue Financing System Improvement Bonds (Medical Services Facility Project), Series 1998C (the “Series 1998C Bonds”); and

Texas Public Finance Authority Texas Southern University Revenue Financing System Bonds, Series 2002 (the “Bonds”).

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

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

“*Permitted Investments*” means with respect to the Series 2002 Bonds:

A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

1. U.S. Export-Import Bank (Eximbank)

Direct obligations or fully guaranteed certificates of beneficial ownership

2. Farmers Home Administration (FmHA)

Certificates of beneficial ownership

3. Federal Financing Bank

4. Federal Housing Administration Debentures (FHA)

5. General Services Administration

Participation certificates

6. Government National Mortgage Association (GNMA or "Ginnie Mae")

GNMA - guaranteed mortgage-backed bonds

GNMA - guaranteed pass-through obligations

(not acceptable for certain cash-flow sensitive issues.)

7. U.S. Maritime Administration

Guaranteed Title XI financing

8. U.S. Department of Housing and Urban Development (HUD)

Project Notes

Local Authority Bonds

New Communities Debentures - U.S. government guaranteed debentures

U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing

notes and bonds

C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

1. Federal Home Loan Bank System

Senior debt obligations

2. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")

Participation Certificates

Senior debt obligations

3. Federal National Mortgage Association (FNMA or "Fannie Mae")

Mortgage-backed securities and senior debt obligations

4. Student Loan Marketing Association (SLMA or "Sallie Mae")

Senior debt obligations

5. Resolution Funding Corp. (REFCORP) obligations

6. Farm Credit System

Consolidated systemwide bonds and notes

D. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAA-m; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2.

E. Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

F. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

G. Investment Agreements, including GIC's, Forward Purchase Agreements and Reserve Fund Put Agreements acceptable to MBIA (Investment Agreement criteria is available upon request).

H. Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by S&P.

I. Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

J. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P.

K. Repurchase Agreements for 30 days or less must follow the following criteria. Repurchase Agreements which exceed 30 days must be acceptable to MBIA (criteria available upon request).

Repurchase agreements provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.

1. Repos must be between the municipal entity and a dealer bank or securities firm

a. Primary dealers on the Federal Reserve reporting dealer list which are rated A or better by Standard & Poor's Corporation and Moody's Investor Services, or

b. Banks rated "A" or above by Standard & Poor's Corporation and Moody's Investor Services.

2. The written repo contract must include the following:

a. Securities which are acceptable for transfer are:

(1) Direct U.S. governments, or

(2) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)

b. The term of the repo may be up to 30 days

c. The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).

d. Valuation of Collateral

(1) The securities must be valued weekly, marked-to-market at current market price plus accrued interest

(a) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

3. Legal opinion which must be delivered to the municipal entity:

a. Repo meets guidelines under state law for legal investment of public funds.

Additional Notes

(i) There is no list of permitted investments for non-indentured funds. Your own credit judgment and the relevant circumstances (e.g., amount of investment and timing of investment) should dictate what is permissible.

(ii) Any state administered pool investment fund in which the issuer is statutorily permitted or required to invest will be deemed a permitted investment.

(iii) DSRF investments should be valued at fair market value and marked to market at least once per year. DSRF investments may not have maturities extending beyond 5 years, except for Investment Agreements approved by the Insurer.

“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.

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

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

“*Prior Bonds*” means the Series 1998A Bonds, Series 1998B Bonds and Series 1998C Bonds.

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

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

“*Project*” means the 2002 Project.

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

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

“*Required Reserve Amount*” means the maximum annual debt service requirement for the Bonds (which equals \$8,175,990.13).

“*Resolution*” means the Master Resolution and all supplements thereto.

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

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

“*Rule*” means SEC Rule 15c2-12, as amended from time to time.

“*SEC*” means the United States Securities and Exchange Commission.

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

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

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

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

“*Third Supplement*” means the Third Supplement to the Master Resolution authorizing the issuance and sale of the Bonds and any amendments and supplements thereto.

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

“*Underwriters*” means the investment banking firm or firms named in the Bond Purchase Contract.

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APPENDIX B
FINANCIAL REPORT OF TEXAS SOUTHERN UNIVERSITY
FOR THE YEAR ENDED AUGUST 31, 2001

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UNAUDITED

TEXAS SOUTHERN UNIVERSITY

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TEXAS SOUTHERN UNIVERSITY
3100 CLEBURNE AVENUE • HOUSTON, TEXAS 77004

(713) 313-7011

OFFICE OF THE SENIOR VICE PRESIDENT
BUSINESS AND FINANCE
OFFICE: 713-313-7050; FAX: 713-313-1023

UNAUDITED

November 19, 2001

Dr. Priscilla D. Slade
President
Texas Southern University
Houston, Texas 77004

Dear Dr. Slade:

Submitted herein is the Annual Financial Report of Texas Southern University for the fiscal year ended August 31, 2001.

The financial statements in this report have been prepared in conformity with the General Provisions of the Appropriations Act, Article IX, and in accordance with the requirements established by the Comptroller of Public Accounts.

The Annual Financial Report will be audited by the State Auditor as part of the audit of the Statewide Annual Financial Report; therefore an opinion has not been expressed on the statements and related information contained in this report.

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

Respectfully submitted,

Quintin F. Wiggins, CPA
Senior Vice President for Finance

AFR2001:bjj



TEXAS SOUTHERN UNIVERSITY
3100 CLEBURNE AVENUE • HOUSTON, TEXAS 77004

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OFFICE: 713-313-7050; FAX: 713-313-1023

UNAUDITED

November 19, 2001

The Honorable Rick Perry
Governor of Texas

Mr. Lawrence F. Alwin, CPA
State Auditor

Mr. John Keel, CPA
Director, Legislative Budget Board

The Honorable Carole Keeton Rylander
Comptroller of Public Accounts

To Agency Heads Addressed:

The Financial Report of Texas Southern University, with which this letter is bound, is transmitted for inclusion in the State of Texas Annual Financial Report for the fiscal year ended August 31, 2001. The State Auditor will consider the accompanying Annual Financial Report for audit of the State's Comprehensive Annual Financial Report; therefore, an opinion on the financial statements and related information contained in this report has not been expressed. This report is intended to present a complete picture of the fiscal affairs of the University for the year ended August 31, 2001.

As indicated by the following letter of transmittal, this report has been prepared by the fiscal office of the University to provide a summary of the University's financial records.

Sincerely,

Priscilla Slade, Ph.D.
President

UNAUDITED
TEXAS SOUTHERN UNIVERSITY
ORGANIZATIONAL DATA
FOR THE FISCAL YEAR 2000-2001

BOARD OF REGENTS

OFFICERS (FISCAL YEAR 2000-2001)

A. Martin Wickliff, Jr.
Alphonso Jackson
Fred Zeidman

Chairman
Vice Chair
2nd Vice Chair

MEMBERS

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

UNIVERSITY ADMINISTRATION

Priscilla D. Slade	President
Charlene Evans	Executive Vice President
Bobby L. Wilson	Provost/SVP for Academic Affairs
Quintin F. Wiggins	SVP for Finance
Bruce Wilson	VP for Purchasing & Procurement Services
Terry Holderman	Director of Internal Audit
Gayla Thomas	Associate Provost of Institutional Effectiveness
Lynn Rodriguez	General Council
Terry Smith	Assistant VP of Construction

FISCAL AFFAIRS

Sushil Khandelwal	Assistant VP for Budget
Bobby Johnson	Assistant VP for Business & Financial Services
Effie Lark	Director of Financial Reporting
Diane Lewis	Director of Grants and Contracts
Dennis Walls	Accounting Manager
Jocelyn Burris	Comptroller

UNAUDITED
TEXAS SOUTHERN UNIVERSITY
ENROLLMENT DATA
FOR THE YEAR ENDED AUGUST 31, 2001

<u>Type Of Student</u>	<u>Fall 2000 Semester</u>	<u>Spring 2001 Semester</u>	<u>Summer Terms 2001</u>	
			<u>First</u>	<u>Second</u>
Resident				
Regular	5,609	5,704	1,463	370
Law	420	370	130	-
Non-Resident				
Regular	337	327	51	20
Law	201	190	26	-
Good Neighbor				
Veterans-Hazlewood Act	49	10	3	0
Texas Commission For The Blind	15	3	1	0
Highest Ranking High School Exemption	319	331	71	29
Graduate				
Total	<u>6,950</u>	<u>6,935</u>	<u>1,745</u>	<u>419</u>

ENROLLMENT TREND DATA

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

UNAUDITED

TEXAS SOUTHERN UNIVERSITY
EXHIBIT A
BALANCE SHEET
August 31, 2001

CURRENT FUNDS - UNRESTRICTED					
	Educational and General	Designated	Auxiliary Enterprises	Total	Restricted
ASSETS					
Cash and Temporary Investments (Sch. A-1)	\$ 5,076,621	\$ 9,083,604	\$ (1,212,245)	\$ 12,947,980	\$ (3,711,121)
Balance in Legislative Appropriations(Sch. A-3)	2,315,683			2,315,683	
Accounts Receivable (net of allowance for doubtful accounts of \$ 9,799,404)	305,987	192,152	69,638	567,777	1,373,365
Due From Other Funds	148,396		139,120	287,516	
Due From Other Agencies	16,423			16,423	
Investments (Sch. A-2)				-	
Prepaid Expenses	591,378	1,272,012	470,425	2,333,815	98,650
Federal Receivables				-	2,327,011
Notes Receivable				-	
Consumable Inventories	297,434			297,434	
Land (Sch. B-11)				-	
Buildings (Sch. B-11)				-	
Improvements Other Than Buildings (Sch. B-11)				-	
Equipment (Sch. B-11)				-	
Library Books (Sch. B-11)				-	
Construction in Progress (Sch. B-11)				-	
Total Assets	<u>8,751,922</u>	<u>10,547,768</u>	<u>(533,062)</u>	<u>18,766,628</u>	<u>87,905</u>
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts Payable	2,656,398	395,997	157,244	3,209,639	909,465
Accrued Liabilities	1,599,126	153,810	1,150,721	2,903,657	376,379
Deposits Payable		116,064	1,998,863	2,114,927	
Due To Other Funds		69,276		69,276	218,240
Deferred Revenues	5,277,313	2,000,783	957,846	8,235,942	
Accrued Compensable Absences Payable	1,610,362	68,681	111,943	1,790,986	
Revenue Bonds Payable				-	
General Obligation Bonds Payable				-	
Notes and Loans Payable		11,291,022		11,291,022	
Funds Held in Custody for Others (Sch. A-4)				-	
Total Liabilities	<u>\$ 11,143,199</u>	<u>\$ 14,095,633</u>	<u>\$ 4,376,617</u>	<u>\$ 29,615,449</u>	<u>\$ 1,504,084</u>

UNAUDITED

Loan Funds	Endowment and Similar Funds	PLANT FUNDS				Agency Funds	TOTALS Reporting Entity
		Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant		
\$ 877,558	\$	\$ (208,431)	\$	235,976	\$	\$ 436,848	\$ 10,578,810
346		3,653,031				558	5,968,714
		463					1,942,509
							287,516
							16,423
	11,389,718	15,963,310					27,353,028
							2,432,465
							2,327,011
2,113,209							2,113,209
							297,434
					11,561,269		11,561,269
					171,555,606		171,555,606
					17,823,217		17,823,217
					34,465,935		34,465,935
					16,517,555		16,517,555
					8,434,152		8,434,152
<u>2,991,113</u>	<u>11,389,718</u>	<u>19,408,373</u>	<u>-</u>	<u>235,976</u>	<u>260,357,734</u>	<u>437,406</u>	<u>313,674,853</u>
1,409		780,789					4,901,302
							3,280,036
							2,114,927
							287,516
							8,235,942
							1,790,986
		31,710,000			18,810,000		50,520,000
					7,610,004		7,610,004
							11,291,022
						437,406	437,406
<u>\$ 1,409</u>	<u>\$ -</u>	<u>\$ 32,490,789</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,420,004</u>	<u>\$ 437,406</u>	<u>\$ 90,469,141</u>

UNAUDITED

TEXAS SOUTHERN UNIVERSITY
EXHIBIT A
BALANCE SHEET
August 31, 2001

CURRENT FUNDS - UNRESTRICTED				
Educational and General	Designated	Auxiliary Enterprises	Total	Restricted
Fund Equity:				
Unrestricted				
Reserved				
Encumbrances	625,792	598,736	274,547	1,499,075
Accounts Receivable	305,987	192,152	69,638	567,777
Inventories	297,434			297,434
Higher Education Assistance Fund	165,671			165,671
Petty Cash				-
For Other Specific Purposes				-
Unreserved				
Unallocated	(3,786,161)	(4,338,753)	(5,253,864)	(13,378,778)
Restricted				
Reserved - Encumbered				2,139,011
Reserved - Other				(3,555,190)
U.S. Government Grants Refundable				-
Endowment (Sch. B-6)				-
Term Endowment (Sch. B-6)				-
Net Investment in Plant (Sch. B-11)				-
Total Fund Equity (Exh. B)	<u>(2,391,277)</u>	<u>(3,547,865)</u>	<u>(4,909,679)</u>	<u>(10,848,820)</u>
Total Liabilities and Fund Equity	<u>\$ 8,751,922</u>	<u>\$ 10,547,768</u>	<u>\$ (533,062)</u>	<u>\$ 18,766,628</u>
				<u>\$ 87,905</u>

UNAUDITED

Loan Funds	Endowment and Similar Funds	PLANT FUNDS				Agency Funds	TOTALS Reporting Entity
		Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant		
							1,499,075
							567,777
							297,434
		1,693,527					1,859,198
							-
							-
		(14,775,943)		235,976			(27,918,745)
							-
							2,139,011
876,495							(2,678,695)
2,113,209							2,113,209
	11,389,718						11,389,718
							-
					233,937,730		233,937,730
							-
					233,937,730		223,205,712
<u>2,989,704</u>	<u>11,389,718</u>	<u>(13,082,416)</u>	<u>-</u>	<u>235,976</u>	<u>233,937,730</u>	<u>-</u>	<u>223,205,712</u>
<u>\$ 2,991,113</u>	<u>\$ 11,389,718</u>	<u>\$ 19,408,373</u>	<u>\$ -</u>	<u>\$ 235,976</u>	<u>\$ 260,357,734</u>	<u>\$ 437,406</u>	<u>\$ 313,674,853</u>

	CURRENT FUNDS - UNRESTRICTED				
	Educational and General	Designated	Auxiliary Enterprises	Total	Restricted
FUND BALANCE, September 1, 2000	\$ 2,764,005	\$ (3,557,990)	\$ (3,264,375)	\$ (4,058,360)	\$ (1,603,418)
Restatement (Prior Period Adjustments)		216,436	(707,071)	(490,635)	
FUND BALANCE, September 1, 2000, as Restated	2,764,005	(3,341,554)	(3,971,446)	(4,548,995)	(1,603,418)
REVENUES AND OTHER ADDITIONS					
Unrestricted Current Funds Revenue (Exh. C)	58,129,371	10,575,908	5,483,638	74,188,917	18,989,659
Federal Grants and Contracts				-	55,911
Federal Pass -Through Grants from Other State Agencies				-	1,979,544
State Grants and Contracts				-	145,349
State Pass-Through Grants from Other State Agencies				-	12,815
Local Gifts, Grants, and Contracts				-	1,577,094
Private Gifts, Grants and Contracts				-	
HUD Interest Grant				-	
Investment Income				-	
Net Increase(Decrease) in Fair Value of Investments				-	
Endowment Income				-	
Adjustments to Accounts/Notes Receivable				-	
Net Increase in Consumable Inventories				-	
Net Decrease in Accrued Comp. Absences Payable		19,091		19,091	
Net Decrease in Bonds Payable				-	
Net Decrease in Notes and Loans Payable		34,368		34,368	
Expended for Plant Facilities (includes \$4,031,567 Charged to Current Funds Expenditures)				-	
Bond Proceeds				-	
Other Revenues				-	
Other Additions	114,677		409,547	524,224	187,239
Total Revenues and Other Additions	58,244,048	10,629,367	5,893,185	74,766,600	22,947,611
EXPENDITURES AND OTHER DEDUCTIONS					
Expenditures (Exh. C)	53,259,426	9,677,518	6,622,399	69,559,343	21,591,027
Expended for Plant Facilities				-	
Lapsed Appropriations	549,544			549,544	
Indirect Costs Recovered				-	1,169,345
Adjustment to Accounts/Notes Receivable	482,672	126,602	181,991	791,265	
Retirement of Indebtedness and Expense:				-	
Bonds				-	
Notes and Loans				-	
Net Increase in Consumable Inventories	27,337			27,337	
Net Increase in Accrued Comp. Absences Payable	76,268		617	76,885	
Net Increase in Bonds Payable				-	
Net Increase in Notes and Loans Payable				-	
Interest & Other Finance Charges/Fees on Indebtedness				-	
Disposal/Write-Off of Plant Facilities				-	
Other Deductions	863,418	150,413	26,411	1,040,242	
Total Expenditures and Other Deductions	\$ 55,258,665	\$ 9,954,533	\$ 6,831,418	\$ 72,044,616	\$ 22,760,372

UNAUDITED

Loan Funds	Endowment and Similar Funds	PLANT FUNDS				TOTALS Reporting Entity
		Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	
\$ 2,854,879	\$ 14,577,666	\$ (4,911,427)	\$ -	\$ (480,742)	\$ 199,137,317	\$ 205,515,915
	(100,000)	10,900,000		553,520	5,727,360	16,590,245
<u>2,854,879</u>	<u>14,477,666</u>	<u>5,988,573</u>		<u>72,778</u>	<u>204,864,677</u>	<u>222,106,160</u>
						74,188,917
						18,989,659
						55,911
						1,979,544
						145,349
						12,815
	368,993					1,946,087
				86,550		86,550
134,964	629,204	1,416,445				2,180,613
	(3,409,759)					(3,409,759)
						-
						-
						19,091
		630,000			2,419,996	3,049,996
						34,368
					26,059,890	26,059,890
						-
						-
				15		15
3,009		42,421			593,167	1,350,060
<u>137,973</u>	<u>(2,411,562)</u>	<u>2,088,866</u>	<u>-</u>	<u>86,565</u>	<u>29,073,053</u>	<u>126,689,106</u>
	102,970					91,253,340
		22,028,323				22,028,323
						549,544
						1,169,345
						791,265
						-
				3,049,996		3,049,996
						-
						27,337
						76,885
						-
				2,725,669		2,725,669
						-
3,148	573,416	2,301,044				3,917,850
<u>\$ 3,148</u>	<u>\$ 676,386</u>	<u>\$ 24,329,367</u>	<u>\$ -</u>	<u>\$ 5,775,665</u>	<u>\$ -</u>	<u>\$ 125,589,554</u>

UNAUDITED

	CURRENT FUNDS - UNRESTRICTED				Restricted
	Educational and General	Designated	Auxiliary Enterprises	Total	
TRANSFERS-ADDITIONS/(DEDUCTIONS)					
Mandatory Transfers					
Retirement of Indebtedness	\$ (3,545,192)	\$ (2,230,473)		\$ (5,775,665)	\$
Designated Tuition				-	
Unexpended Funds				-	
Non-Mandatory					
Tuition	(1,349,328)	1,349,328		-	
Designated Funds				-	
Restricted				-	
Unexpended Plant Funds - Unappropriated				-	
Skiles Act Funds from Tuition	(76,633)			(76,633)	
Unexpended Plant Funds	(3,169,512)			(3,169,512)	
Total Transfers - Additions / (Deductions)	<u>(8,140,665)</u>	<u>(881,145)</u>		<u>(9,021,810)</u>	
NET INCREASE/(DECREASE) FOR THE FISCAL YEAR	<u>(5,155,282)</u>	<u>(206,311)</u>	<u>(938,233)</u>	<u>(6,299,826)</u>	<u>187,239</u>
FUND BALANCES, August, 31, 2001	<u>\$ (2,391,277)</u>	<u>\$ (3,547,865)</u>	<u>\$ (4,909,679)</u>	<u>\$ (10,848,821)</u>	<u>\$ (1,416,179)</u>
		(Sch. B-2)	(Sch. B-3)		(Sch. B-4)

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

UNAUDITED

Loan Funds	Endowment and Similar Funds	PLANT FUNDS				TOTALS Reporting Entity
		Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	
\$	\$	\$	\$	\$ 5,775,665	\$	\$ -
						-
						-
						-
						-
						-
						-
				76,633		-
		3,169,512				-
		3,169,512	-	5,852,298	-	0
134,825	(3,087,948)	(19,070,989)	-	163,198	29,073,053	1,099,552
\$ 2,989,704	\$ 11,389,718	\$ (13,082,416)	\$ -	\$ 235,976	\$ 233,937,730	\$ 223,205,712
(Sch. B-5)	(Sch. B-6)	(Sch. B-8)	(Sch. B-9)	(Sch. B-10)	(Sch. B-11)	

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TEXAS SOUTHERN UNIVERSITY
EXHIBIT C - STATEMENT OF CURRENT FUNDS REVENUES AND EXPENDITURES
 For the Year Ended August 31, 2001

	UNRESTRICTED			Total
	Educational and General	Designated	Auxiliary Enterprises	
REVENUES (Sch. B-2, B-3, B-4 and C-1)				
Tuition	\$ 9,695,256	\$	\$	\$ 9,695,256
Designated Tuition		3,629,105		3,629,105
Student Services Fees			1,910,242	1,910,242
Student Union Fees			537,514	537,514
Other Fees	48,646	2,850,943		2,899,589
Tuition Remissions and Exemptions	2,415,896			2,415,896
Legislative Appropriations - General Revenue	36,744,154			36,744,154
Legislative Appropriations - Higher Education Assistance Fund	7,191,493			7,191,493
Federal Grants and Contracts	947,560			947,560
Federal Pass-Through Grants from Other State Agencies				
State Grants and Contracts	137,253			137,253
State Pass-Through Grants from Other State Agencies	249,304			249,304
Local Gifts, Grants and Contracts	87	24,650		24,737
Private Gifts, Grants and Contracts				
Nongovernmental Grants and Contracts	84,444	2,018,505	1,200	2,104,149
Indirect Cost Recovery Revenue				
Other Investment Income	223,624			223,624
Other Interest Income		6,203	105,194	111,397
Endowment Income		580,496		580,496
Sales and Services:				
Educational Activities	83,128	587,505		670,633
Auxiliary Enterprises	21,427	196,981	2,576,584	2,794,992
Other Sources	287,099	681,520	352,903	1,321,522
Total Current Funds Revenues	<u>58,129,371</u>	<u>10,575,908</u>	<u>5,483,637</u>	<u>74,188,916</u>
	(Exh. B)	(Exh. B)	(Exh. B)	
EXPENDITURES (Sch. B-2, B-3, B-4 and C-2)				
Educational and General				
Instruction	27,487,776	1,349,094		28,836,870
Research	22,766	13,843		36,609
Public Service	689,007	50,994		740,001
Academic Support	6,030,919	645,288		6,676,207
Student Services	1,747,981	1,531,207		3,279,188
Institutional Support	10,087,197	3,872,238		13,959,435
Operation and Maintenance of Plant	6,760,756	416,042		7,176,798
Scholarships and Fellowships	433,024	1,798,812		2,231,836
Total Educational and General Expenditures	<u>53,259,426</u>	<u>9,677,518</u>		<u>62,936,944</u>
Auxiliary Enterprises Expenditures			<u>6,622,399</u>	<u>6,622,399</u>
Total Current Funds Expenditures (Exh. B)	<u>\$ 53,259,426</u>	<u>\$ 9,677,518</u>	<u>\$ 6,622,399</u>	<u>\$ 69,559,343</u>
See accompanying Notes to the Financial Statements.				
Note 1:				
Legislative Appropriation - General Revenue:				
Current Year Appropriation per Approp. Act	\$ 30,578,023			
Employees Benefits:				
OASI Matching	1,709,768			
Benefit Replacement Pay	720,042			
Group Insurance	2,191,997			
Retirement Plans	1,326,055			
Workers Compensation Insurance	98,047			
Unemployment Compensation Insurance	120,222			
Subtotal	<u>36,744,154</u>	(Exh. C)		
Legislative Appropriation - Higher Education Assistance Fund	7,191,493	(Exh. C)		
Total Legislative Appropriation	<u>\$ 43,935,647</u>	(Sch. C-1)		

<u>Restricted</u>	<u>Total</u>
\$	\$
	9,695,256
	3,629,105
	1,910,242
	537,514
	2,899,589
	2,415,896
	36,744,154
	7,191,493
18,989,659	19,937,219
55,911	55,911
1,979,544	2,116,797
145,349	394,653
12,815	37,552
	-
1,577,094	3,681,243
	-
	223,624
	111,397
	580,496
	-
	670,633
	2,794,992
	1,321,522
<u>22,760,372</u>	<u>96,949,288</u>
4,821,592	33,658,462
3,048,521	3,085,130
1,597,881	2,337,882
1,006,522	7,682,729
2,284,222	5,563,410
410,099	14,389,534
8,959	7,185,757
9,582,576	11,814,412
<u>22,760,372</u>	<u>85,697,316</u>
	<u>6,622,399</u>
\$ <u>22,760,372</u>	\$ <u>92,319,715</u>

UNAUDITED

TEXAS SOUTHERN UNIVERSITY

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED AUGUST 31, 2001

GENERAL INTRODUCTION

Texas Southern 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 Texas Southern University in maintaining accounts and in the preparation of the preceding statements are in accordance with Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements. These requirements follow, as near as practicable, the AICPA Industry Audit Guide, *Audits of Colleges and Universities*, 1996 Edition, as amended by AICPA Statement of Position (SOP) 74-8, *Financial Accounting and Reporting by Colleges and Universities*, and as modified by applicable Financial Accounting Standards Board (FASB) pronouncements issued through November 30, 1989, and as modified by all applicable GASB pronouncements cited in Codification Section C05, "Colleges and Universities." The requirements are also in substantial conformity with the *Financial Accounting and Reporting Manual for Higher Education* published by the National Association of College and University Business Officers (NACUBO).

Note 1: Summary Of Significant Accounting Policies

Basis of Accounting

The financial statements of Texas Southern University have been prepared on the accrual basis of accounting except, depreciation expense related to plant fund assets is not recorded. The statement of current funds revenues and expenditures is a statement of financial activities of current funds related to the reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of equipment and library holdings; (2) mandatory transfers in the case of required provisions for retirement of indebtedness and renewal and replacement of institutional properties; and (3) transfers of a nonmandatory nature for all other cases.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of the resources available to the University, accounts are maintained in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the governing board. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

UNAUDITED
TEXAS SOUTHERN UNIVERSITY

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED AUGUST 31, 2001
(CONTINUED)

Endowment and similar funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and only the income be utilized. Term endowment funds are like endowment funds, except that all or part of the principal may be utilized after a stated period of time or upon the occurrence of a certain event.

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments, receivables and the like is accounted for in the fund owning such assets, except for income derived from investment of Endowment and Similar Funds, which income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds.

All other unrestricted revenue is accounted for in the appropriate unrestricted fund. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes. Contract and grant awards funds received, but unexpended, during the current reporting period are shown as additions to fund balances in restricted current funds.

The following is a list of the different fund groups used at Texas Southern University:

Current Funds

Funds available for current operating and maintenance purposes as well as those restricted by donors and other outside agencies for specific operating purposes. Current funds are separated into the following four balanced fund groups:

Educational and General

Funds for administration, institutional expense, instructional and departmental research, physical plant operation, libraries, and other items relating to instruction.

Designated

Funds arising from sources that have been internally designated by the University's governing board or management. This fund distinguishes such internally designated funds from externally restricted funds as well as other current funds. Service department funds, revolving and clearing accounts are also included in this fund group.

Auxiliary Enterprises

Funds for activities which furnish services to students, faculty, or staff for which charges are made that are directly related to, although not necessarily equal to the cost of the service, such as residence halls, food services and book stores.

Restricted Current Funds

Funds available for current purposes, the use of which has been restricted by outside agencies or persons. Revenues are reported only to the extent of expenditures for the current year.

Loan Funds

Funds available for loans to students.

UNAUDITED
TEXAS SOUTHERN UNIVERSITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED AUGUST 31, 2001
(CONTINUED)

Endowment and Similar Funds

Funds subject to restrictions of endowment and trust instruments requiring that principal be maintained and that only the income be utilized.

Plant Funds

Plant funds are separated into the following four balanced fund groups:

Unexpended

Funds to be used for the construction, rehabilitation, and acquisition of physical properties for institutional purposes.

Renewals and Replacements

Funds accumulated for the renewal and replacement of physical plant properties.

Retirement of Indebtedness

Funds accumulated to meet debt service charges and the retirement of indebtedness.

Investment in Plant

Funds already expended for plant properties. Physical properties are stated at cost at date of acquisition or fair market value at date of donation for gifts. Depreciation of physical plant and equipment is not recorded.

Agency Funds

Funds held by the University as custodial or fiscal agent for students, faculty members, and/or others.

Cash And Cash Equivalents

All highly liquid investments with a maturity of three months or less at the time of purchase are considered cash and cash equivalents.

Investments

The University reports investments at fair value.

Memorandum Totals

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

UNAUDITED

TEXAS SOUTHERN UNIVERSITY

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED AUGUST 31, 2001
(CONTINUED)

Other Significant Accounting Policies

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

NOTE 2: Deposits and Investments

Authorized Investments

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

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

Deposits of Cash In Bank

- A. The carrying amount of \$9,488,403 for Cash in Bank (including restricted assets) is presented below.
- B. The bank balance of the University has been classified according to the following risk categories:

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

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

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

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TEXAS SOUTHERN UNIVERSITY

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED AUGUST 31, 2001
(CONTINUED)**

Deposits of Cash In Bank (Continued)

<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
\$ <u>9,488,403</u>	\$ <u>9,268,986</u>	\$ <u>9,268,986</u>		

Reporting Entity Cash and Deposits

Cash and Deposits		
Bank Deposits		
Demand Deposits	\$ 7,110,043	
Certificates of Deposit	2,378,360	
Sub-Total	<u>\$ 9,488,403</u>	
Cash and Cash Equivalents		
Petty Cash on Hand	\$ 0	
Local Funds in State Treasury	1,090,407	
Reimbursements in Transit	0	
Sub-Total	<u>1,090,407</u>	
Total Cash and Deposits	<u>\$ 10,578,810</u>	

INVESTMENTS

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

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

The following categories of credit risk are included:

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

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

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

UNAUDITED
TEXAS SOUTHERN UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2001
(CONTINUED)

Investment Categories

<u>Type of Security</u>	<u>1</u>	Category <u>2</u>	<u>3</u>	<u>Reported Value</u>
U.S. Government Treasury Obligations	\$20,546,328	\$	\$	\$20,546,328
Commercial Paper	0			0
Money Market	943,371			943,371
Corporate Bonds	0			0
Corporate Stocks	<u>5,863,329</u>			<u>5,863,329</u>
TOTAL INVESTMENTS	<u>\$27,353,028</u>	\$	\$	<u>\$27,353,028</u>
Total Cash and Deposits				\$10,578,810
Total Investments				<u>27,353,028</u>
TOTAL DEPOSITS AND INVESTMENTS				<u>\$37,931,838</u>
Cash and Temporary Investments (Exhibit A)				\$10,578,810
Investments (Exhibit A)				<u>27,353,028</u>
TOTAL DEPOSITS AND INVESTMENTS				<u>\$37,931,838</u>

Reverse Repurchase Agreements

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

Securities Lending

The University was not a participant in a securities lending program at August 31, 2001.

Derivative Investing

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

UNAUDITED
TEXAS SOUTHERN UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2001
(CONTINUED)

NOTE 3: Bonds Payable

General information related to bonds payable is summarized below:

General Obligation Bonds:
Constitutional Appropriation Bonds, Series 1996

- Proceeds used to finance the construction of instructional facilities for the University; new School of Business building.
- Issued September 1, 1996.
- \$15,090,000 issue; all bonds authorized have been issued.
- Sources of Revenue for debt service – Constitutional Appropriation.

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

- Proceeds used to defease 1993 lender, renovate educational facilities, construct recreation and health facilities.
- Original amount of issue was \$52,930,000.00; all authorized bonds have been issued.
- Issued December 1, 1998.
- Source of revenue for debt service – General Fees.

Bonds payable are due in annual installments varying from \$895,000 to \$3,535,000 with interest rates from 3.1% to 5.50% and the final installment due in 2018. The principal and interest expense due for the next five years and beyond is summarized below for bonds issued:

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2002	\$3,710,000	\$2,585,778	\$6,295,779
2003	3,880,000	2,427,438	6,307,438
2004	4,055,000	2,259,455	6,314,455
2005	4,245,000	2,081,498	6,326,498
2006	2,270,000	1,790,853	4,060,853
Beyond Five Years	39,970,000	14,134,762	54,104,762
	<u>\$58,130,000</u>	<u>\$25,279,784</u>	<u>\$83,409,784</u>

Advance Refunding Bonds

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

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

UNAUDITED

TEXAS SOUTHERN UNIVERSITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2001
(CONTINUED)**

NOTE 4: Notes and Loans Payable

General Information related to notes payable is summarized as follows:

- U.S. Department of Education Settlement Agreement.
- Liability assessed for ineligible awards of Title IV federal financial assistance programs for award years 1993-94 through 1996-97 for \$15.1 million.
- Issued October 1, 1997.
- University paid \$600,000 in fiscal year 2001.
- The remaining liability of \$11,291,022 (principal and accrued interest) is reported in the Designated Funds at August 31, 2001.

<u>Description</u>	<u>Balances 09/01/00</u>	<u>Decreases</u>	<u>Balances 8/31/01</u>
U.S. Department of Education Settlement Agreement	\$11,325,390	\$34,368	\$11,291,022
Total	<u>\$11,325,390</u>	<u>\$34,368</u>	<u>\$11,291,022</u>

The remaining liability is due over a nine year period at 5% per annum rate beginning with one quarterly installment of \$150,000 on October 1, 2001. The University renegotiated payment terms in the amount of \$600,000 for fiscal year 2001 and 2002, respectively. The next 32 payments are due quarterly beginning on January 1, 2002 in the amount of \$150,000. The last payment is due on October 1, 2009. Principal and interest due for the next five years and beyond is summarized below:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$36,119	\$563,881	\$600,000
2003	1,322,101	538,212	1,860,313
2004	1,389,456	470,857	1,860,313
2005	1,460,242	400,071	1,860,313
2006	1,534,634	325,679	1,860,313
Beyond Five Years	5,548,470	497,548	6,046,018
	<u>\$11,291,022</u>	<u>\$2,796,248</u>	<u>\$14,087,270</u>

NOTE 5: Employee's Retirement Plan

The State of Texas has joint contributory retirement plans for substantially all its employees. One of the primary plans in which the University participates is administered by the Teacher Retirement System of Texas. The contributory percentages of participant salaries currently provided by the State and by each participant are 6.00 percent and 6.40 percent, respectively, of annual compensation.

The Teacher Retirement System does not separately account for each of its component government agencies, since the Retirement System itself bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. According to an independent actuarial evaluation as of August 31, 1999, the present value of the Retirement System's actual and projected liabilities, including projected benefits payable to its retirees and active members and their beneficiaries, was less than the assets of the Retirement System; the Retirement System is overfunded.

UNAUDITED

TEXAS SOUTHERN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2001
(CONTINUED)

NOTE 5: Employee's Retirement Plan (Continued)

The State has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts. The contributory percentages on salaries for participants entering the program prior to September 1995 are 8.5% and 6.65% by the state and each participant, respectively. The state's contribution is comprised of 6.00% from the ORP's appropriation, 1.31% from a special appropriation to the University, and 1.19% directly by the University. The 6.00% contribution is mandatory with the other two state contributions being at the discretion of the Board. The Board has approved the additional contributions for employees of the University. The contributory percentages on salaries for participants entering the program after August 31, 1995 are 6.00% and 6.65% by the state and each participant, respectively. Since these are individual annuity contracts, the State has no additional or unfunded liability for this program.

NOTE 6: Deferred Compensation Program

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

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

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

NOTE 7: Compensated Absences

Full-time State employees earn annual leave from seven to fourteen hours per month depending on the respective employees' years of State employment. The State's policy is that an employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum number of hours up to 376 for those employees with 20 or more years of State service. Employees with at least six months of State service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. The University recognized the accrued liability for the unpaid annual leave in the unrestricted current fund. Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and is paid only when an employee is off due to illness or to the estate of an employee in the event of his/her death. The maximum sick leave that may be paid an employee's estate is one-half of the employee's accumulated entitlement or 336 hours, whichever is less. The University's policy is to recognize the cost of sick leave when paid and the liability is not shown in the financial statements since experience indicates the expenditure for sick leave to be minimal.

The University made lump sum payments totaling \$202,787.47 for accrued vacation (and/or compensatory time) to employees who separated from state service during fiscal year ending August 31, 2001.

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TEXAS SOUTHERN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2001
(CONTINUED)

NOTE 8: Pending Lawsuits and Claims

At August 31, 2001, various lawsuits and claims involving the University were pending. While the ultimate liability with respect to litigation and other claims asserted against the University cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the University.

NOTE 9: Rebatable Arbitrage

The 1996 General Obligation bonds and the 1998 Bond Series A-1, A-2, B and C do not require the University to calculate arbitrage as of August 31, 2001. Accordingly, no such provision was made in the financial statements.

NOTE 10: Capital Lease Obligations

Certain leases to finance the purchase of property are capitalized at the present value of future minimum lease payments. As of August 31, 2001 the University had not entered into any contractual agreements that could be deemed a capital lease obligation.

NOTE 11: Operating Lease Obligations and Rental Agreement

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

NOTE 12: Fund Held in Trust by Others

As of August 31, 2001 the University's financial statements did not reflect any funds held in trust by others. Furthermore, the University did not enter into any agreement with a third party to hold funds in trust.

NOTE 13: Contract and Grant Awards

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Funds received, but not expended during the reporting period, are shown as additions to fund balance on Exhibit B. Revenues are recognized on Exhibit C as funds are actually expended. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit A. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable or Due From for State Pass through on Exhibit A. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g. multi-year awards, or funds awarded during Fiscal Year 2001 for which monies have not been received nor funds expended totaled \$650,000. All of this amount was from Federal Contract & Grant Awards.

UNAUDITED
TEXAS SOUTHERN UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2001
(CONTINUED)

NOTE 14: Risk Financing and Related Insurance

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

The State provides coverage for workers' compensation and unemployment benefits from appropriations made to other state agencies for University employees. The current General Appropriations Act provides that the University must reimburse General Revenue Fund – Consolidated, from University appropriations, one-half of the unemployment benefits and 25% of the workers' compensation benefits paid for former and current employees. The Comptroller of Public Accounts determines the proportionate amount to be reimbursed from each appropriated fund type. The university must reimburse the General Revenue Fund 100% of the cost for worker's compensation and unemployment compensation for any employees paid from funds held in local bank accounts and local funds held in the state treasury. Workers' compensation and unemployment plans are on a pay-as-you-go basis, in which no assets are set aside to be accumulated for the payment of claims. No material outstanding claims are pending at August 31, 2001.

The Texas Motor Vehicle Safety Responsibility Act requires that every non-governmental vehicle operated on a state highway be insured for minimum limits of liability in the amount of \$20,000/\$40,000 bodily injury and \$15,000 property damage. However, Texas Southern University has chosen to carry liability insurance on its licensed vehicles in the amount of \$100,000/\$300,000 bodily injury and \$100,000 property damage, the extent of the waivers of state sovereign immunity specified in the tort claims act.

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

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

NOTE 15: Post Retirement Health Care and Life Insurance Benefits

In addition to providing pension benefits, the State provided certain health care and life insurance benefits for retired employees, in accordance with State statutes. Substantially all of the employees may become eligible for those benefits if they reach normal retirement age while working for the State. The University participates in the Employees Retirement System (ERS) insurance plans. The information regarding the State's contribution, the number of eligible retirees and the cost of providing those benefits are included in the notes to the annual financial report of the ERS.

NOTE 16: Related Parties

Texas Southern University is affiliated with the Texas Southern University Foundation. The stated purpose of the Foundation is: "to solicit and receive gifts, grants, devices or bequests.... and to maintain, use and apply the income therefrom and the principal thereof exclusively for charitable, scientific, literary or educational activities in order to aid and benefit Texas Southern University."

According to Foundation bylaws, the President of the University and a representative of the University's Board of Regents shall be ex officio members of The Foundation's Board of Directors with full voting rights. There were no financial transactions between the Foundation and the University during the year.

UNAUDITED

TEXAS SOUTHERN UNIVERSITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2001
(CONTINUED)**

NOTE 16: Related Parties (Continued)

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

All former students are eligible for membership in the Alumni Association. The Board of Directors of the Alumni Association is elected by the membership. The University Administration has no controlling interest in the Alumni Association. There were no financial transactions between the Alumni Association and the University during the year.

NOTE 17: Reporting Entity

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

NOTE 18: Interfund Borrowing

All interfund borrowing has been made from unrestricted funds and is payable within one year without interest.

NOTE 19: Subsequent Events

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

NOTE 20: Fund Balance Restatement

The balances for the Fund Groups listed below as of August 31, 2001 have been restated to reflect activity changes.

The restated balances are detailed on Exhibit B.

<u>Fund Group</u>	<u>Desig.</u>	<u>Aux</u>	<u>Endow</u>	<u>Unexpend. Plant</u>	<u>Retire. Of Indebt.</u>	<u>Invest. In Plant</u>
Fund Balance, Sept 1, 2000	\$(3,557,990)	\$(3,264,375)	\$14,577,666	\$(4,911,426)	\$(480,742)	\$199,137,317
Restatements:						
Capitalization of Fixed Assets						5,727,360
Correction of prior period error.	216,436	(807,071)			553,520	
Reclass of NACUBO SubFunds Activity.		100,000	(100,000)			
Reclass of Viron Liability.				10,900,000		
Net Restatements:	216,436	(707,071)	(100,000)	10,900,000	553,520	5,727,360
Fund Balance, Sept 1, 2001	\$(3,341,554)	\$(3,971,446)	\$14,477,666	\$ 5,988,574	\$ 72,778	\$204,864,677

NOTE 21: Due From/Due To Other State Agencies

<u>Agency Name</u>	<u>Agency</u>	<u>D 23 Fund</u>	<u>Amount</u>	<u>Sub Fund</u>	<u>Source</u>
TX Dept of Public Safety	405	5015	16,423	E&G	State
Total Due From other State Agencies			\$16,423 (Exhibit A)		

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TEXAS SOUTHERN UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2001
(Continued)

NOTE 22: Federal Pass-Through Grants from other State Agencies

<u>Agency Name</u>	<u>Agy#</u>	<u>CFDA#</u>	<u>D23 FUND</u>	<u>Exhibit B Amount</u>	<u>Exhibit C Amount</u>	<u>Diff</u>	<u>Subfund</u>
Texas Department of Human Services	324	10.559	0001	\$14,814	\$14,814	-	Restricted
Comptroller State Energy Conservation Office	907	81.041	0224	17,321	17,321	-	Restricted
Texas Higher Education Coord Board	781	84.281	0001	23,775	23,775	-	Restricted
Grand Total Federal Pass-Throughs				<u>\$55,910</u>	<u>\$55,910</u>		

NOTE 23: State Pass-Through Grants from Other State Agencies

<u>Agency Name</u>	<u>Agy#</u>	<u>D23 Fund</u>	<u>Exhibit B Amount</u>	<u>Exhibit C Amount</u>	<u>Diff</u>	<u>Subfund</u>
Texas Higher Ed Coord Board	781	0001	\$244,255	\$244,255	-	E&G
Texas Higher Ed Coord Board	781	0106	5,049	5,049	-	E&G
Comptroller State Energy Conservation Office	907	0515	74,061	74,061	-	Restricted
Office of the Governor	300	0421	71,287	71,287	-	Restricted
Grand Total State Pass-Thru Grant Revenue			<u>\$394,652</u>	<u>\$394,652</u>		

NOTE 24: Interfund Receivable/Interfund Payable

As of August 31, 2001, this note is not applicable to Texas Southern University.

NOTE 25: Contract Payable

In September 1998, the University entered into a performance based contract totalling \$13,534,281 with Viron Energy Services ("Viron") to provide comprehensive energy conservation services. The contract terms stipulated that Viron would design, select, install and finance equipment, systems and modifications to reduce current energy costs. Payments for energy efficient improvements are contingent on energy saving being sufficient to repay the cost of the improvements. At August 31, 1999, the University's recorded a \$10,900,000 contract liability on the balance sheet representing the cost to date of equipment and improvements incurred by Viron related to this program. Repayment of this liability will occur as the University experiences the energy savings.

NOTE 26: Advances From Other Agencies/Advances To Other Agencies

As of August 31, 2001, this note is not applicable to Texas Southern University.

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TEXAS SOUTHERN UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2001
(CONCLUDED)

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TEXAS SOUTHERN UNIVERSITY
 SCHEDULE A-1
 SCHEDULE OF CASH AND TEMPORARY INVESTMENTS
 August 31, 2001

	CURRENT FUNDS				
	Total	UNRESTRICTED FUNDS			Restricted
		Educational and General	Designated	Auxiliary Enterprises	
Cash on Hand					
Cashier Accounts	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Petty Cash	0	0	0	0	0
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash in Bank					
Demand Accounts	7,110,043	2,986,968	6,806,814	(908,398)	(2,780,935)
Subtotal	<u>7,110,043</u>	<u>2,986,968</u>	<u>6,806,814</u>	<u>(908,398)</u>	<u>(2,780,935)</u>
Cash in State Treasury					
Agency Fund No. 980	430	430	0	0	0
Local Revenue Fund No.247	1,089,977	1,089,977	0	0	0
Subtotal	<u>1,090,407</u>	<u>1,090,407</u>	<u>0</u>	<u>0</u>	<u>0</u>
Reimbursements Due From St. Treasury					
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Short-Term Investments					
U.S. Government Securities(Repo's)	2,378,360	999,246	2,276,790	(303,847)	(930,186)
Subtotal	<u>2,378,360</u>	<u>999,246</u>	<u>2,276,790</u>	<u>(303,847)</u>	<u>(930,186)</u>
Total Cash and Temporary Investments	\$ <u>10,578,810</u>	\$ <u>5,076,621</u>	\$ <u>9,083,604</u>	\$ <u>(1,212,245)</u>	\$ <u>(3,711,121)</u>
	(Exh A)				

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PLANT FUNDS						
Loan Funds	Endowment and Similar Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	Agency Funds
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
657,600	0	(156,188)	0	176,829	0	327,353
<u>657,600</u>	<u>0</u>	<u>(156,188)</u>	<u>0</u>	<u>176,829</u>	<u>0</u>	<u>327,353</u>
0	0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
219,958	0	(52,243)	0	59,147	0	109,495
<u>219,958</u>	<u>0</u>	<u>(52,243)</u>	<u>0</u>	<u>59,147</u>	<u>0</u>	<u>109,495</u>
<u>\$ 877,558</u>	<u>\$ 0</u>	<u>\$ (208,431)</u>	<u>\$ 0</u>	<u>\$ 235,976</u>	<u>\$ 0</u>	<u>\$ 436,848</u>

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TEXAS SOUTHERN UNIVERSITY
 SCHEDULE A-2
 SCHEDULE OF INVESTMENTS BY FUND GROUP
 August 31, 2001

	CURRENT FUNDS				
	<u>Total</u>	<u>Educational and General</u>	<u>Designated</u>	<u>Auxiliary Enterprises</u>	<u>Restricted</u>
U. S. Government and Agency Securities	\$ 20,546,328	\$	\$	\$	\$
Commercial Paper	0				
Mutual Funds	0				
Corporate Bonds and Notes	0				
Corporate Stocks - Common	5,863,329				
Cash	943,371				
Total (Exh. A)	<u>\$ 27,353,028</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

UNAUDITED

Loan Funds	Endowment and Similar Funds	PLANT FUNDS			Agency Funds
		Unexpended	Renewals and Replacements	Retirement of Indebtedness	
\$	\$ 5,252,548	\$ 15,293,780		\$	\$
	5,863,329	669,530			
	273,841				
\$	\$ 11,389,717	\$ 15,963,311	\$ 0	\$ 0	\$ 0

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TEXAS SOUTHERN UNIVERSITY
SCHEDULE A-3
LEGISLATIVE APPROPRIATIONS
August 31, 2001

SCHEDULE NOT USED

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TEXAS SOUTHERN UNIVERSITY
 SCHEDULE A-4
 SCHEDULE OF DEPOSITS HELD IN CUSTODY FOR OTHERS-AGENCY FUNDS
 August 31, 2001

	Beginning Balance Sept. 1, 2000	Additions	Transfers/ Adjustments	Deductions	Balance Aug. 31, 2001
Student Aid Deposit					
Inactive Deposits	\$ 87,423				\$ 87,423
Student Deposits	1,860,037	30,941,958		32,452,012	349,983
Other Deposits					
Miscellaneous Agency Funds	116,963			116,963	0
Scholarships					
Miscellaneous Scholarships	52,842			52,842	0
Total Agency Funds	<u>\$ 2,117,265</u>	<u>\$ 30,941,958</u>	<u>\$ 0</u>	<u>\$ 32,621,817</u>	<u>\$ 437,406</u>

(Exh. A)

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TEXAS SOUTHERN UNIVERSITY
SCHEDULE B-1
SCHEDULE OF CHANGES IN FUND BALANCES
UNRESTRICTED CURRENT FUNDS-EDUCATIONAL AND GENERAL
(OPTIONAL)
For the Fiscal Year Ended August 31, 2001

SCHEDULE NOT USED

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TEXAS SOUTHERN UNIVERSITY
 Schedule B-2
 Schedule of Changes in Fund Balances
 Unrestricted Current Funds - Designated Funds
 For the Fiscal Year Ended August 31, 2001

	Beginning	Restatements	Restated	Additions	
	Balance		Beg. Balances	Revenues	Transfers
	Sept. 1, 2000		Sept. 1, 2000		
Designated Funds					
Instruction	\$ (5,093)		\$ (5,093)	\$ 1,548,137	
Research	(70,196)		(70,196)	5,418	
Public Service	(75,176)		(75,176)	6,203	
Academic Support	1,128,059		1,128,059	641,422	
Student Services	3,066,249		3,066,249	1,991,727	
Institutional Support	(6,280,521)		(6,280,521)	776,790	
Operation & Maintenance of Plant	5,493,900		5,493,900	3,882,452	
Scholarships and Fellowships	2,972,703		2,972,703	1,871,732	1,349,328
Accounts Receivable Adjustments	(329,221)		(329,221)		
Balance Sheet Adjustments	(9,458,694)	216,436	(9,242,258)	(147,973)	
Total Unrestricted - Designated Funds - (Exh. B)	\$ (3,557,990)	\$ 216,436	\$ (3,341,554)	10,575,908	\$ 1,349,328
				(Exh. C)	
				[a]	[b]

[a] Analysis of Additions - Revenues

Designated Tuition	\$ 3,629,105
Other Fees	2,850,943
Income-Local Gifts, Grants & Contracts	24,650
Nongovernmental Grants and Contracts	2,018,505
Other Interest Income	6,203
Scholarship Income	580,496
Sales and Services	784,486
Other Sources	681,520
Total	<u>\$ 10,575,908</u>

[b] Analysis of Additions - Transfers

Non- Mandatory Transfers-Education & General	<u>\$ 1,349,328</u>
--	---------------------

[c] Other Changes - Additions

U.S. Dept. of Education Note Payable	<u>\$ 34,368.00</u>
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[d] Analysis of Deductions - Transfers

Mandatory Transfers	-
Retirement of Indebtedness	2,230,474
Total Analysis of Deductions-Transfers	<u>\$ 2,230,474</u>

Other Changes	Deductions			Balances, Aug. 31, 2001
	Expenditures	Transfers	Other Changes	
	\$ 1,349,094			\$ 193,950
	13,843			\$ (78,621)
	50,994			\$ (119,967)
	645,288			\$ 1,124,193
	1,531,207			\$ 3,526,769
	3,872,237			\$ (9,375,968)
	416,042	2,230,474		\$ 6,729,836
	1,798,812			\$ 4,394,951
			126,602	\$ (455,823)
34,368			150,413	\$ (9,506,276)
<u>\$ 34,368</u>	<u>\$ 9,677,518</u>	<u>\$ 2,230,474</u>	<u>\$ 277,015</u>	<u>\$ (3,566,956)</u>

(Exh. C)

[c]

[d]

Less: Accrued Compensable Absences Payable (19,091)
(3,547,865)
(Exh. B)

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TEXAS SOUTHERN UNIVERSITY
SCHEDULE B-2-a
SCHEDULE OF CHANGES IN FUND BALANCES
UNRESTRICTED CURRENT FUNDS-DESIGNATED FUNDS
SERVICE DEPARTMENTS
For the Fiscal Year Ended August 31, 2001

SCHEDULE NOT USED

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TEXAS SOUTHERN UNIVERSITY
 Schedule B-3
 Schedule of Changes in Fund Balances
 Unrestricted Current Funds - Auxiliary Enterprises
 For the Fiscal Year Ended August 31, 2001

	Beginning	Restatements	Restated	Additions		
	Balance		Beg. Balances	Revenues	Transfers	Other
	Sept. 1, 2000		Sept. 1, 2000			Changes
Pledged						
Food Service	\$ 2,461,667		\$ 2,461,667	\$ 604,272		
Residential Life Housing	2,043,831		2,043,831	785,428		
Traffic	3,091,314		3,091,314	296,553		
Student Service Fees	(1,670,581)		(1,670,581)	955,121		
Student Union Fee	(369,810)		(369,810)	544,015		
Student Union Sales	(275,085)		(275,085)	22,600		
Total Pledged	5,281,336	-	5,281,336	3,207,989		
Unpledged						
Athletics	(8,004,532)		(8,004,532)	1,738,280		
Bookstore	289,354		289,354	248,272		
Copy Center	21,920		21,920	178,002		
Miscellaneous Income	(361,297)		(361,297)	105,194		
Other Unpledged	-		-	5,900		
Accounts Receivable Adjustments	97,099		97,099			
Balance Sheet Adjustments	(588,255)	(707,071)	(1,295,326)			409,547
Total Unpledged	(8,545,711)	(707,071)	(9,252,782)	2,275,648	-	409,547
Total Auxiliary Enterprises	\$ (3,264,375)	\$ (707,071)	\$ (3,971,446)	\$ 5,483,637	\$ -	\$ 409,547

(Exh. C)

[a]

[a] Analysis of Additions - Revenues

Fees	\$ 2,447,757
Gifts	1,200
Other Interest Income	105,194
Sales and Services	2,576,584
Other Sources	352,903
Total	<u>\$ 5,483,637</u>

Expenditures	Deductions		Balances, Aug. 31, 2001
	Transfers	Other Changes	
\$ -			\$ 3,065,939
1,502,487			1,326,772
239,951			3,147,916
633,736			(1,349,196)
531,862			(357,657)
397,360			(649,845)
<u>3,305,396</u>			<u>5,183,929</u>
2,779,878			(9,046,130)
-			537,626
274,750			(74,828)
262,375			(518,478)
			5,900
		181,991	(84,892)
		26,411	(912,190)
<u>3,317,003</u>	<u>-</u>	<u>208,402</u>	<u>(10,092,991)</u>
<u>\$ 6,622,399</u>	<u>\$ -</u>	<u>\$ 208,402</u>	<u>\$ (4,909,063)</u>

(Exh. C)

Less: Accrued Compensable Absences Payable 617
\$ (4,909,679)
 (Exh. B)

UNAUDITED

TEXAS SOUTHERN UNIVERSITY
 SCHEDULE B-4
 SCHEDULE OF CHANGES IN FUND BALANCES
 RESTRICTED CURRENT FUNDS
 For the Fiscal Year Ended August 31, 2001

	Balances Aug. 31, 2000.	Restatement to Beg. Balances	Restated Beg. Balances Sept. 1, 2000	Receipts
RESTRICTED				
Instruction	\$ 865,108	\$	\$ 865,108	\$ 4,821,592
Research	267,706		267,706	3,048,521
Public Service	(12,668)		(12,668)	1,597,881
Academic Support	685,742		685,742	1,006,522
Student Services	214,289		214,289	2,284,222
Institutional Support	(7,661,703)		(7,661,703)	410,099
Operation and Maintenance of Plant	106,195		106,195	8,959
Scholarship and Fellowships	2,226,844		2,226,844	9,582,576
Balance Sheet Adjustments	1,705,069		1,705,069	
Total Restricted Current Funds (Exh. B)	\$ (1,603,418)	\$ 0	\$ (1,603,418)	\$ 22,760,372

(a)

(a) Analysis of Additions - Receipts (Exh.B)

Federal Grants and Contracts	\$ 18,989,659
Federal Pass-Through From Other Agencies	55,911
State Grants and Contracts	1,979,544
State Pass-Through From Other Agencies	145,349
Local Grants and Contracts	12,815
Private Gifts, Grants and Contracts	1,577,094
Total receipts	\$ 22,760,372

UNAUDITED

ADDITIONS			DEDUCTIONS				Balances Aug. 31, 2001
Endowment Income	Transfers	Other Changes	Reduction in Grants	Expenditures	Transfers	Other Changes	
\$	\$	\$	\$	\$ 4,821,592	\$	\$	\$ 865,108
				3,048,521			267,706
				1,597,881			(12,668)
				1,006,522			685,742
				2,284,222			214,289
				410,099			(7,661,703)
				8,959			106,195
				9,582,576			2,226,844
		187,239					1,892,308
<u>\$ (0)</u>	<u>\$ 0</u>	<u>\$ 187,239</u>	<u>\$ 0</u>	<u>\$ 22,760,372</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1,416,179)</u>
		(b)		(Exh. C)		(b)	

(b) Analysis of Additions-Other Changes

Balance Sheet Adjustment	\$ 187,239
Total Other Changes	\$ <u>187,239</u>

UNAUDITED

TEXAS SOUTHERN UNIVERSITY
 SCHEDULE B-5
 SCHEDULE OF CHANGES IN FUND BALANCES
 LOAN FUNDS
 For the Fiscal Year Ended August 31, 2001

	Balances		Restated Beg. Bal. Sept. 1, 2000	ADDITIONS		
	Sept. 1, 2000	Restatements		Gifts and Grants	Transfers	Other Changes
United States Government Grants Refundable						
National Direct/Perkins Student Loan	\$ 1,983,170	\$ (33,598)	\$ 1,949,572	\$ 134,983	\$	\$ 3,009
Health Professions Student Loan Fund	184,122		184,122			
Total U. S. Government Grants Refundable	<u>2,167,292</u>	<u>(33,598)</u>	<u>2,133,694</u>	<u>134,983</u>	<u>0</u>	<u>3,009</u>
Institutional Matching						
National Direct/Perkins Student Loan	400,150		400,150			
Health Professions Student Loan Fund		33,598	33,598	31		
Total Institutional Matching	<u>400,150</u>	<u>33,598</u>	<u>433,748</u>	<u>31</u>	<u>0</u>	<u>0</u>
University Loan Funds - Restricted						
Law School Student Loan Fund	33,924		33,924			
Lucille Perry Memorial Fund	251		251			
Athletic Student Loan Fund	1,303		1,303			
Faculty Loan for Students	1,064		1,064			
Pharmacy School Loan Fund	141		141			
James Duncan Loan Fund	595		595			
Texas Southern Loan Fund	25,428		25,428			
Walter J. Hardy Revolving	26		26			
Clifford L. Klinch Loan Fund	122		122			
Ebong Memorial International Loan Fund	1,118		1,118			
Natl Pharmaceuticla Loan Fund	585		585			
Norbeto Colvillo Pharmacy Loan	(280)		(280)			
International Student Fund Loan	(426)		(426)			
Gulf Oil Corporation Loan Fund	6,003		6,003			
Sigma Gamma Rho Loan Fund	500		500			
Sythergex Memorial FDN Loan Fund	532		532			
Emergency Tuition Loan/Resident	147		147	(17)		
Emergency Tuition Loan/Non-Resident	72		72	(33)		
Emergency Tuition Loan/Foreign	200,306		200,306			
Board of Regents Loan Fund	9,016		9,016			
Alpha Kappa Mu Loan Fund	1,640		1,640			
Alvin McNeil Student Loan	2,070		2,070			
Public Affairs Loan Fund	1,000		1,000			
Administrative of Justice Loan	2,300		2,300			
Subtotal University Loan Funds-Restricted	<u>287,437</u>	<u>0</u>	<u>287,437</u>	<u>(50)</u>	<u>0</u>	<u>0</u>
Total University Loan Funds - Restricted	<u>287,437</u>	<u>0</u>	<u>287,437</u>	<u>(50)</u>	<u>0</u>	<u>0</u>
Total Loan Funds (Exh. B)	<u>\$ 2,854,879</u>	<u>\$ 0</u>	<u>\$ 2,854,879</u>	<u>\$ 134,964</u>	<u>\$ 0</u>	<u>\$ 3,009</u>

[a] Analysis of Additions - Gifts and Grants

Federal Grants and contracts	\$ 134,964
Total Gifts and Grants	<u>\$ 134,964</u>

[b] Analysis of Additions - Other Changes

Posting Corrections	\$ 3,009
Total Additions-Other Changes	<u>\$ 3,009</u>

[c] Analysis of Deductions - Other Changes

Posting Corrections	\$ 3,147
Total Deductions-Other Changes	<u>\$ 3,147</u>

DEDUCTIONS		
Transfers	Other Changes	Balances Aug. 31, 2001
\$	\$	\$ 2,087,564
		184,122
<u>0</u>	<u>0</u>	<u>2,271,686</u>
		400,150
		33,629
<u>0</u>	<u>0</u>	<u>433,779</u>
	2,262	31,662
		251
		1,303
		1,064
		141
		595
	677	24,751
		26
		122
		1,118
		585
		(280)
		(426)
		6,003
		500
		532
	147	(17)
	61	(22)
		200,306
		9,016
		1,640
		2,070
		1,000
		2,300
<u>0</u>	<u>3,147</u>	<u>284,240</u>
<u>0</u>	<u>3,147</u>	<u>284,240</u>
\$ <u>0</u>	\$ <u>3,147</u>	\$ <u>2,989,705</u>
		(Exh. B)

UNAUDITED

TEXAS SOUTHERN UNIVERSITY
 Schedule B-6
 Schedule of Changes in Fund Balances
 Endowment Funds
 For the Fiscal Year Ended August 31, 2001

	Balances Sept. 1, 2000	Restatements	Restated Beg. Balances Sept. 1, 2000
ENDOWMENT			
General Purpose			
Dr. Pepper Bottling Company	\$ 27,921		27,921
George Thomas "Mickey" Leland Chair	2,253,718		2,253,718
Total General Purpose	2,281,639	-	2,281,639
Student Aid			
James W. Rockwell Fund	342,014		342,014
Carnell Hobbs Memorial Fund	4,618		4,618
Ina A. Bolton-Brown Finer Womanhood Award	4,550		4,550
Roy & Lillie Cullen Fund in Career Education	593,369		593,369
Jessie M. Jones & Mary Gibbs Jones Scholarship Fund	1,992,253		1,992,253
Klinch Endowment Fund	22,752		22,752
Joseph Blades Endowed Scholarship Fund	60,178		60,178
Janie Cotton Endowment Fund	9,980		9,980
Leon Henderson Endowed Scholarship Fund	136,513		136,513
Ruthabel Rollins Endowed Scholarship Fund	38,786		38,786
School of Business Alumni Scholarship Fund	6,826		6,826
Spouses of Houston Barristers Scholarship Fund	22,752		22,752
William Lawson Athletic Scholarship and Loan Fund	25,305		25,305
Lois P. Woods Endowment Fund	93,335		93,335
Bernard Taylor Endowment Fund	28,411		28,411
Houston Livestock Show and Rodeo Endowed Scholarship Fund	416,127		416,127
Warren L. Eddington Law Scholarship Fund	17,860		17,860
Andrew Haines Memorial Scholarship Fund	28,492		28,492
George Foreman Endowed Scholarship Fund-Communications	129,911		129,911
George Foreman Endowed Scholarship Fund-School of Law	399,932		399,932
Guy and Clarease Rankin Scholarship Fund	8,196		8,196
Ronald & Rahlita Thornton Endowed Scholarship Fund	20,128		20,128
Patrick Wells Endowment Fund	50,839		50,839
TSU College of Pharmacy Alumni Endowment Fund	26,897		26,897
TSU Athletic Endowment Fund	231,964		231,964
James & Minnie Edmonds Endowed Scholarship Fund	613,603		613,603
B. A. Turner Endowed Scholarship Fund	29,463		29,463
Arnold Chevalier Scholarship Fund	23,650		23,650
Mary & Desso Douglas Scholarship Fund	100,909		100,909
Lloyd May Endowed Athletic Scholarship Fund	21,783		21,783
Albert E. Hopkins Endowed Scholarship Fund	54,638		54,638
Rosette Lyons Scholarship	20,649		20,649
Herb & Constance Fain Scholarship	19,668		19,668
Janie Reyes Scholarship	19,668		19,668
Zinetta Burney & Peggy Foreman Scholarship	19,668		19,668
Jerome, Jacob, & Joshua Karam Scholarship	24,583		24,583
The Major E. Lowe Endowment Fund	9,833		9,833
Jesse Jones School of Business Endowed Scholarship Fund	360,993		360,993
Harry Johnson Scholarship	49,165		49,165
A. Frank Khoury Scholarship	19,668		19,668
Southwestern Bell School of Business Endowed Scholarship Fund	131,331		131,331
Barbara Jordan Academic Endowment Fund	410,822		410,822
Rock Glossom Endowed Scholarship Fund	8,787		8,787
Houston Endowment, Endowed Professorships	1,073,074		1,073,074
Calixtro Villareal Endowment Scholarship Fund	16,434		16,434
W. James Kronzer Memorial Endowment Fund	16,434		16,434
Pennzoil, School of Business Endowed Scholarship	112,734		112,734
Class of 1955 Endowed	11,579		11,579
Business School Endowment Fund (Bank of America)	127,011		127,011
Jesse H. Jones Leadership Chair#2	451,796		451,796
Jesse H. Jones Leadership Chair#3	451,796		451,796
Jesse H. Jones Endowed Scholarships	1,167,236		1,167,236
Joseph D. Jamil Endowed Scholarship	29,459		29,459
Houston Endowment, Business Scholars Endowment	214,615		214,615
Reliant Energy	35,985		35,985
Blanton/SBC Corporation Excellence	100,000	(100,000)	-
Jessie H. Jones/Smith Graham Endowment Scholarship Fund			-

UNAUDITED

Gifts	Additions			Deductions		Principal Balance Aug. 31, 2001	Memorandum Income of Fund
	Endow/Other Invest Income	Transfers	Other Changes	Transfers	Other Changes		
	\$ (4,469)			\$ 201	\$ 22,118	\$ 1,133	
	(361,553)			16,208	1,784,545	91,412	
	(366,022)	-	-	16,409	1,806,663	92,545	
4,143	(52,021)			2,399	277,863	13,874	
	(740)			33	3,657	187	
	(730)			33	3,603	185	
	(95,898)			4,261	469,195	24,015	
	(310,122)			14,407	1,586,210	81,514	
	(3,649)			164	18,017	923	
	(9,651)			433	47,654	2,441	
	(1,602)			72	7,902	405	
	(21,895)			982	108,099	5,537	
	(6,220)			279	30,714	1,573	
	(1,095)			49	5,405	277	
	(3,649)			164	18,016	923	
2,000	(4,058)			182	22,039	1,026	
	(15,012)			671	73,869	3,783	
	(4,567)			204	22,488	1,152	
	(68,075)			2,982	328,290	16,780	
	(2,854)			129	14,153	725	
	(4,581)			205	22,551	1,155	
	(20,885)			934	102,826	5,266	
	(315,553)			818	82,082	1,479	
	(1,299)			58	6,506	333	
	(3,182)			145	15,981	820	
	(8,172)			365	40,240	2,061	
	(4,325)			193	21,289	1,090	
	(37,288)			1,668	183,606	9,403	
	(98,684)			4,411	485,638	24,870	
1,000	(4,731)			212	24,325	1,195	
	(3,792)			170	18,728	959	
	(16,093)			727	79,990	4,100	
	(3,796)			154	16,972	861	
	(9,458)			387	42,628	2,165	
	(3,303)			149	16,360	838	
	(3,148)			142	15,580	798	
	(3,148)			142	15,580	798	
	(3,148)			142	15,580	798	
	(3,933)			177	19,475	998	
	(1,573)			71	7,790	399	
	(57,213)			2,602	286,484	14,694	
	(7,865)			354	38,951	1,996	
	(3,148)			142	15,580	798	
	(20,364)			950	104,637	5,379	
	(62,486)			2,983	328,435	16,918	
	(836)			66	7,232	653	
	(169,409)			7,740	852,196	43,729	
	(2,576)			119	13,068	671	
	(2,576)			119	13,068	671	
	10,553			1,069	117,718	4,500	
	(2,160)			81	8,891	447	
	(50,618)			642	70,647	5,105	
	(84,259)			3,149	346,764	17,624	
	(84,259)			3,149	346,764	17,624	
	(366,240)			6,804	749,150	45,041	
	(2,848)			229	25,245	1,137	
	(33,882)			1,548	170,439	8,746	
	(1,874)			307	33,804	-	
	0			-	-	-	
20,000	(3,505)			148	16,346	-	

TEXAS SOUTHERN UNIVERSITY
 Schedule B-6
 Schedule of Changes in Fund Balances
 Endowment Funds
 For the Fiscal Year Ended August 31, 2001

	Balances Sept. 1, 2000	Restatements	Restated Beg. Balances Sept. 1, 2000
ENDOWMENT			
Ben and Ida Mason Endowment			-
Kenneth Coffey Football Scholarship			-
Judge Andrew Jefferson Endowed Chair			-
Chase Bank Scholarship Endowment			-
General Investments	6,394		6,394
Total Student Aid	10,465,416	(100,000)	10,365,416
Total Endowment	12,747,055	(100,000)	12,647,055
TERM ENDOWMENT			
General Purpose			
TSU Endowment Jazz Archives	285,812		285,812
TSU Endowment Challenge Grant	1,544,799		1,544,799
Total Term Endowment	1,830,611	-	1,830,611
Total (Exh. B)	\$ 14,577,666	\$ (100,000)	\$ 14,477,666

[a] Analysis of Additions - Gifts and Bequests

Private Gifts, Grants and Contracts		
James W. Rockwell Fund	\$	4,143
William Lawson Athletic Scholarship Fund		2,000
B.A. Turner Endowed Scholarship Fund		1,000
Jessie H. Jones/Smith Graham Endowment Scholarship Fund		20,000
Ben and Ida Mason Endowment		3,000
Kenneth Coffey Football Scholarship		3,000
Judge Andrew Jefferson Endowed Chair		315,850
Chase Bank Scholarship Endowment		20,000
Total Gifts and Bequests	\$	368,993

[b] Analysis of Additions - Endowment/Other Investment Income

Net Increase (Decrease) in the Fair Value of Investments	\$	(3,409,759)
Endowment Income		629,204
Total Endowment/Other Invest Income	\$	(2,780,555)

UNAUDITED

Additions				Deductions		Principal Balance Aug. 31, 2001	Memorandum Income of Fund
Gifts	Endow/Other Invest Income	Transfers	Other Changes	Transfers	Other Changes		
3,000	0					3,000	-
3,000	0					3,000	-
315,850	(15,522)				2,543	297,784	-
20,000	0				0	20,000	-
	(882)				0	(0)	5,512
<u>368,993</u>	<u>(2,113,900)</u>	-	-	-	<u>73,455</u>	<u>8,140,103</u>	<u>406,951</u>
368,993	(2,479,922)	-	-	-	89,864	9,946,766	499,496
	(45,945)				2,053	226,041	11,773
	(254,687)				11,053	1,216,912	62,147
-	(300,633)				-	1,442,953	73,920
<u>\$ 368,993</u>	<u>\$ (2,780,555)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,970</u>	<u>\$ 11,389,718</u>	<u>\$ 573,416</u>
[a]	[b]				[c]	(Exh. B)	[d]

[c] Analysis of Deductions - Other Changes

Expenses - Management Fees for Fiscal Year 2001	\$ 102,970
Total Analysis of Deductions - Other Changes	<u>\$ 102,970</u>

[d] Distribution of Income

Scholarship Allocation for 2001	\$ 570,650
Rock Glossom Endowed Scholarship Fund	274
Jesse H. Jones Leadership Chair #2	190
Jesse H. Jones Leadership Chair #3	190
General Investments	5,248
George Foreman Endowed Scholarship Fund - School of Law	(3,136)
Total Distribution of Income	<u>\$ 573,416</u>

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TEXAS SOUTHERN UNIVERSITY
SCHEDULE B-7
SCHEDULE OF CHANGES IN FUND BALANCES
ANNUITY AND LIFE INCOME FUNDS
For the Fiscal Year Ended August 31, 2001

SCHEDULE NOT USED

UNAUDITED

TEXAS SOUTHERN UNIVERSITY
 SCHEDULE B-8
 SCHEDULE OF CHANGES IN FUND BALANCES
 Unexpended Plant Funds
 For the Fiscal Year Ended August 31, 2001

	Balances Sept. 1, 2000	Restatements	Restated Beg. Balances Sept. 1, 2000	State Appropriations	Revenue Bonds	Net Inc(Dec) In FV Changes
RESTRICTED						
Series 1993 & 1993A Consolidated Revenue Bonds	\$ 560,702	\$	\$ 560,702	\$	\$	\$
Series 1996 General Obligation Bonds	3,157,616		3,157,616			
Series 1998 Tuition Revenue Bonds	(1,873,458)		(1,873,458)			
Higher Education Assistance Funds	(7,792,115)		(7,792,115)			
Total Restricted	<u>(5,947,254)</u>	<u>-</u>	<u>(5,947,254)</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESTRICTED						
General Fees	(1,149)		(1,149)			
Other	1,036,979	10,900,000	11,936,979			
Total Unrestricted	<u>1,035,830</u>	<u>10,900,000</u>	<u>11,935,830</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Loan Funds (Exh. B)	\$ (4,911,424)	\$ 10,900,000	\$ 5,988,576	\$ -	\$ -	\$ -

(a) Analysis of Additions - Other Investment Income	
Interest Income	\$ 1,416,445
Total Other Investment Income	<u>\$ 1,416,445</u>
(b) Analysis of Additions - Transfers	
Mandatory Transfers	\$ 0
Other Transfers	3,536,549
Total Transfers	<u>\$ 3,536,549</u>
(c) Analysis of Deductions - Transfers	
Mandatory Transfers	\$ 0
Other Transfers	367,037
Total Transfers	<u>\$ 367,037</u>

UNAUDITED

ADDITIONS				DEDUCTIONS				Balances Aug. 31, 2001
Other Investment Income	Gifts and Grants	Transfers	Other Changes	Capitalized	Non- Capitalized	Transfers	Other Changes	
\$ 35,888	\$	\$	\$	\$ 283,169	# 15,977	\$	\$	\$ 297,444
1,225,688		390,602		16,620,891	# 56,733			3,100,883
154,869		3,145,948		2,432,067	# 1,552,057			(17,146,332)
<u>1,416,445</u>	<u>-</u>	<u>3,536,549</u>	<u>-</u>	<u>19,336,127</u>	<u>1,893,039</u>	<u>-</u>	<u>-</u>	<u>(8,475,422)</u>
								<u>(22,223,427)</u>
			42,421	2,692,196	332,835	367,037	75,169	(1,149)
			<u>42,421</u>	<u>2,692,196</u>	<u>332,835</u>	<u>367,037</u>	<u>75,169</u>	<u>8,512,162</u>
\$ <u>1,416,445</u>	<u>-</u>	<u>3,536,549</u>	\$ <u>42,421</u>	\$ <u>22,028,324</u>	<u>2,225,875</u>	\$ <u>367,037</u>	\$ <u>75,169</u>	\$ <u>(13,712,413)</u>
[a]		[b]				[c]		
Add: Unexpended Plant Portion of Bonds Payable								630,000
								\$ <u>(13,082,413)</u>
								(Exh. B)

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UNAUDITED

TEXAS SOUTHERN UNIVERSITY
SCHEDULE B-9
STATEMENT OF CHANGES IN FUND BALANCES
FUNDS FOR RENEWALS AND REPLACEMENTS
For the Fiscal Year Ended August 31, 2001

SCHEDULE NOT USED

UNAUDITED

TEXAS SOUTHERN UNIVERSITY
 SCHEDULE B-10
 SCHEDULE OF CHANGES IN FUND BALANCES
 Funds for Retirement of Indebtedness
 For the Fiscal Year Ended August 31, 2001

			Restated Beg. Balances Sept. 1, 2000	ADDITIONS		Bonds Matured/ Refunded
	Balances Sept. 1, 2000	Restatements		Transfers	Other Changes	
RESTRICTED						
Revenue Bonds						
Rev Fin Sys Ref Bds Ser '93	\$ -	\$ -	\$ -	\$ 86,550	-	-
Rev Fin Sys Ref Bds Ser '93A	(72,832)		(72,832)			
Rev Fin Sys Ref & Imp Bds Ser '98 A-C	(475,434)	553,520	78,086	3,545,192	15	1,390,000
HUD Interest Grant	-		-	76,633		
General Obligations (H.E.A.F.)						
Series 1996 General Obligation Bonds	67,525		67,525	2,230,473		1,659,996
Total Retirement of Indebtedness (Exh. B)	\$ (480,741)	\$ 553,520	\$ 72,779	\$ 5,852,298	\$ 86,565	3,049,996
				(a)	(b)	(Exh. B) (Sch. D-1)

(a) Analysis of Additions - Transfers

Mandatory Transfers(E&G)	\$ 3,545,192
Mandatory Transfers(Designated)	2,230,473
Non-Mandatory	76,633
Total Transfers	\$ 5,852,298

(b) Analysis of Additions - Other

HUD Interest Grant	\$ 86,550
Interest Income	15
Total Other	\$ 86,565

DEDUCTIONS			
Interest Expenses	Transfers	Other Changes	Balances Aug. 31, 2001
\$	\$	\$	\$ 86,550
2,251,865			(72,832)
			(18,572)
			76,633
<u>473,804</u>			-
			164,198
<u>\$ 2,725,669</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 235,976</u>
			(Exh. B)

UNAUDITED

TEXAS SOUTHERN UNIVERSITY
SCHEDULE B-11
SCHEDULE OF CHANGES IN INVESTMENT IN PLANT
 For the Fiscal Year Ended August 31, 2001

	Total	Land	Buildings	Construction In Progress
Net Investment in Plant, Sept. 1, 2000	<u>\$ 199,137,317</u>			
Add:				
Bonds Interest Payable at Sept. 1, 2000	593,167			
Investment in Plant Portion of Bonds Payable at Sept. 1, 2000	28,840,000			
Carrying Value, Sept. 1, 2000	<u>\$ 228,570,485</u>	<u>\$ 10,096,699</u>	<u>\$ 141,874,910</u>	<u>\$ 14,514,202</u>
Restatements	\$ 5,727,360	1,464,570	12,920,660	(9,954,276)
Restated Beg Bal, Net Investment in Plant, Sept. 1, 2000	<u>\$ 234,297,845</u>	<u>11,561,269</u>	<u>154,795,570</u>	<u>4,559,926</u>
Additions:				
From Expenditures				
Current Fund Expenditures				
Plant Fund Expenditures	\$ 26,059,891		16,760,037	3,874,226
Total Additional from Expenditures	<u>\$ 26,059,891</u>	<u>-</u>	<u>16,760,037</u>	<u>3,874,226</u>
Deductions:				
Sales				
Loss on Sales or Trade-in				
Total Deductions	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Carrying Value of Plant at August 31, 2001	<u>\$ 260,357,735</u>	<u>\$ 11,561,269</u>	<u>\$ 171,555,607</u>	<u>\$ 8,434,152</u>
Less:				
Investment in Plant Portion of Bonds Payable at August 31, 2001	26,420,004			
Net Investment in Plant, August 31, 2001	<u>\$ 233,937,732</u>			
	(Exh. B)			

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Improvements Other Than Buildings	Equipment	Library Books	Bond Issuance / Discount	Bond Interest Expense	Mandatory Transfers	Other
\$ 17,804,249	\$ 30,305,394	\$ 13,975,030	\$ -	\$ -	\$ -	\$ 1
0	172,292	1,124,114				
17,804,249	30,477,686	15,099,144	\$ -	\$ -	\$ -	\$ 1
18,968	3,988,249	1,418,411	-	-	-	-
18,968	3,988,249	1,418,411	-	-	-	-
-	-	-	-	-	-	-
18,968	3,988,249	1,418,411	-	-	-	-
\$ 17,823,217	\$ 34,465,935	\$ 16,517,555	\$ -	\$ -	\$ -	\$ 1

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TEXAS SOUTHERN UNIVERSITY
 SCHEDULE B-13
 SCHEDULE OF TRANSFERS
 For the Fiscal Year Ended August 31, 2001

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>				
<u>Fund Group/Source</u>	<u>Transferred</u>	<u>Educational and General</u>	<u>Designated</u>	<u>Auxiliary</u>	<u>Restricted</u>
Mandatory					
Educational and General	\$ 3,545,192	\$		\$	\$
Designated Funds	2,230,473				
Auxiliary Enterprises Funds	-				
Unexpended Plant Funds					
Retirement of Indebtedness	-				
Total Mandatory Transfers	<u>5,775,665</u>				
Non-Mandatory Transfers					
Educational and General	4,595,473		1,349,328		
Designated Funds					
Auxiliary Enterprises Funds					
Restricted Funds					
Unexpended Plant Funds					
Total Non-Mandatory Transfers	<u>4,595,473</u>	<u>-</u>	<u>1,349,328</u>	<u>-</u>	<u>-</u>
Total Transfers Among Funds	<u>\$ 10,371,138</u>	<u>\$ -</u>	<u>\$ 1,349,328</u>	<u>\$ -</u>	<u>\$ -</u>

Note:
 The amounts on this schedule tie to Exhibit B.

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<u>Loan</u>	<u>Endowment</u>	<u>Unexpended</u>	<u>Retirement of Indebtedness</u>	<u>Investment in Plant</u>
\$	\$	\$	\$ 3,545,192	\$
			2,230,473	
<u> </u>	<u> </u>	<u> </u>	<u>5,775,665</u>	<u> </u>
		3,169,512	76,633	
<u> </u>	<u> </u>	<u>3,169,512</u>	<u>76,633</u>	<u> </u>
\$	\$	\$	\$	\$
<u> </u>	<u> </u>	<u>3,169,512</u>	<u>5,852,298</u>	<u> </u>
<u> </u>	<u> </u>	<u>3,169,512</u>	<u>5,852,298</u>	<u> </u>

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TEXAS SOUTHERN UNIVERSITY
 SCHEDULE C-1
 SCHEDULE OF CURRENT FUNDS REVENUES
 For the Fiscal Year Ended August 31, 2001

	Educational and General	Designated	Auxiliary Enterpsnes	Total Unrestricted	Restrcted	Total
Tuition and Fees						
Tuition	\$ 9,695,256	\$ 3,629,105	\$ -	\$ 9,695,256	\$ -	\$ 9,695,256
Designated Tuition				3,629,105		3,629,105
Student Center Fee			537,514	537,514		537,514
Student Service Fee			1,910,242	1,910,242		1,910,242
Laboratory Fees	44,050	548		44,598		44,598
Other Fees	4,596	2,850,396		2,854,992		2,854,992
Remissions and Exemptions						
Hazelwood Veterans	58,037			58,037		58,037
Blind, Deaf Students	17,960			17,960		17,960
Good Neighbor				-		-
Other Tuition and /or Fee Exemptions	205,094			205,094		205,094
Highest Ranking Students				-		-
Statutory Waiver of Non-Resident Status	2,134,805			2,134,805		2,134,805
Total Tuition and Fees	<u>12,159,798</u>	<u>6,480,049</u>	<u>2,447,756</u>	<u>21,087,603</u>	<u>-</u>	<u>21,087,603</u>
Legislative Appropriations						
General Revenue	36,744,154			36,744,154		36,744,154
Higher Education Assistance Funds	7,191,493			7,191,493		7,191,493
Total Legislative Appropriations	<u>43,935,647</u>	<u>-</u>	<u>-</u>	<u>43,935,647</u>	<u>-</u>	<u>43,935,647</u>
Federal Grants and Contracts						
Research					2,192,961	2,192,961
Other Programs					16,796,698	16,796,698
Recovery of Indirect Costs	947,560			947,560		947,560
Total Grants and Contracts	<u>947,560</u>	<u>-</u>	<u>-</u>	<u>947,560</u>	<u>18,989,659</u>	<u>19,937,219</u>
Federal Pass-Through Grants from Other Agencies						
Research						-
Other Programs					55,911	55,911
Recovery of Indirect Costs						-
Total Pass-Through Grants from Other Agencies	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,911</u>	<u>55,911</u>
State Grants and Contracts						
Research					677,657	677,657
Other Programs					1,301,887	1,301,887
Recovery of Indirect Costs	137,253			137,253		137,253
Total State Grants and Contracts	<u>137,253</u>	<u>-</u>	<u>-</u>	<u>137,253</u>	<u>1,979,544</u>	<u>2,116,797</u>
State Pass-Through Grants from Other Agencies						
Research						-
Other Programs	249,304			249,304	145,349	394,652
Recovery of Indirect Costs						-
Total State Pass Through Grants from Other Agencies	<u>249,304</u>	<u>-</u>	<u>-</u>	<u>249,304</u>	<u>145,349</u>	<u>394,652</u>
Local Grants and Contracts						
Research					12,128	12,128
Other Programs		24,650		24,650	687	25,337
Recovery of Indirect Costs	87			87		87
Total Local Grants and Contracts	<u>87</u>	<u>24,650</u>	<u>-</u>	<u>24,737</u>	<u>12,815</u>	<u>37,552</u>

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TEXAS SOUTHERN UNIVERSITY
 SCHEDULE C-1
 SCHEDULE OF CURRENT FUNDS REVENUES
 For the Fiscal Year Ended August 31, 2001

	Educational and General	Designated	Auxiliary Enterprses	Total Unrestricted	Restrcted	Total
Nongovernmental Grants and Contracts						
Research			-	-	222,965	222,965
Other Programs		2,018,505	1,200	2,019,705	1,354,129	3,373,834
Recovery of Indirect Costs	84,444			84,444		84,444
Total Nongovernmental Grants and Contracts	<u>84,444</u>	<u>2,018,505</u>	<u>1,200</u>	<u>2,104,149</u>	<u>1,577,094</u>	<u>3,681,243</u>
Endowment Income						
		580,496		580,496		580,496
Sales & Services of Educational Activities	83,128	587,505		670,633		670,633
Sales & Services of Auxiliary Activities	21,427	196,981	2,576,584	2,794,992		2,794,992
	<u>104,555</u>	<u>1,364,982</u>	<u>2,576,584</u>	<u>4,046,121</u>		<u>4,046,121</u>
Other Sources						
Investment Income	223,624			223,624		223,624
Interest Income		6,203	105,194	111,397		111,397
Other Misc. Income	287,099	681,520	352,903	1,321,522		1,321,522
Total Other Sources	<u>510,723</u>	<u>687,723</u>	<u>458,096</u>	<u>1,656,542</u>		<u>1,656,542</u>
Total Current Fund Revenues (Exh. C)	<u>\$ 58,129,371</u>	<u>\$ 10,575,908</u>	<u>\$ 5,483,637</u>	<u>\$ 74,188,915</u>	<u>\$ 22,760,371</u>	<u>\$ 96,949,287</u>

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TEXAS SOUTHERN UNIVERSITY
 SCHEDULE C-2
 SCHEDULE OF CURRENT FUNDS EXPENDITURES BY OBJECT
 For the Fiscal Year Ended August 31, 2001

	Salaries and Wages	Operating Expenses	Capital Outlay	Total
Educational and General				
Instruction	\$ 20,672,063	\$ 6,592,368	\$ 223,345	27,487,776
Research		22,766		22,766
Public Service	239,128	283,148	166,731	689,007
Academic Support	3,031,487	1,375,621	1,623,811	6,030,919
Student Services	1,256,803	461,981	29,197	1,747,981
Institutional Support	5,124,679	4,203,324	759,194	10,087,197
Operation and Maintenance of Plant	2,158,248	4,600,125	2,383	6,760,756
Scholarships and Fellowships	19,042	413,982		433,024
Total Educational and General	<u>32,501,450</u>	<u>17,953,315</u>	<u>2,804,661</u>	<u>53,259,426</u>
Designated				
Instruction	690,538	618,852	39,704	1,349,094
Research		13,843		13,843
Public Service	35,006	15,988		50,994
Academic Support	38,841	579,062	27,385	645,288
Student Services	307,418	1,218,889	4,900	1,531,207
Institutional Support	590,470	3,258,339	23,429	3,872,238
Operation and Maintenance of Plant	101,948	284,369	29,725	416,042
Scholarships and Fellowships	7,600	1,791,212		1,798,812
Total Designated	<u>1,771,822</u>	<u>7,780,555</u>	<u>125,142</u>	<u>9,677,518</u>
Auxiliary Enterprises				
Instruction				
Public Service				
Student Services	1,865,830	3,049,647	15,726	4,931,203
Institutional Support	53,089	530,440	7,947	591,476
Operation and Maintenance of Plant	104,076	234,660	1,895	340,631
Scholarships and Fellowships		759,089		759,089
Total Auxiliary Enterprises	<u>2,022,995</u>	<u>4,573,836</u>	<u>25,568</u>	<u>6,622,399</u>
Restricted				
Instruction	1,586,301	2,628,275	607,016	4,821,592
Research	1,405,805	1,383,212	259,504	3,048,521
Public Service	451,362	1,121,480	25,040	1,597,881
Academic Support	491,267	438,261	76,994	1,006,522
Student Services	1,221,849	987,343	75,030	2,284,222
Institutional Support	224,972	152,511	32,616	410,099
Operation and Maintenance of Plant	133	8,826		8,959
Scholarships and Fellowships	789,847	8,792,728		9,582,576
Total Restricted	<u>6,171,537</u>	<u>15,512,637</u>	<u>1,076,199</u>	<u>22,760,372</u>
Total Current Fund Expenditures (Exh. C)	<u>\$ 42,467,803</u>	<u>\$ 45,820,343</u>	<u>\$ 4,031,569</u>	<u>92,319,715</u>

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TEXAS SOUTHERN UNIVERSITY
 Schedule D-1
 Schedule of Bonds Payable and
 Debt Service Requirements
 For the Fiscal Year Ended August 31, 2001

(a) Miscellaneous Bond Information	Bonds Issued to Date	Range of Interest Rates	Maturities		First Call Date
			First Year	Last Year	
			Description		
FIN SYS IMP BDS SER '98A-2	\$ 18,000,000	3.1%-5.125%	1999	2018	05-01-2009
FIN SYS IMP BDS SER '98B	12,920,000	3.5%-5.125%	2001	2023	05-01-2009
FIN SYS IMP BDS SER '98C	1,705,000	3.5%-4.1%	2001	2008	n/a
FIN SYS REF BDS SER '98A-1	20,305,000	3.1%-4.750%	1999	2017	05-01-2009
CONSTITUTIONAL APPROPRIATION BONDS SER '96	15,090,000	4.75%-5.50%	1997	2005	n/a
Total \$	68,020,000				

(b) Changes in Bonded Indebtedness	Bonds Outstanding		Bonds Refunded or Extinguished		Bonds Outstanding 8/31/01
	9/1/00	Bonds Issued	Bonds Matured	Bonds Extinguished	
CONSTITUTIONAL APPROPRIATION BONDS SER 96	9,270,000		1,660,000		7,610,000
FIN SYS IMP BDS SER '98A-2	17,715,000		630,000		17,085,000
FIN SYS IMP BDS SER '98B	12,920,000				12,920,000
FIN SYS IMP BDS SER '98C	1,705,000				1,705,000
FIN SYS REF BDS SER '98A-1	19,570,000		760,000		18,810,000
Total \$	61,180,000	\$ 0	\$ 3,050,000	\$ 0	\$ 58,130,000

(c) Debt Service Requirements	Fiscal Year Ending August 31,					All Other Years	Total Requirements
	2002	2003	2004	2005	2006		
FIN SYS IMP BDS SER '98A-2	\$ 1,414,691	1,411,079	\$ 1,410,979	\$ 1,414,159	\$ 1,410,566	18,350,228	\$ 25,411,702
FIN SYS IMP BDS SER '98B	914,219	912,146	914,276	915,491	915,761	16,438,208	21,010,101
FIN SYS IMP BDS SER '98C	247,278	250,530	248,320	245,725	247,638	748,713	1,988,203
FIN SYS REF BDS SER '98A-1	1,578,790	1,580,383	1,580,080	1,577,823	1,578,453	18,965,319	26,860,848
CONSTITUTIONAL APPROPRIATION BONDS SER '96	2,140,800	2,153,300	2,160,800	2,173,300	0	0	8,628,200
TOTAL \$	6,295,778	\$ 6,307,438	\$ 6,314,455	\$ 6,326,498	\$ 4,152,419	\$ 54,502,468	\$ 83,899,055

(a) Bonds are not subject to redemption prior to stated maturity

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TEXAS SOUTHERN UNIVERSITY
 Schedule D-2
 Analysis of Funds Available for Debt Service
 General Obligations Bonds Outstanding
 For the Fiscal Year Ended August 31, 2001

DESCRIPTION	Beginning Balance Available for Debt Service 09-01-2000	SOURCES OF FUNDS				Total Sources Available
		PLEGGED SOURCES		OTHER SOURCES		
		Interest Earned on Pledged Sources	Other Pledged Sources	Operating Transfers	General Revenue Fund	
CONSTITUTIONAL APPROPRIATION BONDS	\$ 92,634			\$ 2,133,800	\$ 2,226,434	
Totals	\$ 92,634	-	-	- \$ 2,133,800	\$ 2,226,434	

APPLICATION OF FUNDS					Ending Balance Available for Debt Service At 8/31/2001	
Debt Service Principal	Debt Service Interest	Refunded or Extinguished	Other Application of Funds	Total Application of Funds	Minimum Required	Actual Balance
\$ 1,660,000	\$ 473,800			\$ 2,133,800	N/A	\$ 92,634
<u>\$ 1,660,000</u>	<u>\$ 473,800</u>	<u>-</u>	<u>-</u>	<u>\$ 2,133,800</u>	<u>N/A</u>	<u>\$ 92,634</u>

TEXAS SOUTHERN UNIVERSITY
 Schedule D-2A
 Analysis of Funds Available for Debt Service
 Revenue Bonds Outstanding
 For the Fiscal Year Ended August 31, 2001

Description	PLEGGED AND OTHER SOURCES AND RELATED EXPENDITURES					
	Operating Revenues	Interest Earned on Pledged Sources	Other Pledged Sources	(a) Total Pledged Sources	(b) Other Sources	(c) Operating Expenses
FIN SYS IMP BDS SER '98A-2		\$ 600,679		\$ 600,679	\$ 1,411,391	
FIN SYS IMP BDS SER '98B	833,429	567,546		1,400,975		107,860
FIN SYS IMP BDS SER '98C	534,953	56,569		591,522		209,561
FIN SYS REF BDS SER '98A-1		11	1,579,878	1,579,889		
Totals	\$ 1,368,382	\$ 1,224,805	\$ 1,579,878	\$ 4,173,065	\$ 1,411,391	\$ 317,421

(a) The Bond Reserve Fund is secured by Debt Service Reserve Fund Surety Bond

(b) Required to keep next two Debt Service payments in Debt Service Account Balance for 1998B and 1998C Series Bonds per Texas Public Financing Authority

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(d) Capital Outlay	(a+b-c-d) Net Available For Debt Service	DEBT SERVICE			RESTRICTED ACCOUNT BALANCES				
		Debt Service Principal	Debt Service Interest	Refunded or Extinguished	INTEREST AND SINKING FUND		BOND RESERVE FUND		
					Minimum Required	Actual Balance	Minimum Required	Actual Balance	
	\$ 2,012,070	\$ 630,000	\$ 781,391		N/A	\$ 1,426	\$ 1,414,691 (a)	\$ 1,526,819	
	1,293,115		585,081		914,219 (b)	914,219	915,821 (a)	1,287,977	
	381,961		65,515		247,278 (b)	247,278	250,530 (a)	784,433	
	1,579,889	760,000	819,878		N/A	1,267	1,518,780 (a)	1,528,222	
\$	-	\$ 5,267,035	\$ 1,390,000	\$ 2,251,865	\$ -	\$ 1,161,496	\$ 1,164,190	\$ 4,099,822	\$ 5,127,451

TEXAS SOUTHERN UNIVERSITY

SCHEDULE D-3

Defeased Bonds Outstanding

For the Fiscal Year Ended August 31, 2001

Description of Issues	Year Refunded	Par Value Outstanding
Consolidated Revenue Refunding Bonds, Series 1993	1999	\$ 4,365,000.00
Consolidated Revenue Bonds, Series 1993-A	1999	12,355,000.00
Building Revenue Bonds, Series 1963-B	1994	440,000.00
Total Defeased Revenue Bonds		<u>\$ 17,160,000.00</u>

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TEXAS SOUTHERN UNIVERSITY
 SCHEDULE D-4
 SCHEDULE OF HIGHER EDUCATION ASSISTANCE FUNDS
 For the Fiscal Year Ended August 31, 2001

	CURRENT FUNDS		PLANT FUNDS		Total
	Educational and General		Unexpended	Retirement of Indebtedness	
Balances, September 1, 2000	\$ 7,758,437	\$	1,322,342	\$ (3,662,057)	\$ 5,418,722
Revenues					
Appropriations	7,191,493		0	0	7,191,493
Total Revenue	<u>7,191,493</u>		<u>0</u>	<u>0</u>	<u>7,191,493</u>
Expenditures					
Books	1,287,797		1,320		1,289,117
Computers	268,043		106,080		374,123
Software	77,056				77,056
Non-Capitalized Computers	17,600				17,600
Non-Capitalized Equipment					
Furniture and Equipment	708,903		1,372,925		2,081,828
Renovation and Repair	147,293		1,746,979		1,894,272
Other	172,006		691,083		863,089
Salary, Wages & Benefit			308,357		308,357
Principal on Debt				1,659,996	1,659,996
Interest on Debt				473,804	473,804
Total Expenditures	<u>2,678,698</u>		<u>4,226,744</u>	<u>2,133,800</u>	<u>9,039,242</u>
Transfers:					
Mandatory Transfers	(2,133,800)		0	2,133,800	0
Debt Service					
Non-mandatory	(3,169,512)		0	3,169,512	0
Total Transfers	<u>(5,303,312)</u>		<u>0</u>	<u>5,303,312</u>	<u>0</u>
Balances, August 31, 2001	\$ <u>6,967,920</u>	\$	<u>(2,904,402)</u>	\$ <u>(492,545)</u>	\$ <u>3,570,973</u>
Balances - August 31, 2001					
Consists of:					
Encumbrances	1,859,198				1,859,198
Allocated for HEAF Projects	1,686,951				1,686,951
Salary Expense	24,824				24,824
Total Balances - August 31, 2001	\$ <u>3,570,973</u>	\$	<u>0</u>	\$ <u>0</u>	\$ <u>3,570,973</u>

TEXAS SOUTHERN UNIVERSITY
SCHEDULE D-5
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended August 31, 2001

FEDERAL GRANTOR/PASS THROUGH GRANTOR/ <hr/>	CFDA NUMBER	Identifying #	Agy #/ Univ #	Pass-Through From		Non-St. Agy Amount
				Agy Amount	Univ Amount	
U. S. AGENCY FOR INTERNATIONAL DEVELOPMENT						
Association Liasion Office/American Council on Education Promoting Community Learning Opportunities for Develop	02.000	HNEA009700059		\$	\$	\$ 22,530
Total U. S. Agency for International Development				0	0	22,530
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Other Federal Awards Expended						
Direct Program:						
Community Planning	14.000	DU100K16805				
Office Automation Skilled Services Program	14.000	B-96-SB-TX-0002				
HUD Interest Grant	14.000	CH-TEX-2925				
Total U. S. Department of Housing and Urban Development				0	0	0
U.S. DEPARTMENT OF JUSTICE						
Direct Program:						
Public Safety Partnership & Community Policing Grants	16.710					
Total U. S. Department of Justice				0	0	0
U. S. DEPARTMENT OF LABOR						
Pass Through From:						
Houston Galveston Area Council Employment Services & Job Training Pilots	17.249	219-01/AH108510080				1,749,625
Total U. S. Department of Labor				0	0	1,749,625
U. S. DEPARTMENT OF TRANSPORTATION						
Other Federal Awards Expended						
Direct Programs:						
Eisenhower Fellowships	20.000	DDEHBC-99-X-0077				
Airway Science Grant	20.000	FATS 91-19				
Total U. S. Department Of Transportation				0	0	0
NATIONAL ENDOWMENT FOR THE HUMANITIES						
Direct Programs:						
Promotion of the Humanities-Extending the Rasch Grants	45.167					
Total National Endowment for the Humanities						
NATIONAL SCIENCE FOUNDATION						
Direct Programs:						
United States Military Academy Computer & Information Science & Engineering	47.070	DUE9455980				6,583
Education and Human Resources	47.076					
Pass Through From:						
University of Houston Education & Human Resources	47.076	HRD-9900893	797-730		123,131	

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Direct Program Amount	Total Pass Through From & Direct Program	Pass-Through To			Expenditures	Total Pass-Through To & Expenditures
		Agy#/ Univ. #	State Entities	Other Entities		
	\$ 22,530				\$ 22,530	\$ 22,530
0	22,530	0	0	0	22,530	22,530
122,808	122,808				122,808	122,808
7,406	7,406				7,406	7,406
86,550	86,550				86,550	86,550
216,764	216,764	0	0	0	216,764	216,764
373,150	373,150				373,150	373,150
373,150	373,150	0	0	0	373,150	373,150
	1,749,625				1,749,625	1,749,625
0	1,749,625	0	0	0	1,749,625	1,749,625
32,804	32,804				32,804	32,804
216,617	216,617				216,617	216,617
249,421	249,421	0	0	0	249,421	249,421
9,921	9,921				9,921	9,921
	6,583				6,583	6,583
110,636	110,636				110,636	110,636
	123,131				123,131	123,131

TEXAS SOUTHERN UNIVERSITY
SCHEDULE D-5
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended August 31, 2001

FEDERAL GRANTOR/PASS THROUGH GRANTOR/ <hr/>	CFDA NUMBER	Identifying #	Agy #/ Univ #	Pass-Through From		Non-St. Agy Amount
				Agy Amount	Univ Amount	
Other Federal Awards Expended						
Houston Independent School District						10,403
Institute for Middle School Mathematics Teachers	47.000	ESR 9816227				16,986
Total National Science Foundation				<u>0</u>	<u>123,131</u>	
U. S. DEPARTMENT OF ENERGY						
Pass Through From:						
Clark-Atlanta University Academic Partnerships	81.102	OSP90668022				40,203
Comptroller State Energy Conservation Office	81.041	CM021	907	17,321		
State Energy Prog. Renew. Energy Demonstration Project						
Total U. S. Department Of Energy				<u>17,321</u>	<u>0</u>	<u>40,203</u>
U. S. DEPARTMENT OF EDUCATION						
Direct Programs:						
Higher Education-Institutional Aid	84.031					
Fund for the Improvement of Postsecondary Education	84.116					
Nat'l Institute on Disability & Rehabilitation Research	84.133					
Pass-Through From:						
Texas Higher Education Coordinating Board Eisenhower Professional Development State Grants	84.281	98031TSU	781	23,775		
U. S. Agency for International Development/UNCF Eisenhower Professional Development State Grants	84.281	HNEA0098001501	781			151,946
Pass Through From:						
Univeristy of Houston Teacher Quality Enhancement Grants	84.336	K155022	797-730		102,771	
Total U. S. Department Of Education				<u>23,775</u>	<u>102,771</u>	<u>151,946</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Direct Programs:						
Centers of Excellence	93.157					
Training Grant Stipends in Domestic Violence for HBCU's	93.592					
Head Start Partnership with HBCUs	93.600					
Pass Through From:						
Baylor College Of Medicine-Grants For Geriatric Education Centers	93.969	5D31AH66023-06				12,317
Other Federal Awards Expended						
National Youth Sports Program Fund	93.000	NYSPPF269				53,477
Total Department Of Health And Human Services				<u>0</u>	<u>0</u>	<u>65,794</u>
Student Financial Assistance Cluster						

UNAUDITED

Direct Program Amount	Total Pass Through From & Direct Program	Pass-Through To			Expenditures	Total Pass-Through To & Expenditures
		Agy#/ Univ. #	State Entities	Other Entities		
	10,403				10,403	10,403
120,557	260,675	0	0		260,675	260,675
	40,203				40,203	40,203
	17,321				17,321	17,321
0	57,524	0	0		57,524	57,524
3,411,015	3,411,015				3,411,015	3,411,015
19,378	19,378				19,378	19,378
337,977	337,977				337,977	337,977
	23,775				23,775	23,775
	151,946				151,946	151,946
	102,771				102,771	102,771
3,768,370	4,046,862	0	0		4,046,862	4,046,862
(18,926)	(18,926)				(18,926)	(18,926)
100,490	100,490				100,490	100,490
139,783	139,783				139,783	139,783
	12,317				12,317	12,317
	53,477				53,477	53,477
221,348	287,142	0	0		287,142	287,142

TEXAS SOUTHERN UNIVERSITY
SCHEDULE D-5
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended August 31, 2001

FEDERAL GRANTOR/PASS THROUGH GRANTOR/ <hr/>	CFDA NUMBER	Pass-Through From				
		Identifying #	Agy #/ Univ #	Agy Amount	Univ Amount	Non-St. Agy Amount
U. S. Department of Education						
Direct Programs:						
Federal Supplemental Educational Opportunity Grants	84.007					
Federal Family Education Loans	84.032					
Federal Work - Study Program	84.033					
Federal Perkins Loans Programs						
New Loans Processed	84.038					
Administrative Cost Recovered						
Federal Pell Grant Program	84.063					
U. S. Department of Health and Human Services						
Scholarships For Health Professions Students						
From Disadvantaged Backgrounds	93.925					
Total Student Financial Assistance Cluster				<u>0</u>	<u>0</u>	<u>0</u>
Research and Development (R&D) Cluster						
Department of Commerce						
Pass Through From:						
Texas A&M University						
Sea Grant Support	11.417	NA86RG0058	798-711		22,025	
Direct Programs:						
National Institute of Standards & Technology						
Measurement & Engineering Research & Standards	11.609					
U. S. Department of Transportation						
National Motor Carrier Safety	20.218					
Pass Through From:						
Texas A&M Research Foundation	20.701	DTRS99-G-0006	798-014			61,949
Research and Special Programs Administration						
University Transportation Centers Program						
National Aeronautics and Space Administration						
Other Federal Awards Expended						
Direct Programs:						
An Urban Outreach Program in Space Science	43.000	NAG 5-10149				
Field Testing Battery Free Vapor Compression Solar Powered Refrigerator	43.000	NAG9-1132				
Mold Development in Hydroponics by Graminaceous Crop Plants	43.000	NAG 9-1194				
Silicon Uptake in Hydroponics by Graminaceous Crop Plants	43.000	NAG9-1227				
NASA Administrator's Fellowship Program	43.000	NAFP				

UNAUDITED

Direct Program Amount	Total Pass Through From & Direct Program	Pass-Through To			Expenditures	Total Pass-Through To & Expenditures
		Agy#/ Univ. #	State Entities	Other Entities		
595,437	595,437				595,437	595,437
26,292,803	26,292,803				26,292,803	26,292,803
730,526	730,526				730,526	730,526
95,430	95,430				95,430	95,430
4,772	4,772				4,772	4,772
7,702,388	7,702,388				7,702,388	7,702,388
<u>223,695</u>	<u>223,695</u>				<u>223,695</u>	<u>223,695</u>
<u>35,645,049</u>	<u>35,645,049</u>		<u>0</u>	<u>0</u>	<u>35,645,049</u>	<u>35,645,049</u>
	22,025				22,025	22,025
47,286	47,286				47,286	47,286
96,533	96,533				96,533	96,533
	61,949				61,949	61,949
32,512	32,512				32,512	32,512
8,893	8,893				8,893	8,893
31,278	31,278				31,278	31,278
47,210	47,210				47,210	47,210
52,114	52,114				52,114	52,114

TEXAS SOUTHERN UNIVERSITY
 SCHEDULE D-5
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended August 31, 2001

FEDERAL GRANTOR/PASS THROUGH GRANTOR/ <hr/>	CFDA NUMBER	Pass-Through From				
		Identifying #	Agy #/ Univ #	Agy Amount	Univ Amount	Non-St. Agy Amount
Develop Natural Language Understanding Grammers for Intelligent Monitoring	43.000	NAG 2-1447				
High Pressure Laboratory	43.000	NCC 9-80				
Pass Through From: Department of Veteran's Affairs Intergovernmental Personnel Act	64.000	HBU 01-113				
Department of Health and Human Services Pass-Through From: Minority Health Profession Foundation Health Program For Toxic Substance And Disease Registry	93.161	U50AT39894808				255,105
Direct Programs: Addition & Renovation to Gray Hall	93.214					
Research Infrastructure	93.389					
Heart And Vascular Diseases Research	93.837					
The University of Texas Health Science Center-Houston Resource & Manpower Develop-Environ Health Sciences	93.894	1 T32ES07290-01A1	744		46,750	
Total Research and Development Cluster Programs				<u>0</u>	<u>68,774</u>	<u>317,055</u>
Other Clusters						
OCH Cluster (Child Nutrition Cluster)						
U. S Department of Agriculture Pass Through From: Texas Department of Human Services Summer Food Service Program for Children	10.559	TX1011003	324	14,814		
TRIO Cluster						
U. S. Department of Education Direct Programs: TRIO Talent Search	84.044					
TRIO Upward Bound	84.047					
TRIO Educational Opportunity Centers	84.066					
McNair Post-Baccalaureate Achievement	84.217					
Total Other Clusters Programs				<u>14,814</u>	<u>0</u>	<u>0</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u>\$ 55,911</u>	<u>\$ 294,676</u>	<u>\$ 2,364,139</u>

UNAUDITED

Direct Program Amount	Total Pass Through From & Direct Program	Pass-Through To			Expenditures	Total Pass-Through To & Expenditures
		Agy#/ Univ. #	State Entities	Other Entities		
27,884	27,884				27,884	27,884
273,212	273,212				273,212	273,212
9,246	9,246				9,246	9,246
	255,105				255,105	255,105
168,608	168,608				168,608	168,608
506,798	506,798				506,798	506,798
448,365	448,365				448,365	448,365
	46,750				46,750	46,750
<u>1,749,938</u>	<u>2,135,767</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,135,767</u>	<u>2,135,767</u>
	14,814				14,814	14,814
349,548	349,548				349,548	349,548
638,444	638,444				638,444	638,444
204,404	204,404				204,404	204,404
216,192	216,192				216,192	216,192
<u>1,408,589</u>	<u>1,423,403</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,423,403</u>	<u>1,423,403</u>
<u>\$ 43,753,187</u>	<u>\$ 46,467,913</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 46,467,913</u>	<u>\$ 46,467,913</u>

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TEXAS SOUTHERN UNIVERSITY
 SCHEDULE D-5
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended August 31, 2001

Note 1: Non-Monetary Assistance

Texas Southern University Did Not Receive Any Federal Non-Monetary Assistance.

Note 2: Reconciliation

Federal Revenues - per Exhibit C:	
Federal Grants and Contracts	\$ 18,989,659
Federal Pass-Through Grants from Other State Agencies	55,911
Indirect/Administrative Cost Recoveries	947,560
Total Federal Revenues per Exhibit C	<u>19,993,130</u>
ADD:	
Pass Through to Other Entities	
New Loans Processed:	
Federal Family Education Loan Program	26,292,803
Federal Perkins Loan Program	95,430
Federal Health Profession Student Loans	
HUD Interest Grant	86,550
Total Pass-Through & Expenditures Per Federal Schedule	<u>\$ 46,467,913</u>

Note 3: Student Loans Processed and Administrative Cost Recovered

Federal Grantor/ CFDA Number/Program Name	New Loans Processed	Administrative Cost Recovered	Total Loans Processed & Adm. Cost Recovered	Ending Balances of Previous Year's Loans
U.S. Department of Education				
84.032 Federal Family Education Loan Program	\$ 26,292,803	\$ -	\$ 26,292,803	\$ -
84.038 Federal Perkins Loan Program	95,430	4,772	100,202	1,942,847
Total Department of Education	<u>\$ 26,388,233</u>	<u>\$ 4,772</u>	<u>\$ 26,393,004</u>	<u>\$ 1,942,847</u>
U. S. Department of Health and Human Services				
93.342 Health Profession Student Loans, Including primary care Loans/Loans for Disadvantaged Students	-	-	-	225,049
Total U. S. Department of Health and Human Services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 225,049</u>

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

Note 5: Depository Libraries for Government Publications

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

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APPENDIX C
FORM OF BOND COUNSEL OPINION

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_____, 2002

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

TEXAS PUBLIC FINANCE AUTHORITY TEXAS SOUTHERN UNIVERSITY
REVENUE FINANCING SYSTEM BONDS, SERIES 2002, dated April 1, 2002, in the total authorized amount of \$48,065,000.

The Bonds mature, bear interest and may be transferred and exchanged as set out in the Bonds, the master resolution, the third supplemental resolution, and the Pricing Committee's Pricing Certificate authorizing their issuance (collectively, the "Resolution"). The Resolution was adopted separately by the Board of Directors of the Authority and the Board of Regents of Texas Southern University (the "University").

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

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Authority and the University; customary certificates of officers, agents and representatives of the Authority and the University, and other public officials; and other certified showings relating to the authorization and issuance of the Bonds. We have also examined executed Bond No. R-1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION that:

- (1) the Bonds have been authorized, issued, and delivered in accordance with the Constitution and laws of the State of Texas and the covenants and provisions in the Resolution constitute valid and legally binding special obligations of the Authority, issued on behalf of the University.

- (2) the Bonds constitute valid and legally binding special limited obligations of the Authority payable exclusively from a lien on and pledge of the Pledged Revenues (as defined in the Resolution).
- (3) The Bonds are not a debt, a pledge of the faith and credit, or secured by the taxing power of the State of Texas or any agency, political corporation or political subdivision thereof will be pledged for payment of the Bonds. Neither the Authority nor the University has taxing power.

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

IT IS OUR FURTHER OPINION that:

- (1) Interest on the Bonds is excludable from gross income for federal income tax purposes under existing law.
- (2) The difference between the amount payable at maturity of each Discount Bond (as defined in the Official Statement) and the "issue price" of such Bond (as stated in the Official Statement) is excludable from gross income for federal income tax purposes as original issue discount under existing law.
- (3) The Bonds are not "private activity bonds" within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Bonds will be included in the "adjusted current earnings" of a corporation (other than any S corporation, regulated investment company, REIT, REMIC or FASIT) for purposes of computing its alternative minimum tax.

In providing such opinions, we have relied on representations of the Authority, the University, the Authority's co-financial advisors, and the underwriters, with respect to matters solely within the knowledge of the Authority, the University, the Authority's co-financial advisors, and the underwriters, respectively, which we have not independently verified, and have assumed continuing compliance by the Authority and the University with the covenants in the Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or the Authority or the University fails to comply with the foregoing provisions of the Resolution, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

Purchasers of Discount Bonds in the initial public offering are directed to the discussion entitled "Tax Accounting Treatment of Original Issue Discount Bonds" set forth in the Official Statement for purposes of determining the portion of the original issue discount described in paragraph (2) above which is allocable to the period such Bonds are held by an owner. The

federal income tax consequences of the purchase, ownership, and redemption, sale, or other disposition of Discount Bonds which are not purchased in the initial public offering at the initial offering price may be determined according to rules which differ from those described above and in the Official Statement.

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

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

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

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APPENDIX D

FORM OF FINANCIAL GUARANTY INSURANCE POLICY

**MBIA Insurance Corporation
Armonk, New York 10504**

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancelable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

SPECIMEN

DISCLOSURE OF GUARANTY FUND NONPARTICIPATION: In the event the Insurer is unable to fulfill its contractual obligation under this policy or contract or application or certificate or evidence of coverage, the policyholder or certificateholder is not protected by an insurance guaranty fund or other solvency protection arrangement.