NEW ISSUE - BOOK-ENTRY ONLY

Ratings:

	Underlying	Insured
Fitch:	AA	AAA
Moody's	Aa3	Aaa
S&P	AA	AAA

See "RATINGS" and "BOND INSURANCE" herein

In the opinion of Delgado, Acosta, Braden & Jones, P.C., Bond Counsel, assuming continuing compliance by the Board of Regents with certain tax covenants described herein, under existing law, interest on the Bonds is not includable for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as amended ("Code"), and is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax. In the case of certain corporations that own the Bonds, the interest thereon will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the Bonds in "adjusted current earnings." In addition, interest on the Bonds may be subject to the branch profits tax imposed on certain foreign corporations and to the tax on "excess net passive income" imposed on S corporations. See "TAX MATTERS" herein.

$97,265,000
BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM
REVENUE FINANCING SYSTEM
REFUNDING AND IMPROVEMENT BONDS
NINTH SERIES (2003)

Dated: September 1, 2003 **Due: February 15, as shown on the inside front cover**

The Board of Regents of Texas Tech University System Revenue Financing System Refunding and Improvement Bonds, Ninth Series (2003) (the "Bonds") constitute valid and legally binding special obligations of the Board of Regents (the "Board") of the Texas Tech University System (the "University System"). The Bonds shall be issued pursuant to a Master Resolution adopted by the Board on October 21, 1993, and amended on November 8, 1996 and August 22, 1997 (as amended, the "Master Resolution"), and a Ninth Supplemental Resolution adopted by the Board on August 8, 2003. The Bonds are payable from and secured solely by the Pledged Revenues (as defined herein) of the Texas Tech University System Revenue Financing System. The Bonds are Parity Obligations (as defined herein). See "SECURITY FOR THE BONDS."

The proceeds from the sale of the Bonds will be used for the purposes of: (i) acquiring, purchasing, constructing, improving, renovating, enlarging or equipping property, buildings, structures, facilities, roads or related infrastructure for Texas Tech University and Texas Tech University Health Sciences Center, (ii) retiring certain of the Outstanding Commercial Paper Notes (as defined herein), (iii) currently refunding certain of the Board's Outstanding Parity Obligations, as more particularly described in Schedule I attached hereto (the "Refunded Bonds"), and (iv) paying the costs of issuance of the Bonds. See "PLAN OF FINANCE" and "Schedule I - REFUNDED BONDS."

Interest on the Bonds will accrue from September 1, 2003, and is calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Bonds is payable on February 15, 2004, and each February 15 and August 15 thereafter until maturity or prior redemption. The Bonds are initially issuable only to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or 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, Dallas, Texas, the initial Paying Agent/Registrar, to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "DESCRIPTION OF THE BONDS—Book-Entry Only System."

Payment of the principal of and interest on the Bonds maturing in the years 2007 through 2023 inclusive (the "Insured Bonds"), when due, will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Bonds.

The Bonds will mature, bear interest, and have initial prices or yields and CUSIP numbers as shown on the inside front cover page of this Official Statement.

The Bonds are subject to redemption as provided herein. See "DESCRIPTION OF THE BONDS—Redemption."

THE BONDS DO NOT CONSTITUTE GENERAL OBLIGATIONS OF THE BOARD, THE UNIVERSITY SYSTEM, TEXAS TECH UNIVERSITY OR TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER, THE STATE OF TEXAS, OR ANY POLITICAL SUBDIVISION THEREOF. THE BOARD HAS NO TAXING POWER AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE BONDS.

The Bonds are offered when, as, and if issued, subject to approval of legality by the Attorney General of the State of Texas and the opinion of Delgado, Acosta, Braden & Jones, P.C., El Paso, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Vinson & Elkins L.L.P., Austin, Texas. The Bonds are expected to be available for delivery through DTC on or about September 24, 2003.

UBS Financial Services Inc.

Estrada Hinojosa & Company, Inc. RBC Dain Rauscher Inc. Siebert Brandford Shank & Co. LLC

September 10, 2003

MATURITY SCHEDULE

$97,265,000
Revenue Financing System
Refunding and Improvement Bonds, Ninth Series (2003)

Due (Feb. 15)	Maturing Amount	Interest Rate	Price or Yield	CUSIP Numbers[1]	Due (Feb. 15)	Maturing Amount	Interest Rate	Price or Yield	CUSIP Numbers[1]
2004[2]	$2,630,000	3.00%	NRO	8827975Y5	2014	$4,475,000	5.25%	4.08%[c]	8827976J7
2005[2]	1,460,000	2.00	1.28%	8827975Z2	2015	4,720,000	5.25	4.18[c]	8827976K4
2006[2]	4,695,000	2.25	1.70	8827976A6	2016	4,970,000	5.25	4.26[c]	8827976L2
2007	4,380,000	3.00	2.18	8827976B4	2017	5,240,000	5.25	4.35[c]	8827976M0
2008	4,145,000	4.00	2.55	8827976C2	2018	5,525,000	5.25	4.42[c]	8827976N8
2009	4,320,000	4.00	2.95	8827976D0	2019	5,820,000	5.25	4.50[c]	8827976P3
2010	4,500,000	4.00	3.32	8827976E8	2020	6,130,000	5.00	4.69[c]	8827976Q1
2011	4,700,000	5.00	3.59	8827976F5	2021	6,435,000	5.00	4.79[c]	8827976R9
2012	4,495,000	5.00	3.82	8827976G3	2022	6,770,000	5.00	4.88[c]	8827976S7
2013	4,735,000	5.00	3.95	8827976H1	2023	7,120,000	5.00	4.95[c]	8827976T5

(accrued interest from September 1, 2003 to be added)

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(1) CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the Board nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

(2) The Bonds maturing in 2004, 2005 and 2006 are not insured by AMBAC Assurance Corporation.

(c) Yield calculated based upon assumption that Bonds maturing in 2014-2023 will be called on first optional call date at par (August 15, 2013).

BOARD OF REGENTS

OF THE TEXAS TECH UNIVERSITY SYSTEM

Name	Residence	Term Expiration
Mr. C. Robert Black, Chair	Horseshoe Bay	January 31, 2007
Mr. Brian C. Newby, Vice Chair	Fort Worth	January 31, 2005
Mrs. Carin M. Barth	Houston	January 31, 2005
Mr. E.R. Brooks	Dallas	January 31, 2005
Mr. J. Robert Brown	El Paso	January 31, 2007
Dr. Nancy E. Jones	Abilene	When Successor is Named
Mr. John W. Jones	Brady	When Successor is Named
Mr. David R. Lopez*	Austin	When Successor is Named
Mr. J. Michael Weiss	Lubbock	When Successor is Named

PRINCIPAL ADMINISTRATORS

Name	Title
Dr. David R. Smith	Chancellor
Mr. Jim Brunjes	Senior Vice Chancellor and Chief Financial Officer
Dr. Jon S. Whitmore	President (Texas Tech University)
Dr. M. Roy Wilson	President (Texas Tech University Health Sciences Center)

CONSULTANTS

Bond Counsel	Financial Advisor	Special Counsel
Delgado, Acosta, Braden & Jones, P.C.	First Southwest Company	McCall, Parkhurst & Horton L.L.P.
El Paso, Texas	Dallas, Texas	Dallas, Texas

For additional information regarding the University System, please contact:

Mr. Charles D. Wall
Assistant Vice Chancellor, Investments
and Assistant Chief Financial Officer
Texas Tech University System
15th and University
Drane Hall, Room 315
Lubbock, Texas 79409-1098
(806) 742-3243

Ms. Mary M. Williams
Senior Vice President
First Southwest Company
325 N. St. Paul St. Suite 800
Dallas, Texas 75201
(214) 953-4021

* On August 8, 2003, Regent Lopez announced his resignation from the Board of Regents of the Texas Tech University System. He will continue to serve as a Regent until a successor has been appointed by Governor Rick Perry.

SALE AND DISTRIBUTION OF THE BONDS

Use of Official Statement

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

Certain information set forth in this Official Statement has been furnished by the Board and other sources which are believed to be reliable, but such information is not to be construed as a representation by the Underwriters. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau for the convenience of the owners of the Bonds. Neither the Board nor the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers.

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

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

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

The statements contained in this Official Statement, and in other information provided by the Board, that are not purely historical are forward-looking statements, including statements regarding the Board's expectations, hopes, intentions or strategies regarding the future. All forward-looking statements included in this Official Statement are based on information available to the Board on the date hereof, and the Board assumes no obligation to update any such forward-looking statements.

Marketability

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF 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 United States 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 Board assumes no responsibility for the 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.

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OFFICIAL STATEMENT
relating to

$97,265,000
BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM
REVENUE FINANCING SYSTEM
REFUNDING AND IMPROVEMENT BONDS
NINTH SERIES (2003)

INTRODUCTION

This Official Statement, which includes the cover page and the Appendices hereto, provides certain information regarding the issuance by the Board of Regents of the Texas Tech University System (the "Board"), acting for and on behalf of the Texas Tech University System (the "University System") of its bonds, entitled "Board of Regents of Texas Tech University System Revenue Financing System Refunding and Improvement Bonds, Ninth Series (2003)" (the "Bonds"). Capitalized terms used in this Official Statement and not otherwise defined have the same meanings assigned to such terms in "Appendix D - SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION."

The University System currently consists of Texas Tech University (the "University") and Texas Tech University Health Sciences Center (the "Health Sciences Center"). The University and the Health Sciences Center were established pursuant to the provisions of the Constitution and the laws of the State of Texas (the "State") as institutions of higher education. Pursuant to a Master Resolution adopted by the Board on October 21, 1993 and amended on November 8, 1996 and August 22, 1997 (the "Master Resolution"), the Board created the Texas Tech University System Revenue Financing System (the "Revenue Financing System") for the purpose of providing a system-wide financing structure for revenue-supported indebtedness to reduce costs, increase borrowing capacity, provide additional security to the credit markets and provide the Board with increased financial flexibility. Currently, the University and the Health Sciences Center are the only Participants in the Revenue Financing System. Pursuant to the Master Resolution, the Board has, with certain exceptions, combined all of the revenues, funds and balances attributable to any Participant in the Revenue Financing System that may lawfully be pledged to secure the payment of revenue-supported debt obligations and has pledged those sources as Pledged Revenues to secure the payment of revenue-supported debt obligations of the Board incurred as Parity Obligations under the Master Resolution. See "SECURITY FOR THE BONDS—The Revenue Financing System" and "Appendix D - SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION."

This Official Statement contains summaries and descriptions of the plan of finance, the Resolution, the Bonds, the Board, the University System, the University, the Health Sciences Center, 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 Mr. Charles D. Wall, Assistant Vice Chancellor, Investments and Assistant Chief Financial Officer, Texas Tech University System, 15th and University, Drane Hall, Room 315, Lubbock, Texas 79409-1098.

PLAN OF FINANCE

Authority for Issuance. The Bonds are being issued in accordance with the general laws of the State, including particularly Chapter 55, Texas Education Code, as amended; Chapter 1371, Texas Government Code, as amended; and, Chapter 1207, Texas Government Code, as amended. Certain of the Bonds are being issued pursuant to Section 55.1739, Texas Education Code, as amended. The Bonds are being issued pursuant to the Master Resolution and a Ninth Supplemental Resolution adopted by the Board on August 8, 2003 (the "Supplemental Resolution"). The Master Resolution and the Supplemental Resolution are referred to herein collectively as the "Resolution." The Bonds will be the ninth series of debt obligations issued as Parity Obligations and payable from the Pledged Revenues. For a description of the Outstanding Parity Obligations and the ability of the Board to issue Additional Parity Obligations, see "SECURITY FOR THE BONDS—Outstanding Parity Obligations" and "—Additional Obligations."

Purpose. The Bonds are being issued for the purposes of: (i) acquiring, purchasing, constructing, improving, renovating, enlarging or equipping property, buildings, structures, facilities, roads or related infrastructure for the University and the Health Sciences Center, (ii) retiring $14,249,000 of the "Board of Regents of Texas Tech University System Revenue Financing System Commercial Paper Notes, Series A" (the "Commercial

Paper Notes"), (iii) currently refunding certain of the Board's Outstanding Parity Obligations, as more particularly described in Schedule I attached hereto (the "Refunded Bonds"), and (iv) paying the costs of issuance of the Bonds.

Refunded Bonds. A portion of the proceeds from the issuance and sale of the Bonds will be applied to refund the Refunded Bonds. The refunding will result in the defeasance of the Refunded Bonds in accordance with the terms thereof.

The Refunded Bonds are expected to be called for redemption on October 29, 2003 (the "Redemption Date") at a redemption price of 100% of the principal amount thereof, plus accrued interest to the Redemption Date from funds to be deposited with The Bank of New York Trust Company of Florida, N.A., as paying agent for the Refunded Bonds (the "Paying Agent for the Refunded Bonds"), pursuant to the Master Resolution and a First Supplemental Resolution authorizing the issuance of the Refunded Bonds. The Supplemental Resolution provides that, from a portion of the proceeds of the sale of the Bonds, there shall be deposited with the Paying Agent for the Refunded Bonds the cash amount necessary to accomplish the discharge and final payment of the Refunded Bonds on the Redemption Date. Such funds will be irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds.

By the deposit of such cash with the Paying Agent for the Refunded Bonds, the Board will have effected the defeasance of the Refunded Bonds in accordance with applicable law. It is the opinion of Bond Counsel that, as a result of such defeasance, the Refunded Bonds will no longer be payable from Pledged Revenues, but will be payable solely from the cash held for such purpose by the Paying Agent for the Refunded Bonds and that the Refunded Bonds will be defeased and are not to be included in or considered to be indebtedness of the Board for any other purpose.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds will be applied as follows:

Sources of Funds	
Principal Amount of Bonds	$ 97,265,000.00
Net Original Issue Premium	4,700,331.20
Accrued Interest	287,331.50
Total Sources of Funds	$102,252,662.70
Uses of Funds	
Project Costs(1)	$ 95,923,965.00
Defeasance Deposit for Refunded Bonds	4,941,231.50
Debt Service Fund Deposit	287,331.50
Costs of Issuance(2)	1,100,134.70
Total Uses of Funds	$102,252,662.70

(1) Includes $14,249,000 to retire Outstanding Commercial Paper Notes originally issued to provide interim financing of project costs

(2) Includes Underwriters' discount, insurance premium and other costs of issuance.

DESCRIPTION OF THE BONDS

General. The Bonds will be dated and bear interest from September 1, 2003, will bear interest at the per annum rates and will mature on the dates and in the amounts shown on the inside front cover page of this Official Statement. Interest on the Bonds will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Bonds is payable on February 15, 2004 and each February 15 and August 15 thereafter until maturity or prior redemption. The Bonds are initially issuable in book-entry only form.

In the event that any date for payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized by law or executive order to close in the city where the Designated Trust Office (as hereinafter defined) of JPMorgan Chase Bank, Dallas, Texas (the "Paying Agent/Registrar") is located, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which such banking institutions are authorized to close (a "Business Day").

Payment on such later date will not increase the amount of interest due and will have the same force and effect as if made on the original date payment was due.

Transfer, Exchange, and Registration. The Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at its designated trust office, initially its office in Dallas, Texas (the "Designated Trust Office"), and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond being transferred or exchanged, at the Designated Trust Office of the Paying Agent/Registrar, or sent by United States mail, first-class, postage prepaid, to the new registered owner or the designee thereof. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any multiple of $5,000 for any one maturity and for a like aggregate principal amount and like series as the Bond or Bonds surrendered for exchange or transfer.

Limitation on Transfer of Bonds Called for Redemption. Neither the Board nor the Paying Agent/Registrar shall be required to make any transfer or exchange (i) during a period beginning with the close of business on any Record Date (as hereinafter defined) and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

Record Date for Interest Payment. The record date ("Record Date") for the interest payable on any interest payment date means the close of business on the last Business Day of the month next preceding each interest payment date.

Redemption.

Optional Redemption. The Bonds scheduled to mature on and after February 15, 2014 are subject to redemption prior to maturity at the option of the Board on August 15, 2013, or on any date thereafter, in whole or in part, in principal amounts of $5,000 or any multiple thereof (and, if in part, the particular Bonds or portion thereof to be redeemed shall be selected by the Board) at a price of 100% of the principal amount plus accrued interest to the redemption date.

During any period in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same 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 Board and the securities depository. See "DESCRIPTION OF THE BONDS—Book-Entry Only System" below.

Notice of Redemption. Not less than 30 days prior to a redemption date, a notice of redemption of any Bond prior to its maturity will be published once in a financial publication, journal, or report of general circulation among securities dealers in the City of New York, New York, or in the State in accordance with the Resolution. Additional notice will be sent by the Paying Agent/Registrar by United States mail, first-class, postage prepaid, to each registered owner of a Bond to be redeemed in whole or in part at the address of each such owner appearing on the registration books of the Paying Agent/Registrar on the 45th day prior to such redemption date, to each registered securities depository, and to any national information service that disseminates redemption notices. FAILURE TO MAIL OR RECEIVE SUCH NOTICE WILL NOT AFFECT THE PROCEEDINGS FOR REDEMPTION, AND PUBLICATION OF NOTICE OF REDEMPTION IN THE MANNER SET OUT ABOVE SHALL BE THE ONLY NOTICE ACTUALLY REQUIRED AS A PREREQUISITE FOR REDEMPTION. In addition, in the event of a redemption caused by an advance refunding, the Paying Agent/Registrar shall send a second notice of redemption to registered owners subject to redemption 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 national information services shall 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 shall also send a notice of prepayment or redemption to any registered owner who has not submitted Bonds for redemption 60 days after the redemption date.

All redemption notices shall contain a description of the Bonds to be redeemed including the complete name of the Bonds, the series, the dates of issue, the interest rates, the maturity dates, the CUSIP numbers, the amounts of Bonds called, the publication and mailing dates for the notices, the dates of redemption, the redemption prices, 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. In the Resolution, the Board reserves the right to replace the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. The Board covenants to maintain and provide a Paying Agent/Registrar at all times while the Bonds are outstanding, and any successor Paying Agent/Registrar shall be a competent and legally qualified bank, trust company, financial institution, or other qualified agency. In the event that the entity at any time acting as Paying Agent/Registrar should resign or otherwise cease to act as such, the Board covenants to promptly appoint a competent and legally qualified bank, trust company, financial institution or other qualified agency to act as Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar, the Board agrees to promptly cause a written notice thereof to be sent to each registered owner of Bonds by United States mail, first-class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Defeasance. The Resolution provides for the defeasance of the Bonds. See "Appendix D - SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION—Defeasance."

Book-Entry Only System. The following information has been furnished by DTC for use in disclosure documents such as this Official Statement. Neither the Board nor the Underwriters make any representation or warranty regarding the information furnished by DTC.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, 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 Security 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 Ratings Services, A Division of The McGraw-Hill Companies, Inc. highest rating: "AAA." The DTC Rules applicable to its Direct Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond

("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest 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 the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents.

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

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

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

DTC may discontinue providing its services as securities depository with respect to the Bonds of each series at any time by giving reasonable notice to the Board 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 Board may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered.

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

THE PAYING AGENT/REGISTRAR AND THE BOARD, SO LONG AS THE DTC BOOK-ENTRY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION, 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 DTC PARTICIPANT OR INDIRECT DTC PARTICIPANT TO NOTIFY THE BENEFICIAL OWNERS, OF ANY NOTICES AND THEIR CONTENTS OR EFFECT WILL NOT AFFECT THE VALIDITY OF THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON ANY SUCH NOTICE. REDEMPTION OF PORTIONS OF THE BONDS BY THE BOARD WILL REDUCE THE OUTSTANDING PRINCIPAL AMOUNT OF SUCH BONDS HELD BY DTC. IN SUCH EVENT, DTC MAY IMPLEMENT, THROUGH ITS BOOK-ENTRY SYSTEM, A REDEMPTION OF SUCH BONDS HELD FOR THE ACCOUNT OF DTC PARTICIPANTS IN ACCORDANCE WITH ITS OWN RULES OR OTHER AGREEMENTS WITH DTC PARTICIPANTS AND THEN DIRECT DTC PARTICIPANTS AND INDIRECT PARTICIPANTS MAY IMPLEMENT A REDEMPTION OF SUCH BONDS FROM THE BENEFICIAL OWNERS. ANY SUCH SELECTION OF THE BONDS TO BE REDEEMED WILL NOT BE GOVERNED BY THE RESOLUTION AND WILL NOT BE CONDUCTED BY THE BOARD OR THE PAYING AGENT. NEITHER THE BOARD NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT DTC PARTICIPANTS, INDIRECT DTC 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 DTC PARTICIPANTS, INDIRECT DTC PARTICIPANTS, OR BENEFICIAL OWNERS OF THE SELECTION OF PORTIONS OF THE BONDS FOR REDEMPTION. IF LESS THAN ALL OF ANY GIVEN SERIES ARE TO BE REDEEMED, THE CURRENT DTC PRACTICE IS TO DETERMINE BY LOT THE AMOUNT OF INTEREST OF EACH DTC PARTICIPANT IN EACH SERIES TO BE REDEEMED.

BOND INSURANCE

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

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates in the case of principal, and on stated dates for payment, in the case of interest. In the event of any acceleration of the principal of the Insured Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

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

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

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

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

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

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

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

Ambac Assurance Corporation. Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately **$6,789,000,000** (unaudited) and statutory capital of **$4,043,000,000** (unaudited) as of **June 30, 2003**. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch, Inc. have each assigned a triple-A financial strength rating to Ambac Assurance.

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

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

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

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

Incorporation of Certain Documents by Reference. The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1) The Company's Current Report on Form 8-K dated January 23, 2003 and filed on January 24, 2003;

2) The Company's Current Report on Form 8-K dated February 25, 2003 and filed on February 28, 2003;

3) The Company's Current Report on Form 8-K dated February 25, 2003 and filed on March 4, 2003;

4) The Company's Current Report on Form 8-K dated March 18, 2003 and filed on March 20, 2003;

5) The Company's Current Report on Form 8-K dated March 19, 2003 and filed on March 26, 2003;

6) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 and filed on March 28, 2003;

7) The Company's Current Report on Form 8-K dated March 25, 2003 and filed on March 31, 2003;

8) The Company's Current Report on Form 8-K dated April 17, 2003 and filed on April 21, 2003;

9) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2003 and filed on May 15, 2003;

10) The Company's Current Report on Form 8-K dated July 17, 2003 and filed on July 18, 2003; and

11) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2003 and filed on August 14, 2003.

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

SECURITY FOR THE BONDS

The Revenue Financing System. The Master Resolution created the Revenue Financing System to provide a financing structure for revenue-supported indebtedness of the University and the Health Sciences Center and other entities which may be included in the future by Board action, as Participants in the Revenue Financing System. The Revenue Financing System is intended to facilitate the assembling of all of the Participants' 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. The Master Resolution provides that once a university or agency becomes a Participant, the lawfully available revenues, income, receipts, rentals, rates, charges, fees, including interest or other income, and balances attributable to that entity and pledged by the Board become part of the Pledged Revenues; provided, however, that, if at the time an entity becomes a Participant it has outstanding obligations secured by such sources, such obligations will constitute Prior Encumbered Obligations under the Master Resolution and the pledge of such sources as Pledged Revenues will be subject and subordinate to such outstanding Prior Encumbered Obligations. Thereafter, 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. Currently, there are no Prior Encumbered Obligations outstanding and the Board does not anticipate adding Participants to the

Revenue Financing System which would result in the assumption of Prior Encumbered Obligations. See "Appendix D - SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION."

Pledge Under Master Resolution. The 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 Pledged Revenues consist of, subject to the provisions of the Prior Encumbered Obligations, the Revenue Funds (hereinafter defined), including all of the funds and balances now or hereafter lawfully available to the Board and derived from or attributable to any Participant of the Revenue Financing System which are lawfully available to the Board for 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 Supplement to the Master Resolution: (a) amounts received by any Participant under Article VII, Section 17 of the State Constitution (generally, a provision of the State Constitution currently providing for an annual appropriation of $175 million to be allocated among eligible agencies and institutions of higher education for the purpose of providing funds for acquisition of capital assets and the construction of capital improvements), including the income therefrom and any fund balances relating thereto; (b) except to the extent so specifically appropriated, general revenue funds appropriated to the Board by the State Legislature; and (c) Practice Plan Funds of any Participant, including the income therefrom and any fund balances relating thereto not included in Pledged Practice Plan Funds. The "Revenue Funds" are defined in the Master Resolution to include 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 the Participants, including specifically the Pledged General Tuition, and to the extent and subject to the provisions of the Master Resolution, the Pledged General Fee and the Pledged Tuition Fee; provided, that Revenue Funds do 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 adoption of the Supplement relating to such Parity Obligations, is exempt by law from paying such tuition, rentals, rates, fees, or other charges. All legally available funds of the Participants, including unrestricted fund and reserve balances, are pledged to the payment of the Parity Obligations. For a more detailed description of the Pledged General Tuition, the Pledged Tuition Fee, the Pledged General Fee and the Pledged Practice Plan Funds, see "Appendix D - SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION." For a more detailed description of the types of revenues and expenditures of the University System, see "Appendix A - TEXAS TECH UNIVERSITY SYSTEM."

The following table sets forth the Pledged Revenues under the Revenue Financing System for the five most recent Fiscal Years:

	1998	1999	2000	2001	2002
Available Pledged Revenues Not Including Fund Balances	$201,071,292	$269,311,717	$232,503,375	$252,728,842	$283,468,573
Pledgeable Unappropriated Funds and Reserve Balances (1)(2)	110,475,740	123,240,213	114,837,544	101,826,730	93,393,972
Total Pledged Revenues	$311,547,032	$392,551,930	$347,340,919	$354,555,572	$376,862,545

(1) The pledge of Educational and General Funds appropriated by the State Legislature is limited to tuition, including general tuition and tuition pledged under the Skiles Act, indirect costs, and sales and services. Non-pledgeable Designated and Auxiliary Enterprise Funds consist of State Appropriations, Student Service Fees, Student Complex Fees, and Higher Education Assistance Fund Income.

(2) In addition to current year Pledged Revenues, any unappropriated or reserve fund balances remaining at year-end are available for payment of the subsequent year's debt service.

The Board has covenanted in the Master Resolution that in each Fiscal Year it will establish, charge, and use its reasonable efforts to collect Pledged Revenues which, if collected, would be sufficient to meet all financial obligations of the Board relating to the Revenue Financing System including all deposits or payments due on or with respect to Outstanding Parity Obligations for such Fiscal Year. The Board has also covenanted in the Master 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 Participants as Parity Obligations under the Master Resolution.

THE BONDS DO NOT CONSTITUTE GENERAL OBLIGATIONS OF THE BOARD, THE UNIVERSITY SYSTEM, THE UNIVERSITY, THE HEALTH SCIENCES CENTER, THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE. THE BOARD HAS NO 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 BOARD, THE UNIVERSITY SYSTEM, THE UNIVERSITY, OR THE HEALTH SCIENCES CENTER.

Outstanding Parity Obligations. Following the issuance of the Bonds, the Board will have the following described indebtedness which constitute Parity Obligations and are payable from the Pledged Revenues:

	Outstanding Principal as of September 10, 2003[1]
Revenue Financing System Bonds, Second Series (1995)	$ 2,200,000
Revenue Financing System Refunding and Improvement Bonds, Third Series (1996)	12,325,000
Revenue Financing System Bonds, Fourth Series (Taxable 1996)	3,400,000
Revenue Financing System Commercial Paper Notes, Series A[2]	9,355,000
Revenue Financing System Refunding and Improvement Bonds, Sixth Series (1999)	106,685,000
Revenue Financing System Bonds, Seventh Series (2001)	118,780,000
Revenue Financing System Bonds, Eighth Series (Taxable 2001)	42,065,000
The Bonds	97,265,000
Total	$ 392,075,000

(1) Does not include the Refunded Bonds being refunded with proceeds of the Bonds.
(2) This number excludes the Outstanding Commercial Paper Notes being retired with proceeds of the Bonds.

Commercial Paper Notes. Commercial Paper Notes issued by the Board are Parity Obligations under the terms of the Master Resolution. On February 27, 2003, the Board adopted an Amended and Restated Fifth Supplemental Resolution to the Master Resolution, pursuant to which the Board established (i) the authority to issue from time to time and at any one time Commercial Paper Notes in an amount not to exceed $100,000,000, and (ii) that the payment of the Commercial Paper Notes may be, but is not required to be, supported by either a credit facility or a liquidity facility issued pursuant to the terms of a "Liquidity Agreement." Under the terms of the Amended and Restated Fifth Supplemental Resolution to the Master Resolution, the Board covenanted to maintain available funds plus any available bank loan commitment issued under the terms of a Liquidity Agreement in an amount equal to the total principal amount of outstanding Commercial Paper Notes plus interest to accrue thereon for the following 270 days. Acting upon the authority provided by the Amended and Restated Fifth Supplemental Resolution to the Master Resolution, on May 8, 2003, the Board began to provide its own liquidity in support of the Commercial Paper Notes then and thereafter outstanding.

Under the terms of the Amended and Restated Fifth Supplemental Resolution to the Master Resolution, to the extent that the "Dealer" for the Board's commercial paper program cannot sell Commercial Paper Notes to renew or refund outstanding Commercial Paper Notes on their maturity, the Board covenanted to use lawfully available funds to purchase Commercial Paper Notes issued to renew and refund maturing Commercial Paper Notes. Under the terms of the Amended and Restated Fifth Supplemental Resolution to the Master Resolution, such payment, issuance and purchase is not intended to constitute an extinguishment of the obligation represented by such maturing Commercial Paper Notes and the Board may issue Commercial Paper Notes to renew and refund the Commercial Paper Notes held by it when the Dealer is again able to sell Commercial Paper Notes. While such Commercial Paper Notes are held by the Board they shall bear interest at the rate being earned by the funds used to purchase such Commercial Paper Notes on the date of purchase. The commercial paper program established under the terms of the Amended and Restated Fifth Supplemental Resolution to the Master Resolution expires on December 31, 2033.

In connection with providing self-liquidity in support of the Commercial Paper Notes, the Board has established a failed remarketing policy, where the Dealer will provide notice to the Board of its inability to remarket maturing Commercial Paper Notes and the Board will then take steps to provide funds either from available cash or through the liquidation of Short/Intermediate Term Investment Fund assets (see "Appendix A - TEXAS TECH UNIVERSITY SYSTEM—Selected Financial Information—Investment Policies and Procedures and Endowments") in a manner sufficient to provide for the timely payment due to holders of maturing Commercial Paper Notes.

Additional Obligations. The Board may issue additional obligations to provide funds for new construction, renovation of existing facilities, acquisition of equipment and to refund outstanding Debt. See "FUTURE CAPITAL IMPROVEMENT PLANS."

Parity Obligations. The Board has reserved the right to issue or incur additional Parity Obligations for any purpose authorized by law pursuant to the provisions of the Master Resolution and a supplemental resolution. The Board may incur, assume, guarantee, or otherwise become liable with respect to any Parity Obligations if the Board has determined that it will have sufficient funds to meet the financial obligations of the Participants, including sufficient Pledged Revenues to satisfy the annual debt service requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System. The Master Resolution provides that the Board will not issue or incur additional Parity Obligations unless (i) the Board determines that the Participant for whom the Parity Obligations are being issued or incurred possesses the financial capacity to satisfy its respective Direct Obligations, after taking into account the then proposed additional Parity Obligations, and (ii) a Designated Financial Officer delivers to the Board a certificate stating that, to the best of his or her knowledge, the Board is in compliance with all covenants contained in the Master Resolution and any supplemental resolution and is not in default in the performance and observance of any of the terms, provisions, and conditions thereof.

Nonrecourse Debt and Subordinated Debt. The Master Resolution provides that Non-Recourse Debt and Subordinated Debt may be incurred by the Board without limitation. No such Non-Recourse Debt or Subordinated Debt has been issued by the Board.

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DEBT SERVICE REQUIREMENTS[1]

The following table is a summary of the debt service requirements of all Parity Obligations outstanding following the issuance of the Bonds.

Fiscal Year Ending 8/31	Annual Debt Service on Outstanding Parity Obligations[2]	Less the Refunded Bonds	The Bonds		Total Annual Debt Service on Parity Obligations
			Principal	Interest[3]	
2004	$29,665,223	$2,404,735	$2,630,000	$4,258,030	$34,148,518
2005	28,105,783	1,199,260	1,460,000	4,403,863	32,770,386
2006	28,044,330	1,206,700	4,695,000	4,336,444	35,869,074
2007	26,347,919	414,720	4,380,000	4,217,925	34,531,124
2008	23,776,592		4,145,000	4,069,325	31,990,917
2009	23,781,616		4,320,000	3,900,025	32,001,641
2010	23,368,932		4,500,000	3,723,625	31,592,557
2011	21,099,840		4,700,000	3,516,125	29,315,965
2012	20,818,615		4,495,000	3,286,250	28,599,865
2013	20,477,465		4,735,000	3,055,500	28,267,965
2014	20,409,015		4,475,000	2,819,656	27,703,671
2015	21,444,646		4,720,000	2,578,288	28,742,934
2016	18,302,265		4,970,000	2,323,925	25,596,190
2017	18,025,546		5,240,000	2,055,913	25,321,459
2018	17,054,721		5,525,000	1,773,331	24,353,052
2019	17,057,921		5,820,000	1,475,525	24,353,446
2020	17,052,859		6,130,000	1,169,500	24,352,359
2021	17,054,728		6,435,000	855,375	24,345,103
2022	10,762,815		6,770,000	525,250	18,058,065
2023	10,761,865		7,120,000	178,000	18,059,865
2024	10,767,600				10,767,600
2025	10,766,985				10,766,985
2026	10,768,735				10,768,735
2027	10,762,145				10,762,145
2028	9,050,430				9,050,430
2029	9,043,260				9,043,260
2030	5,527,850				5,527,850
2031	5,527,290				5,527,290

(1) Does not include debt service on the Outstanding Commercial Paper Notes.
(2) Includes debt service on the Refunded Bonds.
(3) Includes accrued interest.

FUTURE CAPITAL IMPROVEMENT PLANS

The University System has adopted a five-year capital projects plan for the maintenance and expansion of facilities at the University and the Health Sciences Center. Currently, the Board plans to continue to issue Parity Obligations of the Revenue Financing System in the form of Commercial Paper Notes to fund construction of facilities for the University and the Health Sciences Center and to acquire equipment for the University and the Health Sciences Center.

ABSENCE OF LITIGATION

Neither the Board nor the University System is a party to any litigation, investigation, inquiry or proceeding (whether or not purportedly on behalf of the Board) pending or, to the knowledge of such parties, threatened, in any court, governmental agency, public board or body or before any arbitrator or any governmental body or other administrative body (either state or federal) which, if decided adversely to such parties, would have a material adverse effect on the Pledged Revenues or on the business, properties or assets or the condition, financial or otherwise, of the University System, and no litigation of any nature has been filed or, to their knowledge, threatened which seeks to restrain or enjoin the establishment of the Revenue Financing System, the issuance or delivery of the Bonds or the collection or application of Pledged Revenues to pay the principal of and interest on the Bonds, or in any manner questioning the validity of the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

Continuing Disclosure Undertaking of the Board. In the Supplemental Resolution, the Board has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Board has agreed that, so long as the Board is an "obligated person" under the Rule hereinafter defined, it will provide certain updated financial information and operating data about the University System annually, and timely notice of specified material events, to certain information vendors described below. This information is to be available to securities brokers and others who subscribe to receive the information from the vendors.

Availability of Information from NRMSIRs and SID. The Board has agreed to provide the following information only to each nationally recognized municipal securities information repository ("NRMSIRs") and any state information depository ("SID") that is designated by the State and approved by the staff of the United States Securities and Exchange Commission (the "SEC"). The Board has not undertaken any other continuing disclosure obligation with respect to the Bonds. 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 as a SID and recognized by the SEC as a qualified SID. 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.

Annual Reports. The Board is to provide certain updated financial information and operating data to each NRMSIR and the SID annually. The information to be updated by the Board includes all quantitative financial information and operating data with respect to the University System of the general type included herein under the captions "DEBT SERVICE REQUIREMENTS," "Appendix A - TEXAS TECH UNIVERSITY SYSTEM—General Description—Enrollment," "—Financial Management" and "—Selected Financial Information," and in "Appendix B - TEXAS TECH UNIVERSITY SYSTEM CONSOLIDATED ANNUAL FINANCIAL REPORT" and all such financial information and operating data incorporated herein by reference. The Board is to update and provide this information within six months after the end of each of its Fiscal Years ending in or after August 31, 2003. Please note that the immediately following paragraph under this heading "Annual Reports" describes the Board's undertaking with respect to financial information for Fiscal Years prior to Fiscal Year 2002.

In the proceedings authorizing each of the series of bonds constituting Outstanding Parity Obligations, the Board agreed in undertakings made under SEC Rule 15c2-12 (the "Rule") to update financial information and operating data in the section of the respective official statements relating to those prior issues under Tables 1, 2, A-1, A-2, A-3, A-4, A-5, A-9, A-10, A-11, A-12 and A-13, and in Appendix B (the "Prior Undertaking"). The Prior Undertaking required the Board to provide historical information on a number of items for the last complete Fiscal Year and for the four preceding Fiscal Years. As described in "Appendix A - TEXAS TECH UNIVERSITY SYSTEM—Financial Management" and in "Appendix B - TEXAS TECH UNIVERSITY SYSTEM CONSOLIDATED ANNUAL FINANCIAL REPORT," the change to the new accounting standards of GASB 35 (as defined in Appendix A) in connection with the implementation of GASB 35 and the related accounting rules for the Fiscal Year ending August 31, 2002, resulted in much of the information required to be updated by the Prior Undertaking no longer being available. In addition, it was not feasible for the University System to restate the financial results of any prior period under the new accounting standards of GASB 35. Thus, the information in "Appendix A - TEXAS TECH UNIVERSITY SYSTEM— Financial Management" and "Appendix B - TEXAS TECH UNIVERSITY SYSTEM CONSOLIDATED ANNUAL FINANCIAL REPORT" contains financial information and operating data for the year ended August 31, 2002, as required to be reported under the new accounting standards of GASB 35. Appendix A also contains a summary of certain financial information and operating data in the old accounting format for the previous four Fiscal Years. The complete information for the Fiscal Years ending August 31, 1997, 1998, 1999, 2000 and 2001 required to be updated by the Prior Undertaking was included in the Official Statement dated January 10, 2002, relating to the Board's Revenue Financing System Bonds, Seventh Series (2001) and the Board's Revenue Financing System Bonds, Eighth Series (Taxable 2001) (the

"Seventh/Eighth Series Official Statement"). The Seventh/Eighth Series Official Statement has been filed with each NRMSIR and the SID.

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

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 will include audited financial statements, if the Board commissions an audit and it is completed by the time required. If audited financial statements are not available by the required time, the Board will provide such statements when and if they become available. Any such financial statements are to be prepared in accordance with generally accepted accounting principles. No outside audit of the University System's financial statements is currently required or obtained by the Board.

The State's current Fiscal Year end is August 31. Accordingly, the Board must provide updated information (the unaudited primary financial statements of the University System dated as of August 31 prepared from the books of the University System) within 80 days following the close of the Fiscal Year to the Governor and the State Comptroller of Public Accounts. If the State changes its Fiscal Year, the Board will notify each NRMSIR and any SID of the change. If audited financial statements of the University System are not prepared for any Fiscal Year and audited financial statements are prepared with respect to the State for such Fiscal Year, the Board shall provide, or cause to be provided, the audited financial statements of the State for the applicable Fiscal Year to each NRMSIR and any SID within six months after the end of said Fiscal Year or as soon thereafter as such audited financial statements become available from the State Auditor of the State. Any such audited financial statements of the State so provided shall be prepared in accordance with generally accepted accounting principles for state governments, as such principles may be changed from time to time to comply with state law.

Material Event Notices. The Board will 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 enhancement 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 Supplemental Resolution make any provision for debt service reserves. In addition, the Board will provide timely notice of any failure by it to provide information, data, or financial statements 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").

Limitations and Amendments. The Board has agreed to update information and to provide notices of material events only as described above. It has not agreed to provide other information that may be relevant or material to a complete presentation of the University System's financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Board does not make any representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Board disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the Board to comply with its agreement.

The Board may amend its continuing disclosure agreement 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 if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the Board (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. If the Board so amends its agreement, it will provide notice of such amendment to any SID and to either each NRMSIR or the MSRB, in a timely manner, including an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the notices to be so provided. The Board may also amend or repeal the provisions of this continuing disclosure requirement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings. The Board has not failed to comply in any material respect with any continuing disclosure agreement made by it in accordance with the Rule. As indicated above, the financial information and operating data for the Fiscal Year ending August 31, 2002, and thereafter will be reported in accordance with the new accounting standards of GASB 35 as reflected in "Appendix A - TEXAS TECH UNIVERSITY SYSTEM—Financial Management" until and unless accounting principles applicable to the Board are changed in a manner that makes the reporting of such information in such format impossible.

LEGAL MATTERS

Legal matters relating to the Bonds are subject to approval of legality by the Attorney General of the State and of certain legal matters by Delgado, Acosta, Braden & Jones, P.C., El Paso, Texas, Bond Counsel, whose opinion will be delivered at the closing of the sale of the Bonds in substantially the form attached hereto as Appendix E. Bond Counsel was not requested to participate in, and did not take part in, the preparation of this Official Statement except as hereinafter noted, and such firm has not assumed any responsibility with respect thereto or undertaken to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information relating to the Bonds, the Resolution and the Revenue Financing System contained in this Official Statement under the captions "PLAN OF FINANCE," "DESCRIPTION OF THE BONDS" (other than information under the subcaption "—Book-Entry Only System"), "SECURITY FOR THE BONDS," "CONTINUING DISCLOSURE OF INFORMATION" (other than information under the subcaption "—Compliance with Prior Undertakings"), "LEGAL MATTERS," "TAX MATTERS," "LEGAL INVESTMENTS IN TEXAS" and "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE" and in Appendix D and Appendix E and such firm is of the opinion that the information contained under such captions and in such Appendices is a fair and accurate summary of the information purported to be shown therein and is correct as to matters of law. The payment of legal fees to Bond Counsel is contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by Vinson & Elkins L.L.P., Austin, Texas.

TAX MATTERS

Tax Exemption. On the date of initial delivery of the Bonds, Delgado, Acosta, Braden & Jones, P.C., El Paso, Texas will deliver its opinion that, assuming continuing compliance by the Board with the tax covenants described below, under existing law, interest on the Bonds will not be includable for federal income tax purposes in gross income pursuant to Section 103 of the Internal Revenue Code of 1986, as amended ("Code"), and will not constitute a specific item of tax preference under Section 57(a)(5) of the Code for purposes of calculating the alternative minimum tax imposed on individuals or corporations pursuant to Section 55 of the Code.

The adjustment for "adjusted current earnings" set forth in section 56(g) of the Code is required in determining a corporation's alternative minimum taxable income, other than an S corporation, a qualified mutual fund, a real estate investment trust (REIT), a financial asset securitization investment trust (FASIT) or a real estate mortgage investment conduit (REMIC). Alternative minimum taxable income is increased by seventy-five percent (75%) of the excess (if any) of (i) the "adjusted current earnings" of a corporation over (ii) the alternative minimum taxable income (determined without regard to this adjustment or the alternative tax net operating loss deduction). Interest on tax-exempt obligations, including the Bonds, would generally be included in computing a corporation's "adjusted current earnings." Accordingly, a portion of any interest on the Bonds received or accrued by a corporation that owns the Bonds will be included in computing such corporation's alternative minimum taxable income for such year.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the Board made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the Board with the provisions of the Resolution subsequent to the issuance of the Bonds. The Resolution contains covenants by the Board with respect to, among other matters, the use of the proceeds of the Bonds, the manner in which the proceeds of the Bonds are to be invested, the reporting of certain information to the United States Treasury, and rebating any arbitrage profits to the U. S. Treasury. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds. Bond Counsel has not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date of issuance of the Bonds that may affect the tax-exempt status of the interest thereon.

Section 884 of the Code imposes on certain foreign corporations a branch profits tax equal to thirty percent (30%) of the "dividend equivalent amount" for the taxable year. Interest on the Bonds received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation.

In addition, passive investment income, including interest on the Bonds, may be subject to federal income taxation under section 1375 of the Code for any corporation that has Subchapter C earnings and profits at the close of the taxable year, if more than twenty-five percent (25%) of the gross receipts of such S corporation is passive investment income.

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

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise eligible for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. The Code denies the earned income credit to an individual who is otherwise eligible if the aggregate amount of disqualified income exceeds certain limits set forth in Section 32(i) and 32(j) of the Code. Interest on the Bonds will constitute disqualified income for this purpose. The Code also provides that for years beginning after December 31, 2010 the earned income credit is phased out if the modified adjusted gross income of the taxpayer exceeds certain amounts. Interest on the Bonds will be included in determining the modified adjusted gross income of the taxpayer. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances. In addition, attention is called to the fact that section 265(b)(1) of the Code eliminates the interest deduction otherwise allowable with respect to indebtedness deemed incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations acquired after August 7, 1986 other than "qualified tax-exempt obligations" as defined in section 265(b)(3) of the Code. The Bonds are not "qualified tax-exempt obligations" for purposes of section 265(b)(3) of the Code.

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

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise eligible for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

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

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

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

LEGAL INVESTMENTS IN TEXAS

The Bonds are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries and trustees, and for the sinking funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State. The Bonds are eligible to secure deposits of public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. The Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) provides that a city, county, or school district may invest in the Bonds provided that the 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.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2), and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The Board assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for 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 provisions.

RATINGS

Fitch Ratings ("Fitch"), Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, A Division of The McGraw-Hill Companies, Inc. ("S&P") have assigned underlying ratings of "AA," "Aa3" and "AA," respectively, to the Bonds. In addition, Fitch, Moody's and S&P have assigned ratings of "AAA," "Aaa," and "AAA," respectively, to the Insured Bonds, in each case in reliance on the issuance of the Financial Guaranty Insurance Policy by Ambac Assurance simultaneously with the issuance of the Bonds (see "BOND INSURANCE").

An explanation of the significance of each such rating may be obtained from the company furnishing the rating (from Fitch at One State Street Plaza, New York, New York 10004; from Moody's at 99 Church Street, New York, New York 10007; and from S&P at 25 Broadway, New York, New York 10004). The ratings will reflect only the views of such organizations 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 any or a rating may have an adverse effect on the market price of the Bonds.

FINANCIAL ADVISOR

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

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

UNDERWRITING

The Underwriters, acting through UBS Financial Services Inc., have agreed, subject to certain customary conditions to delivery, to purchase the Bonds from the Board at a price equal to $101,398,299.95, which is equal to the principal amount of the Bonds, plus an original issue premium of $4,700,331.20 and less an underwriting discount of $567,031.25. 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 such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

The Resolution authorizing the issuance of the Bonds also approved the form and content of this Official Statement, and authorized the undersigned to approve any addenda, supplement, or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Underwriters.

/s/ Mr. Jim Brunjes
Senior Vice Chancellor and Chief Financial Officer
Texas Tech University System

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Schedule I

REFUNDED BONDS

Board of Regents of Texas Tech University
Revenue Financing System Bonds, First Series (1993)

Maturity	Principal Amount	Interest Rate
2/15/04	$ 2,230,000	4.500%
2/15/05	1,100,000	4.600%
2/15/06	1,160,000	4.700%
2/15/07	405,000	4.800%
	$ 4,895,000	

Expected Redemption Date: 10-29-2003
Redemption Price: 100%

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Appendix A

TEXAS TECH UNIVERSITY SYSTEM

GENERAL DESCRIPTION

Background. In 1999, the 76th Texas Legislature created the University System and provided that the University System would include all of those institutions and entities then under the governance, control, jurisdiction and management of the Board of Regents of Texas Tech University and such other institutions and entities as from time to time assigned by specific legislation to the governance, control, jurisdiction and management of the University System. The legislation creating the University System vested the governance, control, jurisdiction and management of the University System in the Board of Regents of Texas Tech University and designated such board as the Board of Regents of the Texas Tech University System. Currently, the University and the Health Sciences Center are the only component institutions of the University System.

Governance. The Board consists of nine members, each of whom is appointed by the Governor of the State subject to confirmation by the State Senate. Each regent serves a six-year term, with three new appointments made to the Board every two years. A regent may be reappointed to serve on the Board. The members of the Board elect one of the regents to serve as Chair of the Board and may elect any other officers they deem necessary. The regents serve without pay except for reimbursement for actual expenses incurred in the performance of their duties, subject to the approval of the Chair of the Board.

The Board is legally responsible for the establishment and control of policy for the University System. The Board appoints a Chancellor who directs the operations of the University System and is responsible for carrying out policies determined by the Board. The Chancellor is assisted by a Senior Vice Chancellor and Chief Financial Officer, a Vice Chancellor and General Counsel, a Vice Chancellor for Institutional Advancement, a Vice Chancellor for Governmental Relations, a Vice Chancellor for Facilities Planning and Construction, a Vice Chancellor for Community Relations, the President of the University and the President of the Health Sciences Center.

Administration. The President of the University directs the operations of the University and is assisted by a Vice President for Operations, a Vice President for Student Affairs, a Provost, a Vice President for Research and Graduate Studies, a Vice President for Fiscal Affairs and an Athletic Director.

The President of the Health Sciences Center directs the operations of the Health Sciences Center and is assisted by a Vice President for Operations and Student Support Services, a Vice President for Health Policy and Public Affairs, an Executive Vice President, a Vice President for Rural and Community Health, a Vice President for Health Care Systems, a Vice President for Information Technology, the Dean of the School of Medicine and the Graduate School of Biomedical Sciences, the Dean of the School of Nursing, the Dean of the School of Pharmacy and the Dean of the School of Allied Health.

A list of the current members of the Board and certain principal administrative officers of the University and the Health Sciences Center appears on page (ii) of this Official Statement. Set forth below is biographical information for the principal administrative officers of the University System, the University and the Health Sciences Center appearing on page (ii) of this Official Statement:

Dr. David R. Smith became Chancellor of the Texas Tech University System in May 2002. He served as Interim Chancellor for the Texas Tech University System since September 2001 while continuing to serve as President of the Health Sciences Center, a position he held since October 1996. He served as Commissioner of the Texas Department of Health from 1992 to 1996. Dr. Smith earned a bachelor's degree from Cornell University in Ithaca, New York and a M.D. from the University of Cincinnati College of Medicine. Since completing his residency at Children's Hospital of Philadelphia, Dr. Smith has served as Medical Director for the Brownsville Community Health Center; Chief Medical Officer and Director for the Clinical Services Branch of the Division of Primary Care Services Bureau of Health Care Delivery and Assistance; Deputy Director of the Division of Special Populations and Program Development for the U.S. Department of Health and Human Services; and, Senior Vice President of Parkland Memorial Hospital in Dallas, as well as Chief Executive Officer and Medical Director of Parkland's Community Oriented Primary Care Program.

Mr. Jim Brunjes became the Senior Vice Chancellor and Chief Financial Officer of the Texas Tech University System in 1999. He had served as the Vice President for Fiscal Affairs at the University since September 1996. He earned his B.A. in mathematics in 1969 and a Master of Statistics Degree in 1972, both from Texas A&M University. Mr. Brunjes joined Texas Tech University as Vice President for Administration in 1991, responsible for administrative oversight, strategic planning, and budget coordination for the University and the Health Sciences Center. After teaching secondary school mathematics, Mr. Brunjes led a major computer system project with Lockheed for NASA-Houston and was a research mathematician at Calspan (formerly Cornell Aeronautical laboratory) from 1972 to 1976. From 1976 to 1984, he was Associate Vice Chancellor, Budgets and Computing at the University of Houston main campus, where he served as Interim Vice Chancellor, Finance and Administration in 1982. From 1984 to 1986, Mr. Brunjes was employed by Midwestern State University in Wichita Falls, Texas, as Vice President of Business Affairs. From 1986 to 1987, he was Vice President of Systems at Dallas-based Southwest Airlines. From 1987 to 1991, Mr. Brunjes served as Associate Deputy Chancellor for Budgets and Information Systems at Texas A&M University.

Dr. Jon S. Whitmore became President of the University on August 31, 2003. Dr. Whitmore served as Chair of the Division of Theater from 1979 to 1983, Assistant to the President from 1983 to 1984, and Interim Dean of the College of Creative Arts from 1984 to 1985, all at West Virginia University. He became Dean of the Faculty of Arts and Letters at the State University of New York at Buffalo in 1985, and Dean of the College of Fine Arts at the University of Texas at Austin in 1990. Dr. Whitmore became Provost and Professor of Theatre Arts at the University of Iowa in August, 1996. Dr. Whitmore received his B.A. and M.A. in Speech from Washington State University in 1967 and 1968, respectively, and his Ph.D. in Dramatic Arts from the University of California, Santa Barbara in 1974.

Dr. M. Roy Wilson became President of the Health Sciences Center in June, 2003. Dr. Wilson earned his B.S. from Allegheny College in 1976 and his M.D. from Harvard Medical School in 1980. He received his M.S. from the University of California at Los Angeles in 1990. Dr. Wilson was Dean of the School of Medicine at Creighton University in Omaha, Nebraska from 1998 – 2003. In 2001 he was named Vice President for Health Sciences at Creighton University. Dr. Wilson has held various academic positions at Harvard Medical School; Howard University School of Medicine in Washington, D.C.; Charles R. Drew University of Medicine and Sciences in Los Angeles, California; and, the University of California, Los Angeles.

Component Institutions.

Texas Tech University, a coeducational, state-supported institution of higher learning, was originally created by the State Legislature in 1923. From its beginning as a regional technological and liberal arts college, the University's purpose has changed to that of a comprehensive public university with a total headcount of 27,569 students. The University is organized into eight colleges (11 instructional schools): Agricultural Sciences and Natural Resources; Architecture; Arts and Sciences; Business Administration; Education; Engineering; Human Sciences; and Visual and Performing Arts. These colleges, together with the School of Law, the Graduate School and the Honors College have approximately 65 academic departments offering the bachelor's degree in 106 fields and graduate degrees in 160 fields of study and 191 majors. The University is fully accredited by its regional accrediting body, the Southern Association of Colleges and Schools, and colleges and departments of the University are accredited with their respective professional associations.

The University is located in Lubbock, Texas, a city of over 200,000 people, situated in West Texas at the base of the Texas Panhandle, approximately 320 miles west of Dallas and 320 miles southeast of Albuquerque, New Mexico. The University has a large campus consisting of 1,839 acres in one continuous tract with 185 permanent buildings.

The main library was completed in 1962 and contains over two million bibliographic items (which include more than 20,000 periodical subscriptions and nearly 2,000,000 units of microfilm) and is one of the two Regional Depositories for U.S. Government Documents in the State. The library is a member of the Association of Research Libraries and ranks 58th in statistics published by that group. The library is also a depository of the Atomic Energy Commission. Other notable buildings include a museum, a planetarium, a computer center, a seismological observatory and the Textile Research Center. The Textile Research Center, the second of its kind in the United States, is supported by the Plains Cotton Growers, the U.S. Department of Agriculture, and others.

The University also has limited educational facilities located in Junction, Fredericksburg, Marble Falls, Abilene and Amarillo.

The College of Agricultural Sciences and Natural Resources prepares students for a wide range of careers in Agricultural Sciences, Plant and Soil Sciences and Animal and Food Sciences as well as preparation for national, individual, and team competitions, extensive internship programs and professional degrees.

The College of Architecture's fully accredited five-year professional degree program leading directly to the Master of Architecture degree offers students a variety of specializations, including dual degree programs with business and engineering. Students may also pursue a four-year non-professional degree track leading to a B.S. in Architecture.

The College of Arts and Sciences provides courses and curricula that impart knowledge, enhance skills and stimulate creativity. The largest college at the University, the College of Arts and Sciences, offers over 90 undergraduate majors ranging from anthropology to zoology, including a dual B.A./M.B.A. degree in foreign language and business, and a biology degree focusing on ecology and the environment.

The Jerry S. Rawls College of Business Administration provides a well-rounded, general business education as well as a program of specialized technologically-oriented study. Interdisciplinary degree programs include M.D./M.B.A., B.B.A./Master of Architecture and a joint program in Agribusiness.

The College of Education is committed to the preparation and certification of qualified future counselors, administrators and teachers. Programs expose students to new technologies through extensive laboratory and field experiences including a full semester of student teaching, courses taught in local elementary and secondary schools, and contact with faculty, all of whom are experienced classroom teachers.

The College of Engineering educates students as professionals in traditional engineering fields as well as offering unique dual degree programs in computer science and engineering, a five-year program in environmental engineering and an accredited engineering technology program.

The College of Human Sciences offers diverse programs that focus on addressing economic, technical, social and environmental issues.

The College of Visual and Performing Arts offers a diverse array of programs in art, music, theatre and dance. The college seeks to prepare students who will be leaders in the professions by employing the highest standards in performance, teaching, research and artistic and creative vision.

The Graduate School offers over 100 masters programs, over 60 doctoral programs and scholarships and fellowships specifically for graduate education.

The Honors College offers special programs for highly motivated and academically talented students who want to maximize their college education. The curriculum is designed to provide students with a unique and broadly integrated intellectual experience that will complement virtually every academic major and career path.

The School of Law offers courses of study in the law and is recognized statewide and nationwide for winning more national competitions in the last decade than any other law school in the nation. The School of Law distinguishes itself by providing low or no cost legal services to citizens of Lubbock and the surrounding area.

Texas Tech University Health Sciences Center. In 1969, the State Legislature authorized the creation of the Texas Tech University School of Medicine as a separate educational institution. The School of Medicine formally opened in 1972. In 1979, the State Legislature, recognizing the progress and expanding scope of the School of Medicine, designated the institution as the Texas Tech University Health Sciences Center. Subsequently, the State Legislature funded a School of Nursing which formally opened in 1981 and a School of Allied Health which formally opened in 1983. In 1985, the School of Nursing instituted graduate education and expanded its programs to the Permian Basin. In 1993, the State Legislature authorized the establishment of a Pharmacy School to be located in Amarillo, Texas, with the Lubbock campus offering the first two years of the standard pharmacy curriculum and the Amarillo campus offering the final four years of the standard curriculum leading to the six year Doctor of Pharmacy degree. During the fall of 1995, academic and clinical programs in the School of Allied Health were expanded to Amarillo and Odessa, Texas. In 1999, a Physician Assistant Program was added in Midland, Texas. The 78th Texas Legislature authorized the Health Sciences Center to initiate curriculum design and faculty recruitment in order to convert the El Paso campus into a four year medical school to be operated under the Health Sciences Center.

From its inception, the Health Sciences Center has been charged with addressing the health care needs of West Texas, with a special emphasis on rural health care delivery. The Health Sciences Center has a vast service area encompassing 108 of the State's 254 counties and covering 130,451 square miles or 48% of the State's land mass. Approximately 2.6 million people live in the Health Sciences Center's service area.

In addition to the Health Sciences Center's administrative hub in Lubbock, the Health Sciences Center has established Regional Centers in Amarillo, Odessa and El Paso, Texas, to distribute health care education and services throughout the region. The Health Sciences Center's facilities in Lubbock include the classroom buildings, clinical facilities and a library/teleconference center. The Health Sciences Center's facilities in Amarillo include a health sciences center building, a clinic and the School of Pharmacy Building. The Health Sciences Center's facilities operated in El Paso include a Health Sciences Center Building and a clinic. The Health Sciences Center's facilities in Odessa consist of a Health Sciences Center Building and an ambulatory clinic. The Physician Assistant program in Midland operates in the Gavon Medical Science Building.

The Health Sciences Center's libraries use a state-of-the-art computer network to link the main campus in Lubbock with all of the Regional Centers, providing access at all sites to the resources anywhere in the library system. With nearly 300,000 volumes and computer access to other resources nationally, the Health Sciences Center's libraries are the most comprehensive medical and health information resource in West Texas.

The School of Medicine has educational programs leading to an M.D. and to Master's and doctoral degrees in the basic sciences. First- and second-year medical students take their basic science classes in Lubbock and third- and fourth-year students do clinical rotations at the campuses at Lubbock, Amarillo and El Paso. The Health Organization Management M.B.A. and M.D./M.B.A. programs are offered in conjunction with the University's College of Business Administration. A total of 33 graduate medical residency and fellowship programs are offered at Lubbock and the Regional Centers. In addition to educating students, the Health Sciences Center's faculty at Lubbock and the Regional Centers treat a large number of patients, including a significant number of uninsured and indigent patients. Among the Health Sciences Center's facilities, more than 40 general and specialty clinics, many of them the only one of their type in West Texas, serve the health needs of area residents. In addition to services in the primary care fields of family medicine, general internal medicine, general pediatrics and obstetrics/gynecology, the Health Sciences Center operates specialty and sub-specialty clinics in allergy, anesthesiology, dermatology, emergency medicine, neurology, pain management, cardiology, nephrology, gastroenterology, neonatology and perinatology, ophthalmology, orthopedics, pediatrics, preventive medicine and community health, surgery, trauma, burn and neuropsychiatry. In addition, ancillary services in pathology, anesthesiology and radiology are provided.

The School of Nursing offers courses leading to a bachelor's degree in Nursing with campuses in Lubbock and Odessa. In 1999, the School initiated RN-BSN, a special program for RNs pursuing a baccalaureate degree while maintaining a full-time job. The program is offered throughout the State of Texas. The School of Nursing also offers a Master of Science in Nursing degree and a joint Master of Science in Nursing-Master of Business Administration program in cooperation with the College of Business Administration at the University. The Ph.D. in Nursing program is a partnership between the School of Nursing and Texas Woman's University. Courses are offered at Denton, Texas, and Lubbock, and the degree is granted by Texas Woman's University. The School of Nursing also offers its program preparing nurse practitioners at the masters and post-masters levels collaboratively with the school of nursing at U.T. Tyler. Nurse practitioner educational programs include family, pediatric, geriatric, acute care and clinical trials management.

The School of Allied Health offers programs in Lubbock leading to baccalaureate degrees in clinical laboratory science, communication disorders and emergency medical services management. Occupational therapy and physical therapy programs are offered at the Odessa and Amarillo Regional Health Centers as well as in Lubbock. The School of Allied Health provides graduate programs in audiology, physical therapy, occupational therapy, athletic training, vocational rehabilitation, physician assistant studies and speech-language pathology. The

Physician Assistant Program is located on the Midland College campus. Beginning summer 2002, the School of Allied Health will offer a Masters in Molecular Pathology.

The School of Pharmacy was established in 1993 to offer the degree of Doctor of Pharmacy (Pharm.D.). The founding class of 63 students enrolled in August of 1996 and graduated in May 2000. In June 2000, the American Council of Pharmaceutical Education granted the school full accreditation status. Students are assigned to clinical rotations in Amarillo, Lubbock, El Paso and Dallas/Fort Worth during the last two years of the curriculum. In addition to the traditional Pharm.D. program, the school also provides a non-traditional Pharm.D. program geared toward practicing bachelor-level pharmacists as well as a Ph.D. program in the basic pharmaceutical sciences.

In addition to serving students and patients, the Health Sciences Center also meets the needs of practicing health care professionals in West Texas. The Health Sciences Center's Continuing Medical Education and Continuing Nursing Education program provide training opportunities year-round for the region's health professionals. Additionally, the Health Sciences Center has been an innovator in using communications technology to take continuing education and consultative services to rural health care professionals where they practice. The Health Sciences Center's HealthNet has utilized varied communications technologies to provide face-to-face video contact between rural West Texas practitioners and the Health Sciences Center specialists.

Accreditation. The institutions, agencies, and services comprising the University System are members 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; National Commission on Accrediting; Association of Texas Colleges and Universities; American Counsel on Education; Association of American Colleges; Association of Urban Universities; National Association of State Universities and Land-Grant Colleges; and Liaison Committee on Medical Education.

Enrollment. Set forth below is the fall semester headcount undergraduate and graduate enrollment at the University and the Health Sciences Center for each of the last five years:

Headcount Enrollment Information

	1998	1999	2000	2001	2002
The University	24,158	24,249	24,558	25,573	27,569
The Health Sciences Center	1,547	1,657	1,719	1,788	1,972
Total	25,705	25,906	26,277	27,361	29,541

Set forth below is the fall semester graduate enrollment at the University and the Health Sciences Center for each of the last five years:

Graduate Headcount Enrollment Information

	1998	1999	2000	2001	2002
The University	4,134	4,022	4,040	4,304	4,801
The Health Sciences Center	1,007	1,105	1,185	1,325	1,490
Total	5,141	5,127	5,225	5,629	6,291

Set forth below is the fall semester full-time equivalent enrollment at the University and the Health Sciences Center for each of the last five years:

Full-Time Equivalent Enrollment Information

	1998	1999	2000	2001	2002
The University	20,778	20,762	21,086	21,870	23,412
The Health Sciences Center	1,448	1,729	1,760	1,916	1,965
Total	22,226	22,491	22,846	23,786	25,377

Admissions and Matriculation.

The University. Set forth below is information relating to undergraduate admissions and matriculation for the University for each of the last five years:

Admissions and Matriculation Information

	1998	1999	2000	2001	2002
Applications Submitted	7,654	7,691	10,479	12,008	13,101
Applications Accepted	5,674	5,776	7,816	8,461	9,039
Matriculation	3,028	3,372	3,954	3,921	4,142
%Accepted	74.13%	75.10%	74.59%	70.46%	68.99%
% Matriculated	53.37%	58.38%	50.59%	46.34%	45.82%

The Health Sciences Center. Set forth below is information relating to undergraduate admissions and matriculation for the Health Sciences Center for each of the last five years:

Admissions and Matriculation Information

	1998	1999	2000	2001	2002
Applications Submitted	2,406	2,365	3,323	3,216	3,249
Applications Accepted	712	797	616	828	741
Matriculation	488	443	511	650	696
%Accepted	29.59%	33.70%	18.54%	25.75%	22.81%
% Matriculated	68.54%	55.58%	82.95%	78.50%	93.93%

FINANCIAL MANAGEMENT

Financial management of the University System is the responsibility of the Senior Vice Chancellor and Chief Financial Officer, who reports to the Chancellor. The Senior Vice Chancellor and Chief Financial Officer is responsible for financial management and operational activities of debt, cash, risk and investment management of the University System's operating and endowment funds. The Vice President of Fiscal Affairs for each respective institution is responsible for budgets, accounting and financial statements.

Financial Statements. Not later than November 20 of each year, the unaudited primary financial statements of the University System dated as of August 31, prepared from the books of the University System, must be delivered to the Governor, the Comptroller of Public Accounts of the State, the Legislative Reference Library, the State Auditor and the Legislative Budget Board. Each year, the State Auditor must certify the financial statements of the State as a whole, inclusive of the University System. *No outside audit in support of this detailed review is currently required or obtained by the Board.*

As an agency of the State, the University System's financial records reflect compliance with applicable State statutes and regulations. The significant accounting policies followed by the University System in maintaining accounts and in the preparation of the primary financial statements are in accordance with the State Comptroller of Public Accounts' Annual Financial Reporting Requirements. Historically, these requirements followed, as nearly as practicable, the American Institute of Certified Public Accountants (AICPA) Industry Audit Guide, Audits of Colleges and Universities, 1996 Edition, as amended by AICPA Statement of Position (SOP) 74-8, Financial Accounting and Reporting by Colleges and Universities, and as modified by applicable Financial Accounting Standards Board (FASB) pronouncements issued through November 30, 1989, and as modified by all applicable Governmental Accounting Standards Board (GASB) pronouncements cited in Codification Section Co5, "Colleges and Universities." The requirements were also in substantial conformity with the Financial Accounting and Reporting Manual for Higher Education published by the National Association of College and University Business Officers (NACUBO).

During Fiscal Year 2002, the University System adopted GASB Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities, as amended by GASB Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments Omnibus, and GASB Statement No. 38, Certain Financial Statement Note Disclosures (collectively, the "New Financial Reporting Model"). These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the University System as a whole. Previously, financial statements focused on the accountability of individual fund groups rather than on the University System as a whole. The New Financial Reporting Model has materially affected the University System's financial data accumulation and financial statement presentation processes. Following is a list of significant changes to the University System's financial statements mandated by the New Financial Reporting Model, including certain changes mandated by the revised Financial Reporting Requirements of the State Comptroller of Public Accounts.

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

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

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

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

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

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

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

The University System's primary financial report covers all financial operations of the University System Administration and all member institutions of the University System. Amounts due between member institutions, amounts held for member institutions by the University System Administration and other duplications in reporting are eliminated in combining the individual financial reports.

Attached to this Official Statement in "Appendix B - TEXAS TECH UNIVERSITY SYSTEM CONSOLIDATED ANNUAL FINANCIAL REPORT" are the most recent unaudited primary financial statements of the University System for the University System's Fiscal Year ended August 31, 2002. The University System's unaudited primary financial statements consist of the Statement of Net Assets as of August 31, 2002; the Statement of Revenues, Expenses and Changes in Net Assets for the Year Ended August 31, 2002; and the Statement of Cash Flows for the Year Ended August 31, 2002. See "Appendix B - TEXAS TECH UNIVERSITY SYSTEM CONSOLIDATED ANNUAL FINANCIAL REPORT."

The following table reflects the condensed statement of net assets of the University System as of August 31, 2002.

Condensed Statement of Net Assets
as of August 31, 2002
(In Thousands)

Assets:	
Current Assets	$ 491,029
Capital Assets, Net	598,521
Other Assets	482,014
Total Assets	$ 1,571,564
Liabilities:	
Current Liabilities	$ 195,272
Non-Current Liabilities	354,580
Total Liabilities	$ 549,852
Net Assets:	
Invested in Capital Assets, Net of Related Debt	$ 354,928
Restricted	
Expendable	240,701
Non-Expendable	218,466
Unrestricted	207,617
Total Net Assets	$ 1,021,712
Liabilities and Net Assets	$ 1,571,564

For more detailed information, see "Appendix B - TEXAS TECH UNIVERSITY SYSTEM CONSOLIDATED ANNUAL FINANCIAL REPORT—Statement of Net Assets as of August 31, 2002."

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The table below presents the Statement of Revenues, Expenses and Changes in Net Assets of the University System for Fiscal Year 2002.

Statement of Revenues, Expenses and Changes in Net Assets for the University System for the Year Ended August 31, 2002

	2002
Operating Revenues	
Net Student Tuition and Fees	$ 112,289,478
Net Professional Fees	152,075,516
Net Sales and Services of Auxiliary Enterprises	63,558,050
Net Other Sales and Services	9,387,735
Federal Grant Revenues	45,846,411
Federal Pass-Through Revenues (net of administrative costs)	2,080,952
State Grant Revenues (net of refunds to grantors)	92,081,072
State Pass-Through Revenues	14,290,203
Local Grant Revenues	49,059,902
Private Grant Revenues	52,914,739
Total Operating Revenues	$ 593,584,058
Operating Expenses	
Instruction	$ 300,454,888
Research	56,472,461
Public Service	151,581,415
Academic Support	114,463,755
Student Services	23,390,466
Institutional Support	54,490,101
Operations and Maintenance of Plant	39,255,719
Scholarships and Fellowships	21,433,157
Auxiliary Enterprises	69,929,017
Depreciation and Amortization	18,298,371
Total Operating Expenses	$ 849,769,350
Operating Income (Loss)	$(256,185,292)
Nonoperating Revenues (Expenses)	
Legislative Revenue	247,289,992
Federal Grant Revenues (net of refunds to grantors)	255,861
Interest Income	734,604
Private Gifts (pledged or contributed, including endowments)	19,476,483
Net Investment Income	16,730,898
Interest Expense and Fiscal Charges	(28,473,401)
Net Increase (Decrease) in Fair Value of Investments	(13,966,961)
Other Nonoperating Revenues (Expenses)	13,051,435
Settlement of Claims	2,186,119
Interest Expense on Capital Asset Financing	(1,450,256)
Loss on Sale and Disposal of Capital Assets	(4,871,817)
Other Nonoperating Expenses and Losses	(4,987,926)
Total Nonoperating Revenues (Expenses)	245,975,031
Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers	(10,210,261)
Other Revenues, Expenses, Gains, Losses and Transfers	
Capital Appropriations	28,696,881
Capital Contributions	6,016,637
Special Items – Sale of Easement	12,483,246
Legislative Transfer In (SORM)	1,507,282
Transfers in from Other Agencies	4,769,654
Total Other Revenues, Expenses, Gains, Losses and Transfers	53,473,700
Total Changes in Net Assets	$ 43,263,439
Beginning Net Assets (September 1, 2001)	1,554,755,327
Restatements of Beginning Net Assets	(576,306,812)
Ending Net Assets (August 31, 2002)	$1,021,711,954

For more detailed information, see "Appendix B - TEXAS TECH UNIVERSITY SYSTEM CONSOLIDATED ANNUAL FINANCIAL REPORT—Statement of Revenues, Expenses and Changes in Net Assets for the Year Ended August 31, 2002."

<u>Information Relating to Fiscal Years 1998 through 2001</u>. As stated above, the University System is not required to restate, and has not restated, prior year financials in connection with the implementation of the New Financial Reporting Model. The significant changes caused by these new accounting standards and the time required to implement the changes on a consistent basis for all of the members of the University System (in accordance with the related rules of the State Comptroller of Public Accounts) made a restatement of the prior year financial statements impossible. As such, historical financial data is not comparable to the data presented in the foregoing tables.

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The following table sets forth an Historical Summary of Changes in Fund Balances of the University System for Fiscal Years 1998 through 2001 computed in accordance with the accounting principles in existence before the New Financial Reporting Model was adopted.

Historical Summary of Changes in Fund Balances for the University System[(1)]

Current Funds Revenues	**1998**	**1999**	**2000**	**2001**
Tuition	$34,067,243	$32,967,106	$39,285,858	$38,577,356
Designated Tuition	24,089,181	26,050,457	24,659,742	27,801,484
Student Service Fee	5,678,764	6,614,428	4,972,222	6,607,620
University Center Fee	1,681,588	1,551,323	1,651,943	4,649,745
Other Fees	22,640,999	25,337,169	24,344,170	28,527,698
Tuition Remissions and Exemptions	7,870,118	6,843,355	8,752,990	11,153,520
State Appropriations – General Revenue	189,436,254	192,012,437	215,366,887	221,692,555
State Appropriations – HEAF	24,622,085	24,622,085	24,622,085	28,696,881
Federal Grants and Contracts	3,809,162	4,740,364	4,902,780	5,646,549
Federal Pass-Through Grants from Other State Agencies	99,253	71,124	53,241	62,965
State Grants and Contracts	3,809,243	3,466,384	2,637,059	2,060,771
State Pass-Through Grants from Other State Agencies	5,481,217	966,511	4,885,029	2,110,379
Local Grants and Contracts	12,562,231	11,918,673	13,547,669	15,757,773
Private Gifts, Grants and Contracts	14,658,001	19,241,875	23,753,614	31,021,985
Net Change in Fair Value in Investments	(1,472,637)	1,480,618	960,155	(1,846,652)
Investment Income	8,157,610	6,014,641	11,230,611	12,486,066
Endowment Income	614,842	873,859	2,474,073	2,071,502
Sales and Services of Educational Activities	6,958,508	7,676,585	8,931,121	8,721,440
Sales and Services of Auxiliary Enterprises	42,139,700	44,776,583	49,061,266	56,245,635
Professional Fees Incurred but not Reported	78,689,495	77,751,697	82,878,265	81,087,614
Interest Income	11,628,058	10,633,374	9,505,806	7,987,238
Other Sources:				
License Plate Scholarship	56,475	60,150	62,125	63,675
Leases and Rentals	14,021	13,922	10,081	16,283
Sale of Utilities	431,112	441,501	377,505	450,256
Sale of Capital Assets	15,247	62,452	26,360	33,068
Student Health	2,619	2,397	3,163	0
Veterans Annual Reporting Fee	2,434,053	2,574,926	59,440	3,059
Miscellaneous Revenue	2,493,559	1,859,386	2,510,343	2,629,692
Total Unrestricted Current Funds Revenues	502,668,001	510,625,382	561,525,603	594,316,157
Other Unrestricted Current Funds Revenues and Additions	1,094,734	474,434	648,387	1,952,732
Total Unrestricted Current Funds Revenues and Additions	503,762,735	511,099,816	562,173,990	596,268,889
Total Restricted Current Funds Revenues and Additions	199,888,148	206,746,930	233,160,852	254,760,214
Total Current Funds Revenues and Other Additions	$703,650,883	$717,846,746	$795,334,842	$851,029,103

(1) Pursuant to the creation of the University System in 1999 and beginning with Fiscal Year 2000, financial information for the University System has been reported on a system-wide basis in a single financial report for the University System. Prior to the creation of the University System, financial information for the University and the Health Sciences Center was reported in separate financial reports for each institution. Accordingly, the financial information presented for Fiscal Years 1998 and 1999 represents a combination of financial information contained in the separate financial reports issued for such Fiscal Years for the University and the Health Sciences Center.

Historical Summary of Changes in Fund Balances for the University System[1] (continued)

	1998	1999	2000	2001
Current Funds Expenditures				
Instruction	$207,533,116	$217,076,523	$230,644,663	$247,771,208
Research	15,617,492	16,659,238	19,182,096	20,216,342
Public Service	4,009,407	4,183,927	5,615,638	6,304,928
Academic Support	81,834,710	85,204,037	92,832,795	97,404,234
Student Services	16,390,444	17,628,263	16,328,169	18,283,755
Institutional Support	35,520,656	39,916,856	45,405,503	44,967,433
Operation and Maintenance Plant	33,152,335	34,154,035	37,687,173	42,544,766
Scholarships and Fellowships	13,313,591	13,177,674	14,280,796	16,717,608
Auxiliary Enterprises	47,446,430	51,522,599	56,101,775	67,929,781
Total Unrestricted Current Funds Expenditures	454,818,181	479,523,152	518,078,608	562,140,055
Other Unrestricted Current Funds Expenditures and Other Deductions	8,134,232	2,519,028	6,415,642	2,382,154
Total Unrestricted Current Funds Expenditures and Other Deductions	462,952,413	482,042,180	524,494,250	564,522,209
Total Restricted Current Funds Expenditures and Other Deductions	169,641,797	188,758,662	217,350,048	246,541,323
Total Current Funds Expenditures and Other Deductions	632,594,210	670,800,842	741,844,298	811,063,532
Excess Unrestricted Current Funds Revenues and Other Additions Over Expenditures and Other Deductions	71,056,673	47,045,904	53,490,544	39,965,571
Mandatory Transfers	(10,919,963)	(16,773,249)	(21,514,625)	(21,791,872)
Non-Mandatory Transfers and Other Adjustments	(28,555,043)	(33,254,575)	(32,562,999)	(26,369,330)
Net Increase/(Decrease) in Current Funds	31,581,667	(2,981,920)	(587,080)	(8,195,631)
Net Increase/(Decrease) in Noncurrent Funds:				
Loan Funds	1,025,319	(241,353)	102,092	267,980
Endowment and Similar Funds	9,506,270	76,254,023	22,781,412	22,871,641
Plant Funds	55,174,503	54,770,485	65,440,405	64,123,737
Net Increase/(Decrease) in Fund Balances	97,287,759	127,801,235	87,736,829	79,067,727
Fund Balances, Beginning of Year	1,107,801,587	1,215,768,773	1,343,570,008	1,431,306,837
Restatements	10,679,427	--	--	44,380,763
Fund Balances as Restated, Beginning of Year	1,118,481,014	1,215,768,773	1,343,570,008	1,475,687,600
Fund Balances, End of Year	$1,215,768,773	$1,343,570,008	$1,431,306,837	$1,554,755,327

(1) Pursuant to the creation of the University System in 1999 and beginning with Fiscal Year 2000, financial information for the University System has been reported on a system-wide basis in a single financial report for the University System. Prior to the creation of the University System, financial information for the University and the Health Sciences Center was reported in separate financial reports for each institution. Accordingly, the financial information presented for Fiscal Years 1998 and 1999 represents a combination of financial information contained in the separate financial reports issued for such Fiscal Years for the University and the Health Sciences Center.

Prior to adopting the New Financial Reporting Model, the University System prepared its financial statements in accordance with the principles of fund accounting. Under the previous financial statement presentation, resources for various purposes were classified into funds in accordance with the activities or objectives specified. In addition, the University System accounted for its finances within current and noncurrent fund groups. Current Funds were defined as those funds available for current operating and maintenance purposes as well as those restricted by donors and other outside agencies for specific operating purposes. Noncurrent funds included loan funds, endowment and similar funds. Plant funds were reported as unexpended plant funds, renewal and replacement funds, retirement of indebtedness funds and investment in plant funds. The following table sets forth a Historical Summary of Fund Balances of the University System for Fiscal Years 1998 through 2001.

Historical Summary of Fund Balances
(In Thousands)

	FY 1998	FY 1999	FY 2000	FY 2001
Unrestricted Current Funds	$ 200,982	$ 203,077	$ 194,315	$ 194,312
Restricted Current Funds	102,090	96,923	104,657	136,427
Loan Funds	10,689	10,448	10,550	10,818
Endowment and Similar Funds-State	148,726	175,070	194,630	221,960
Endowment and Similar Funds-Other than State	0	50,000	53,663	49,371
Unexpended Plant Funds	48,781	65,487	60,255	60,037
Renewals and Replacements Funds	0	0	0	0
Retirement of Indebtedness Funds	1	1	1	2
Investment in Plant Funds	704,500	742,564	813,236	881,828
Total	$1,215,769	$1,343,570	$1,431,307	$1,554,755

As discussed above, the New Financial Reporting Model was adopted in Fiscal Year 2002. Following is a reconciliation of Fund Balances, as previously reported, to the net asset balances at September 1, 2001.

Reconciliation of Fund Balances, as Previously Reported,
to Net Assets at September 1, 2001
(In Thousands)

Combined Fund Balances, as previously reported	$ 1,554,755,327
Restatements:	
Accumulated Depreciation	(514,015,816)
Capitalization Threshold	(75,812,481)
Construction Period Interest Capitalized	11,608,928
Other Changes in Treatment Due to GASB 34/35	1,912,557
Total Restatements	$ (576,306,812)
Combined Fund Balances, restated as Beginning Net Assets as of September 1, 2001	$ 978,448,515

SELECTED FINANCIAL INFORMATION

Funding for the University System and its Component Institutions. Funding for the University System is derived from operating and non-operating revenues. The amounts and the sources of such funding vary from year to year and there is no guarantee that the source or amounts of such funding will remain the same in future years. Following are brief discussions of certain major funding sources.

State Appropriations. The University System receives support annually from the State through general revenue fund appropriations made by the State Legislature. Levels of continued State support to the University System are dependent on results of biennial legislative sessions. The State Legislature adopted a budget for the State for the 2004-05 biennium beginning September 1, 2003, which appropriated approximately $210.3 million for the University System from the general revenue fund for Fiscal Year 2004 and $194.5 million for Fiscal Year 2005. Future levels of State support are dependent upon the ability and willingness of the State Legislature to make appropriations to the component institutions of the University System taking into consideration the availability of financial resources and other potential uses of such resources.

Both the University and the Health Sciences Center receive a portion of an annual appropriation of funds made by the State Legislature pursuant to the provisions of Article VII, Section 17 of the State Constitution. In 2000, the State Legislature approved a five year annual allocation (beginning in 2001). Beginning in 2001, the annual allocation to the University is $20,961,881 (the University's previous allocation was $16,887,085) and the annual allocation to the Health Sciences Center is $7,735,000 (the Health Sciences Center's previous allocation was $7,735,000). The University and the Health Sciences Center may use the appropriation for capital improvements and renovations to the campus facilities, other than auxiliary enterprises. In addition, bonds may be issued against such appropriation and pledge up to 50% of the appropriation to secure the debt service payments due on such bonds. See "Appendix A - TEXAS TECH UNIVERSITY SYSTEM—Selected Financial Information—Funding for the University System and its Component Institutions—Higher Education Assistance Fund Bonds" below.

Tuition and Fees. Each component institution of the University System granting degrees, including the University and the Health Sciences Center, charges tuition and fees as set by the State Legislature and the Board under Chapters 54 and 55 of the Texas Education Code. Prior to a change in law effective for the fall 2003 semester, State law permitted undergraduate tuition applicable to state residents to be charged up to $92 per semester credit hour for the 2003-2004 academic year, up to $96 per semester credit hour for the 2004-2005 academic year and up to $100 per semester credit hour for the 2005-2006 academic year. Effective for the fall 2003 semester, total tuition charges are comprised of "State Mandated Tuition" and "Board Designated Tuition," as further described below.

Stated Mandated Tuition. Section 54.0512, Texas Education Code, currently permits (i) undergraduate tuition applicable to state residents to be charged up to $46 per semester credit hour for the 2003-2004 academic year, up to $48 per semester credit hour for the 2004-2005 academic year and up to $50 per semester credit hour for the 2005-2006 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 the State at a public state university in each of the five most populous states other than the State (the amount of which would be computed by the Texas Higher Education Coordinating Board for each academic year). For the 2003-2004 academic year, the Texas Higher Education Coordinating Board has computed $282 per semester credit hour for nonresident undergraduate tuition.

Board Designated Tuition. During the recent regular session of the 78th Texas Legislature that ended June 2, 2003, the Texas Legislature approved and the Governor signed into law House Bill 3015, which provided for the deregulation of a portion of tuition that a governing board of an institution of higher education, such as the Board, has the authority to charge under Section 54.0513 of the Texas Education Code. Prior to the amendment to Section 54.0513, Texas Education Code, the amount of tuition that a governing board of an institution of higher education could independently charge students was capped at the levels described above with respect to State Mandated Tuition. Effective with the tuition that is charged for the fall 2003 semester, a governing board of an institution of higher education may charge any student an amount (referred to herein as "Board Designated Tuition") that it considers necessary for the effective operation of the institution. The new legislation also granted authority to a governing board of an institution of higher education to set a different tuition rate for each program and course level offered by the institution. This new authority offers more opportunity for the Board to develop a tuition schedule that assists in meeting its strategic objectives in terms of access, affordability, effective use of campus resources, and improvement of graduation rates. The Board currently has the authority to set Board Designated Tuition for students in an amount not to exceed resident undergraduate tuition. The Board has authorized the Board Designated Tuition rate for the fall 2003 semester at $46 per semester credit hour for all students. The Board will authorize any changes in Board Designated Tuition only after they have been thoroughly evaluated by the Chancellor of the University System and the administration of each Participant. If an increase in Board Designated Tuition is approved by the Board, no less than 20% of the Board Designated Tuition charged in excess of $46 per semester credit hour shall be set aside to provide financial assistance to resident undergraduate students, consistent with the provisions of Subchapter B, Chapter 56, Texas Education Code, which were contained in House Bill 3015.

The Board has additional authority to set an additional tuition amount for the Law School and the Pharmacy School in an amount not to exceed two times the State Mandated Tuition for residents at each respective school (the State Mandated Tuition for residents at the Law School is $80 per semester credit hour; the State Mandated Tuition for residents at the Pharmacy School is $46 per semester credit hour).

Total tuition for a resident student enrolled in the Law School for the fall 2003 semester is $286 per semester credit hour (which is the aggregate of State Mandated Tuition of $80 per semester credit hour plus Board Designated Tuition of $46 per semester credit hour plus $160 of tuition charged pursuant to the Board's additional authority). Total tuition for a nonresident student enrolled in the Law School for the fall 2003 semester is $468 per semester credit hour (which is the aggregate of State Mandated Tuition of $262 per semester credit hour plus Board Designated Tuition of $46 per semester credit hour plus $160 of tuition charged pursuant to the Board's additional authority).

State Mandated Tuition for a resident student enrolled in a program leading to an M.D. degree is $6,550 per academic year. State Mandated Tuition for a nonresident student enrolled in a program leading to an M.D. degree is an amount per year equal to three times the rate that a resident student enrolled in a program leading to an M.D. degree would pay during the corresponding academic year. Unless it is necessary to meet a debt service obligation, the amount of the Pledged General Tuition charged in any academic year may not exceed the amount of tuition to be charged in that academic year.

Mandatory Fees. Mandatory fees are comprised of charges for certain activities and services utilized by all students and include, but are not limited to, Student Union Fees, Medical Services Fees and Information Technology Fees. Fee amounts are computed either on a per semester credit hour basis (ranging from $1 to $15 per semester credit hour) or on a per semester basis (ranging from $3 to $95 per semester). In addition, certain departments are permitted to charge additional fees for students participating in certain areas of study. The mandatory fees shown in the table below are calculated based upon an average undergraduate student taking 30 semester credit hours in an academic year.

Any changes in tuition or fees will originate and be recommended by the Presidents of the University or the Health Sciences Center, reviewed by the Chancellor and approved by the Board of Regents. Any changes in tuition will be implemented only after thorough consultation and review.

Based upon an estimated normal course load of 30 semester credit hours per academic year, the average resident undergraduate student and average non-resident undergraduate student would incur the following tuition and fees.

	Resident		Non-Resident	
	Per semester credit hour	Amount	Per semester credit hour	Amount
Tuition				
State Mandated	$ 46.00	$ 1,380.00	$ 282.00	$ 8,460.00
Board Mandated	$ 46.00	$ 1,380.00	$ 46.00	$ 1,380.00
Total Tuition		$ 2,760.00		$ 9,840.00
Mandatory Fees		$ 1,985.00		$ 1,985.00
Total Tuition and Fees		$ 4,745.00		$ 11,825.00

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Federally-Sponsored Research Expenditures. Federal agencies continue to provide the largest portion of funding for the University System's research and training projects. The Department of Health and Human Services is typically the single largest sponsor. The following table sets forth the amounts of research expenditures sponsored by federal agencies during Fiscal Year 2002.

Federally-Sponsored Research Expenditures
(In Thousands)

Federal Sources	FY 2002
Department of Health and Human Services	$ 9,142
Department of Defense	7,853
National Science Foundation	2,444
Department of Education	388
Other Federal Agencies	7,393
Total Federal Sources	$27,220

Private Sector Financial Support. In Fiscal Year 2002, the University System received contributions (gifts, grants and contracts) exceeding $72 million from the private sector, and during the five complete Fiscal Years preceding 2002, the University System received contributions averaging in excess of $60 million annually from the private sector.

Higher Education Assistance Fund Bonds. Pursuant to Article VII, Section 17 of the State Constitution, the University and the Health Sciences Center are eligible to receive an annual allocation from amounts constitutionally appropriated to institutions of higher education for capital improvements (except those for auxiliary enterprises) (See "Appendix A - TEXAS TECH UNIVERSITY SYSTEM—Selected Financial Information—Funding for the University System and its Component Institutions—State Appropriations" above). Under this constitutional provision, the Board is authorized to issue bonds and notes to finance permanent improvements at the institutions and to pledge up to 50% of its allocation to secure the payment of principal and interest on the bonds and notes. Currently, the Board has no outstanding Higher Education Assistance Fund bonds or notes.

Debt Management. Financial debt management of the University System and its component institutions is the responsibility of the Senior Vice Chancellor and Chief Financial Officer, the Vice President for Fiscal Affairs of Texas Tech University and the Executive Vice President for Fiscal Affairs of Texas Tech University Health Sciences Center. Debt is issued pursuant to debt capacity analyses and annual funding requirements in accordance with (a) the capital budgets of the University and the Health Sciences Center and (b) a debt management policy adopted by the Board. As a general rule, debt is issued for each Participant on a project-by-project basis pursuant to the institution's master plan for facilities and capital equipment. Currently, the Board must approve the issuance of debt for a Participant in order to ensure that each Participant is self sufficient and the operation of each Participant is efficient. Prior to the issuance of debt, a Participant must furnish the Board, for its review and approval, information describing the proposed project including a complete description of the new facilities, and the need therefor; estimated costs of construction; financial analysis; and feasibility, if expected to generate sources of revenues for operation and maintenance; and status of student-approved fee increases if required to pay debt service or operation and maintenance expenses.

Investment Policies and Procedures and Endowments.

Management of Investments. The Board is responsible for the investment of University System funds held outside the State Treasury and has provided for centralized investment management through the Office of the Senior Vice Chancellor and Chief Financial Officer for the University System. Investments are managed both internally, by the Assistant Vice Chancellor, Investments and Assistant Chief Financial Officer pursuant to authority given by the Board, and by unaffiliated investment managers.

The Board has a standing Finance and Administration Committee (the "Finance Committee") that, among other responsibilities, oversees various investment functions of the University System. The Board additionally provides for the appointment of an advisory committee (the "Investment Advisory Committee") which currently consists of three members of the Board and five persons appointed, after consultation with the Board, by the

Chancellor, who are graduates of the University System, have substantial experience in the field of institutional investments, and have no financial interest in any organization providing investment services to the University System.

Securities Lending. The Public Funds Investment Act, Chapter 2256, Texas Government Code, was amended to provide, effective September 1, 2003, that the University System and other Texas state agencies and political subdivisions are permitted, under certain circumstances, to enter into securities lending programs. The Board does not currently intend to commence such a program.

Investment Programs and Policies. To facilitate the investment of University System funds, the Board has created two separate investment pools designated as the Short/Intermediate Term Investment Fund (the "S/ITIF") and the Long-Term Investment Fund (the "LTIF"), which are governed by Regents' Rules Chapter 09 "Investments, Endowments, and Income Producing Lands" (the "Board Policy"). Additionally, the University System also has certain funds that are held in the State Treasury and invested by the Comptroller of Public Accounts of the State.

The Short/Intermediate Term Investment Fund. The S/ITIF is a short/intermediate term pooled investment fund created by the Board for the collective investment of institutional funds of the University System. Except for certain eligible endowment funds (and certain eligible institutional funds treated as endowments), all institutional funds of the University System are invested in the S/ITIF. The S/ITIF is operated as an internal investment pool with no use of unaffiliated investment managers.

The Long-Term Investment Fund. The LTIF is a unitized pooled investment fund created by the Board for the collective investment of certain eligible endowment funds (and certain institutional funds treated as endowments) of the University System. To qualify for investment in the LTIF, endowment funds must be under the sole control of the Board and must not have donor imposed restrictions that prevent investment in equity securities or corporate debt, or prevent the expenditure of net realized appreciation. Endowment funds not meeting these requirements are invested in the S/ITIF. The LTIF is managed by unaffiliated investment managers selected by the Board upon the recommendation of the Investment Advisory Committee.

Set forth below is the market value for each of the funds managed by the Board as of the end of the most recent five Fiscal Years.

Market Value of Investment Funds
(In Thousands)

August 31	Short Intermediate Term Fund	Long Term Fund	Total Market Value
2002	$ 442,025	$ 262,096	$ 704,121
2001	410,937	230,064	641,001
2000	434,939	203,576	638,515
1999	495,563	126,156	621,719
1998	476,067	66,297	542,364

Endowments. Although not pledged to the payment of debt obligations, the Board controls or is benefited by endowments consisting of securities and investments, land, and other real estate holdings and mineral rights. Such land, real estate, and mineral rights are valued at their book value as of the date of acquisition of such property. Each component of an endowment is subject to various restrictions as to application and use.

Management of Funds Held in the State Treasury. The Texas Education Code requires that the University System and its component institutions deposit into the State Treasury all funds except those derived from auxiliary enterprises and non-instructional services, agency funds, designated and restricted funds, endowment and other gift funds, and student loan funds. All such funds held in the State Treasury are administered by the Comptroller of Public Accounts of the State (the "Comptroller"). The Comptroller invests money in the State Treasury in authorized investments consistent with applicable law. The Comptroller pools funds within the State Treasury for investment purposes and allocates investment earnings on pooled funds proportionately among the various State agencies whose funds are so pooled. The Board utilizes the State Treasury primarily as a depository and anticipates that all funds deposited in the State Treasury will be available upon request and will earn interest equal to an allocated share of investment earnings on pooled funds in the State Treasury. As of May 31, 2003, the amount of University System funds held by the State Treasury was $17,663,312.

Insurance. The University System is exposed to various risks of loss related to property, general and employer liability, net income, and personnel. As an agency of the State, the University System and its employees are covered by various immunities and defenses which limit some of these risks of loss. Remaining exposures are managed by self-insurance arrangements, contractual risk transfers, the purchase of commercial insurance, or a combination of these risk financing techniques. For details, see "Appendix B - TEXAS TECH UNIVERSITY SYSTEM CONSOLIDATED ANNUAL FINANCIAL REPORT—Note 12: Risk Financing and Related Insurance."

Retirement Plans. University System employees participate in various retirement plans or programs. For details, see "Appendix B - TEXAS TECH UNIVERSITY SYSTEM CONSOLIDATED ANNUAL FINANCIAL REPORT—Note 8: Employees Retirement Plans."

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Appendix B

TEXAS TECH UNIVERSITY SYSTEM
CONSOLIDATED ANNUAL FINANCIAL REPORT

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TEXAS TECH UNIVERSITY SYSTEM

CONSOLIDATED
ANNUAL FINANCIAL REPORT

FISCAL YEAR 2002

ANNUAL FINANCIAL REPORT

OF

TEXAS TECH UNIVERSITY SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2002

LUBBOCK, TEXAS

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November 12, 2002

Honorable Rick Perry
Governor of Texas

Honorable Carole Keeton Rylander
Comptroller of Public Accounts

Mr. John Keel
Director, Legislative Budget Board

Mr. Lawrence F. Alwin, CPA
State Auditor

To Agency Heads Addressed:

The Financial Report of Texas Tech University System, 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, 2002. The State Auditor has not audited the accompanying annual financial report and, therefore, has not expressed an opinion on the financial statements and related information contained in this report. This report is intended to present a complete picture of the fiscal affairs of the System for the year ended August 31, 2002.

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

Sincerely,

David R. Smith, M.D.
Chancellor

DRS:nh

November 12, 2002

Chancellor David R. Smith
Texas Tech University System
Lubbock, Texas 79409

Dear Chancellor Smith:

Submitted herein is the Annual Financial Report of Texas Tech University System for the fiscal year ended August 31, 2002, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

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

If you have any questions, please contact me at 742-3255.

Sincerely,

Sharon Williamson, CPA
Director of Tax Compliance and Reporting

Rebecca Hyde
Director of Student and University Financial Services

Approved:

Jim Brunjes
Chief Financial Officer

SSW:nh

Texas Tech University System

Board Of Regents

Carin Barth	Term Expires January 31, 2005	Houston
C. Robert Black	Term Expires January 31, 2007	Horseshoe Bay
E. R. Brooks	Term Expires January 31, 2005	Dallas
J. Robert Brown	Term Expires January 31, 2007	El Paso
John W. Jones	Term Expires January 31, 2003	Brady
Nancy E. Jones	Term Expires January 31, 2003	Abilene
David R. Lopez	Term Expires January 31, 2007	Austin
Brian C. Newby	Term Expires January 31, 2005	Fort Worth
J. Michael Weiss	Term Expires January 31, 2003	Lubbock

Officers of the Board

J. Robert Brown	Chair
Nancy E. Jones	Vice Chair
Ben Lock	Secretary

Fiscal Officers

David R. Smith, M.D.	Chancellor
Jim Brunjes	Senior Vice Chancellor and Chief Financial Officer

FINANCIAL STATEMENTS

Texas Tech University System
Statement of Net Assets
August 31, 2002

ASSETS	
Current Assets	
Unrestricted Cash and Cash Equivalents:	
Cash on Hand	$ 114,596
Cash in Bank	(5,736,689)
Reimbursements Due From Treasury	5,538,024
Cash in State Treasury	7,124,737
Unrestricted Short-Term Investments	163,241,456
Restricted Cash and Cash Equivalents:	
Cash on Hand	6,426
Cash in Bank	(4,439,400)
Reimbursements Due From Treasury	235,946
Restricted Short-Term Investments	186,299,718
Legislative Appropriations	62,299,927
Accounts Receivable:	
Federal Receivables	6,691,755
Interest and Dividends Receivable	2,573,539
Patient Accounts Receivable (net of $24,348,575 allowance for uncollectibles)	16,823,539
Student Accounts Receivable (net of $60,812 allowance for uncollectibles)	439,153
Contract Accounts Receivable (net of $262,412 allowance for uncollectibles)	5,603,353
Pledged Gifts Receivable (net of $1,485,904 allowance for uncollectibles)	14,155,195
Other Receivables (net of $404,837 allowance for uncollectibles)	5,332,381
Due From Other Agencies	5,719,303
Prepaid Expenses	13,480,871
Consumable Inventories	946,548
Merchandise Inventories	2,846,222
Loans and Notes Receivable (net of $165,254 allowance for uncollectibles)	1,721,547
Other Current Assets	10,826
Total Current Assets	491,028,973
Noncurrent Assets	
Restricted Cash and Cash Equivalents (Cash in Bank)	(649,756)
Restricted Short-Term Investments	15,622,646
Endowment Investments	138,167,340
Loans and Notes Receivable (net of $923,455 allowance for uncollectibles)	7,317,484
Pledged Gifts Receivable (net of $3,473,920 allowance for uncollectibles)	33,093,638
Investments	288,462,571
Capital Assets:	
Land and Land Improvements	8,223,739
Construction in Progress	80,949,661
Other Nondepreciable Capital Assets (Library Books and Materials)	92,028,774
Buildings and Building Improvements (net of $438,541,477 accumulated depreciation)	206,096,129
Infrastructure (net of $878,286 accumulated depreciation)	24,235,304
Facilities and Other Improvements (net of $4,536,573 accumulated depreciation)	102,902,210
Furniture and Equipment (net of $76,643,068 accumulated depreciation)	51,834,086
Vehicles (net of $6,226,564 accumulated depreciation)	2,845,380
Other Depreciable Capital Assets (net of $4,011,491 accumulated depreciation)	29,405,511
Total Noncurrent Assets	1,080,534,717
Total Assets	$ 1,571,563,690

UNAUDITED

Texas Tech University System
Statement of Net Assets
August 31, 2002

LIABILITIES	
Current Liabilities	
Accounts Payable	$ 41,042,181
Payable from Restricted Assets	39,931,138
Accrued Liabilities	608,605
Unclaimed Property Due to State Treasury	49,348
Due to Other Agencies	127,200
Claims Payable	3,567,844
Deferred Revenues	71,662,888
Compensable Leave	3,736,648
Notes and Loans Payable	10,575,000
Bonds Payable	14,600,000
Funds Held By Others	8,233,140
Other Current Liabilities	1,138,147
Total Current Liabilities	195,272,139
Noncurrent Liabilities	
Interfund Payable	961,967
Accrued Liablilites	443,658
Unclaimed Property Due to State Treasury	72,209
Claims Payable	44,003,405
Compensable Leave	18,737,482
Bonds Payable	290,350,000
Other Noncurrent Liabilities	10,876
Total Noncurrent Liabilities	354,579,597
Total Liabilities	$ 549,851,736
NET ASSETS	
Invested in Capital Assets	354,927,895
Restricted:	
Nonexpendable:	
Endowments	218,466,259
Expendable:	
Capital Projects	40,017,899
Higher Education Assistance Fund	33,746,595
Funds Functioning as Endowments	43,983,055
Other	122,953,029
Unrestricted	207,617,222
Total Net Assets	1,021,711,954
Total Liabilities and Net Assets	$ 1,571,563,690

See Accompanying Notes To Financial Statements

UNAUDITED

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

Operating Revenues	
Net Student Tuition and Fees	$ 112,289,478
Net Professional Fees	152,075,516
Net Sales and Services of Auxiliary Enterprises	63,558,050
Net Other Sales and Services	9,387,735
Federal Grant Revenues (net of administrative costs)	45,846,411
Federal Grant Pass Through Revenues	2,080,952
State Grant Revenues (net of refunds to grantors)	92,081,072
State Grant Pass Through Revenues	14,290,203
Local Grant Revenues	49,059,902
Private Grant Revenues	52,914,739
Total Operating Revenues	593,584,058
Operating Expenses	
Instruction	300,454,888
Research	56,472,461
Public Service	151,581,415
Academic Support	114,463,755
Student Services	23,390,466
Institutional Suport	54,490,101
Operations and Maintenance of Plant	39,255,719
Scholarships and Fellowships	21,433,157
Auxiliary Enterprises	69,929,017
Depreciation and Amortization	18,298,371
Total Operating Expenses	849,769,350
Operating Income (Loss)	(256,185,292)
Nonoperating Revenues (Expenses)	
Legislative Revenue	247,289,992
Federal Grant Revenues (net of refunds to grantors)	255,861
Interest Income	734,604
Private Gifts (pledged or contributed, including endowments)	19,476,483
Net Investment Income	16,730,898
Interest Expense and Fiscal Charges	(28,473,401)
Net Increase (Decrease) in Fair Value of Investments	(13,966,961)
Other Nonoperating Revenues (Expenses)	13,051,435
Settlement of Claims	2,186,119
Interest Expense on Capital Asset Financing	(1,450,256)
Loss on Sale and Disposal of Capital Assets	(4,871,817)
Other Non-Operating Expenses and Losses	(4,987,926)
Total Nonoperating Revenues (Expenses)	245,975,031
Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers	(10,210,261)
Other Revenues, Expenses, Gains, Losses, and Transfers	
Capital Appropriations	28,696,881
Capital Contributions	6,016,637
Special Items - Sale of Easement	12,483,246
Legislative Transfer In (SORM)	1,507,282
Transfers In from Other Agencies	4,769,654
Net Other Revenues, Expenses, Gains, Losses, and Transfers	53,473,700
TOTAL CHANGES IN NET ASSETS	$ 43,263,439
Beginning Net Assets (September 1, 2001)	1,554,755,327
Restatements of Beginning Net Assets	(576,306,812)
Ending Net Assets (August 31, 2002)	$ 1,021,711,954

See Accompanying Notes to Financial Statements

Texas Tech University System
Matrix of Operating Expenses by Natural Classification
For the Year Ended August 31, 2002

Function	Salaries And Wages	Professional Fees And Services	Federal Sub-Contracts	Travel
Instruction	$ 214,346,502.19	$ 8,348,220.51	$ 632,021.58	$ 3,554,594.17
Research	33,730,628.30	1,454,650.39	151,661.86	934,707.49
Public Service	54,209,163.94	58,375,506.57	72,840.39	779,527.70
Academic Support	64,662,780.63	2,507,753.89	161,283.29	1,311,057.18
Student Services	13,381,530.42	558,504.12	78,351.37	467,205.25
Institutional Support	39,968,755.24	2,890,144.80	96,553.00	1,035,439.96
Operation and Maintenance of Plant	20,470,502.92	769,125.07	106,196.23	468,696.08
Scholarships and Fellowships	-	-	-	-
Auxiliary Enterprises	22,019,715.81	4,046,020.40		2,659,846.89
Depreciation and Amortization				
Total Operating Expenses	462,789,579.45	78,949,925.75	1,298,907.72	11,211,074.72

Function	Materials And Supplies	Communications And Utilities	Repairs And Maintenance	Rentals And Leases
Instruction	31,042,839.35	11,066,244.38	5,443,844.46	2,795,984.15
Research	8,080,035.42	2,989,338.13	1,667,587.66	517,557.11
Public Service	15,393,807.72	1,488,273.22	413,294.11	673,929.58
Academic Support	11,615,444.81	3,658,767.70	2,019,299.64	783,280.00
Student Services	3,267,011.94	1,358,395.62	741,839.81	242,511.62
Institutional Support	(3,444,554.14)	2,390,230.44	1,623,654.21	1,104,416.52
Operation and Maintenance of Plant	4,759,881.43	6,091,486.26	1,652,208.22	774,245.03
Scholarships and Fellowships	-	-	-	-
Auxiliary Enterprises	12,825,897.28	7,693,157.75	2,601,965.11	829,388.67
Depreciation and Amortization				
Total Operating Expenses	83,540,363.81	36,735,893.50	16,163,693.22	7,721,312.68

Function	Printing And Reproduction	Depreciation	Bad Debt	Interest
Instruction	2,302,960.39		46,448.24	902,099.67
Research	573,892.03		2,579.94	277,006.10
Public Service	588,826.49		1,354,392.16	52,665.85
Academic Support	908,673.47		20,119,446.73	260,042.12
Student Services	403,072.27		1,175.99	125,895.48
Institutional Support	887,736.09		(128,035.82)	156,264.53
Operation and Maintenance of Plant	320,879.99		1,593.92	170,725.42
Scholarships and Fellowships	-	-	-	-
Auxiliary Enterprises	772,869.27			406.63
Depreciation and Amortization		18,298,371.00		
Total Operating Expenses	6,758,910.00	18,298,371.00	21,397,601.16	1,945,105.80

Texas Tech University System
Matrix of Operating Expenses by Natural Classification (Continued)
For the Year Ended August 31, 2002

Function	Scholarships	Claims And Losses	Other Operating	Grand Total
Instruction	$ 59,300.00	$ 121,143.48	$ 19,792,685.43	$ 300,454,888.00
Research	147,293.00	24,679.33	5,920,844.24	56,472,461.00
Public Service	3,759,729.14	13,076,816.51	1,342,641.62	151,581,415.00
Academic Support	90,463.00	460,656.35	5,904,806.19	114,463,755.00
Student Services	3,623.00	11,249.35	2,750,099.76	23,390,466.00
Institutional Support	256,219.71	(679,469.34)	8,332,745.75	54,490,100.95
Operation and Maintenance of Plant		15,247.19	3,654,931.25	39,255,719.01
Scholarships and Fellowships	21,433,157.00	-	-	21,433,157.00
Auxiliary Enterprises	2,655,088.23	225,998.76	13,598,662.20	69,929,017.00
Depreciation and Amortization				18,298,371.00
Total Operating Expenses	28,404,873.08	13,256,321.63	61,297,416.44	$ 849,769,349.96

Texas Tech University System
Statement of Cash Flows
For the Year Ended August 31, 2002

Cash Flows from Operating Activities	
Cash Inflows:	
Collections from Student Tuition and Fees	$ 116,363,939
Collections from Grants and Contracts	267,948,170
Collections from Professional Fees	26,250,595
Collections from Patients	102,491,690
Collections of Loans to Students	2,065,786
Collections for Auxiliary Enterprises	77,639,631
Collections of Sales and Services of Educational Activities	9,387,735
Cash Outflows:	
Payments to Suppliers	356,832,096
Payments to Employees	454,382,728
Payments for Loans Issued to Students	788,952
Payments for Other Operating Activities	5,124,505
Net Cash Used for Operating Activities	(214,980,735)
Cash Flows from Noncapital Financing Activities	
Cash Inflows:	
Proceeds from State Appropriations	243,141,090
Proceeds from Noncapital Gifts and Grants	20,830,203
Proceeds from Other Noncapital Financing Activities	16,236,111
Net Cash Provided by Noncapital Financing Activities	280,207,404
Cash Flows from Capital and Related Financing Activities	
Cash Inflows:	
Proceeds from Capital Debt Issuance	172,821,082
Proceeds from State Capital Appropriations	28,696,881
Proceeds from Capital Gifts and Contracts	6,016,637
Cash Outflows:	
Payments for Purchases of Capital Assets	113,514,273
Payments for Principal on Capital Debts	83,915,000
Payments for Interest on Capital Debts	12,265,406
Payments for Other Capital Debt Related Costs	8,578,151
Net Cash Used by Capital and Related Financing Activities	(10,738,230)

UNAUDITED

Texas Tech University System
Statement of Cash Flows
For the Year Ended August 31, 2002

Cash Flows from Investing Activities		
Cash Inflows:		
Proceeds from Sales and Maturities on Investments	$	48,644,737
Proceeds from Interest and Dividends on Investments		11,697,791
Cash Outflows:		
Payments for Purchases of Investments		130,875,443
Net Cash Provided by Investing Activities		(70,532,915)
TOTAL NET CASH FLOWS	$	(16,044,476)
Beginning Cash and Cash Equivalents (September 1, 2001)		18,238,360
Ending Cash and Cash Equivalents (August 31, 2002)	$	2,193,884
Components of Ending Cash and Cash Equivalents (August 31, 2002)		
Cash on Hand		121,022
Cash in Bank		(10,825,845)
Reimbursements Due from Treasury		5,773,970
Cash in State Treasury		7,124,737
Ending Cash and Cash Equivalents (August 31, 2002)	$	2,193,884

Reconciliation of Operating Loss to Net Cash Flows from Operating Activities	
Operating Loss	(256,185,292)
Adjustments:	
Depreciation Expense	18,298,371
Bad Debt Expense	21,379,509
(Increase) Decrease in Accounts Receivables	(15,575,966)
(Increase) Decrease in Loans and Notes Receivable	4,381,006
(Increase) Decrease in Inventory	(563,460)
(Increase) Decrease in Prepaid Expenses	1,956,338
(Increase) Decrease in Other Assets	2,487,421
Increase (Decrease) in Accounts Payables	(5,388,277)
Increase (Decrease) in Accrued Liabilities	138,309
Increase (Decrease) in Deferred Revenue	15,067,143
Increase (Decrease) in Compensable Leave	4,049,785
Increase (Decrease) in Claims Payable	(4,914,778)
Increase (Decrease) in Other Liabilities	(110,844)
Net Cash Used for Operating Activities	(214,980,735)

POLICIES AND NOTES

NOTE 1: Summary of Significant Accounting Policies

Entity

The Texas Tech University System is an agency of the State of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for State Agencies.

The Texas Tech University System is composed of Texas Tech University, Texas Tech University Health Sciences Center and the Texas Tech University System Administration. The Texas Tech University System includes within this report all components as determined by an analysis of their relationship to the Texas Tech University System as listed below.

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

Blended Component Units

The Texas Tech University Foundation and the Texas Tech University Research Foundation are not-for-profit 501(c)(3) organizations, exempt from income taxes. The Texas Tech University Foundation was founded to financially support Texas Tech University. The Texas Tech University Research Foundation was founded to support the research activities of the University.

Texas Tech Physician Associates is a certified non-profit health corporation authorized under the Medical Practice Act Section 5.01(a), article 4495b of the state of Texas. Texas Tech Physician Associates was created by Texas Tech University Health Sciences Center for the purpose of entering into prepaid capitation agreements for physician and other medical services. Texas Tech Physician Associates is exempt from tax under Internal Revenue Service code section 501(c)(3). The board consists of eight directors appointed by Texas Tech University Health Sciences Center.

Discrete Component Units

No component units have been identified which should be discretely presented.

Fund Structure

For financial reporting purposes, the Texas Tech University System is considered a special-purpose government engaged only in business-type activities.

Basis of Accounting

The accounting records of the Texas Tech University System are maintained using a modified accrual basis. Accounting data for most external reports, including this Annual Financial Report, are converted to full accrual basis of accounting in compliance with GASB 34/35.

NOTE 1: Summary of Significant Accounting Policies (continued)

Budget and Budgetary Accounting

Budgets are used at the Texas Tech University System. Many of these budgets are based on the biannual legislative appropriations which are authorized by the legislature and approved by the Governor.

Assets, Liabilities, and Fund Balances/Net Assets

Assets

Cash and Cash Equivalents
Cash equivalents are short-term highly liquid investments with an original maturity of three months or less. Also included in this category are demand deposits in banks, local funds held by the state, and state reimbursements in transit.

Investments
The Texas Tech University System accounts for its investments at fair market value, as determined by quoted market prices, in accordance with GASB Statement No. 31 – *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets.

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

Inventories
Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost, generally utilizing the last-in, first-out method.

Capital Assets
Furniture, equipment, and vehicles with a cost of more than $5,000 and an estimated useful life in excess of one year are capitalized. Capitalization thresholds for buildings, building improvements, facilities and other improvements are $100,000. The capitalization threshold for infrastructure is $500,000. These assets are capitalized at cost. Donated assets are reported at fair market value as of the acquisition date. Depreciation is based on allocation methods and estimated lives prescribed by the Statewide Property Accounting System (SPA). Assets are depreciated over the estimated useful life of the asset using the straight-line method.

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

Liabilities

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

NOTE 1: Summary of Significant Accounting Policies (continued)

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

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

Capital Lease Obligations
Capital Lease Obligations represent the liability for future lease payments under capital lease contracts contingent upon the appropriation of funding by the Legislature. Liabilities are reported separately as either current or noncurrent in the statement of net assets.

Bonds Payable
The Texas Tech University System has a number of bond issues outstanding, most of which are supported either directly or indirectly by tuition revenue. Bonds payable are addressed in more detail in Note 14.

Net Assets

The difference between fund assets and liabilities is 'Net Assets'.

Restricted Net Assets
Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets
Unrestricted net assets consist of net assets, which do not meet the definition of restricted net assets. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be moved or modified.

Interfund Transactions and Balances

Texas Tech University System is regularly involved in both interfund activity and interfund transactions. Interfund activity is defined as financial interaction between internal funds, including blended component units. Interfund transactions are defined as financial interactions between legally separate entities. Interfund activity and interfund transactions are both clearly identifiable and are eliminated where appropriate.

Risk Financing

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss is reasonably estimable. Identified liabilities include amounts for claims that have been incurred but not reported.

NOTE 2: Capital Assets

Depreciation of capital assets is recorded as a periodic expense and accumulated as an offset to the asset book values. Depreciation of capital assets is based on allocation methods and estimated lives prescribed by the Statewide Property Accounting (SPA) system.

Accumulated depreciation is classified by capital asset category, providing for an estimation of the net book value of each asset category.

Capital assets are categorized as either (1) Land and Land Improvements, (2) Buildings and Building Improvements, (3) Infrastructure, (4) Furniture and Equipment, (5) Vehicles, Boats and Aircraft, (6) Construction in Progress, (7) Other Capital Assets, or (8) Facilities and Other Improvements. Several categories changed recently. In prior years, fixed assets were reported as either (1) Land, (2) Buildings, (3) Construction in Progress, (4) Improvements Other Than Buildings, (5) Equipment, or (6) Library Books and Materials. The restatement of fixed asset balances is summarized below.

	Balance 09/01/01	Adjustments	Reclassifications	Additions	Deletions	Balance 08/31/02
Business-type Activities						
Non-depreciable Assets:						
Land and Land Improvements	6,591,785			2,070,304	438,350	8,223,739
Construction in Progress	155,152,750	(83,751,204)		34,852,198	25,304,083	80,949,661
Other Capital Assets	83,078,512			5,811,124		88,889,636
Facilities and Other Improvements			3,139,138			3,139,138
Total Non-depreciable Assets	244,823,047	(83,751,204)	3,139,138	42,733,626	25,742,433	181,202,174
Depreciable Assets:						
Buildings and Building Improvements	493,989,936	89,052,253		61,831,459	236,042	644,637,606
Infrastructure		(460,427)	23,540,475	2,033,542		25,113,590
Facilities and Other Improvements	104,583,494	(13,394)	(26,679,613)	29,607,879	59,583	107,438,783
Furniture and Equipment	204,292,584	(73,854,750)	(8,650,350)	17,493,220	10,803,550	128,477,154
Vehicle, Boats, and Aircraft		(121,273)	8,547,516	1,140,871	495,170	9,071,944
Other Capital Assets	30,138,671		102,834	3,293,020	117,523	33,417,002
Total depreciable assets at historical costs	833,004,685	14,602,409	(3,139,138)	115,399,991	11,711,868	948,156,079
Less Accumulated Depreciation for:						
Buildings and Improvements		(434,156,218)		(4,385,259)		(438,541,477)

Texas Tech University System
Annual Financial Report

Notes to the Financial Statements
August 31, 2002

	Balance 09/01/01	Adjustments	Reclassifications	Additions	Deletions	Balance 08/31/02
Infrastructure		(66,932)		(811,354)		(878,286)
Furniture and Equipment		(72,810,326)		(3,832,742)		(76,643,068)
Vehicle, Boats, and Aircraft		(5,985,374)		(241,190)		(6,226.564)
Other Capital Assets		(759,764)		(3,251,727)		(4,011,491)
Facilities and Other Improvements		(237,202)		(4,299,371)		(4,536,573)
Total Accumulated Depreciation		(514,015,816)		(16,821,643)		(530,837,459)
Depreciable Assets, Net	833,004,685	(499,413,407)	(3,139,138)	98,578,348	11,711,868	417,318,620
Business-type Activities Capital Assets, net	1,077,827,732	(583,164,611)		141,311,974	37,454,301	598,520,794

Adjustment Column Worksheet

	GASB 34/35 Fund Type Changes	Infrastructure	Capitalization Threshold Changes	Accumulated Depreciation	Other Adjustments	Total Adjustments
Business-type Activities						
Non-depreciable Assets:						
Land and Land improvements						
Construction in Progress					4,195,726	4,195,726
Other Capital Assets						
Total Non-depreciable Assets					4,195,726	4,195,726
Depreciable Assets:						
Buildings and Building Improvements			(2,875,409)		3,980,732	1,105,323
Infrastructure			(212,641)		(247,786)	(460,427)
Facilities and Other Improvements			(13,394)			(13,394)
Furniture and Equipment			(72,552,202)		(1,302,548)	(73,854,750)
Vehicle, Boats, and Aircraft			(121,273)			(121,273)
Other Capital Assets						
Total depreciable assets at historical costs			(75,774,919)		2,430,398	(73,344,521)
Less Accumulated Depreciation for:						

	GASB 34/35 Fund Type Changes	Infrastructure	Capitalization Threshold Changes	Accumulated Depreciation	Other Adjustments	Total Adjustments
Buildings and Improvements				(434,156,218)		(434,156,218)
Infrastructure				(66,932)		(66,932)
Facilities and Other Improvements				(237,202)		(237,202)
Furniture and Equipment				(72,810,326)		(72,810,326)
Vehicle, Boats, and Aircraft				(5,985,374)		(5,985,374)
Other Capital Assets				(759,764)		(759,764)
Total Accumulated Depreciation				(514,015,816)		(514,015,816)
Depreciable Assets, Net			(75,774,919)	(514,015,816)	2,430,398	(587,360,337)
Business-type Activities Capital Assets, net			(75,774,919)	(514,015,816)	6,626,124	(583,164,611)

NOTE 3: Deposits, Investments, and Repurchase Agreements

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

Deposits of Cash in Bank

A. The carrying amount of $(10,825,845.49) for Cash in Bank (including restricted assets and discretely presented component units) is presented below.
B. The bank balance of Texas Tech University System has been classified according to the following risk categories.
   1. Category 1 – Insured or collateralized with securities held by the governmental entity or by its agent in the name of the governmental entity
   2. Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the governmental entity's name
   3. Category 3 – Uncollateralized (which would include any deposits collateralized with securities held by the pledging financial institutions, or by its trust department or agent but not in the governmental entity's name).

Category 1	**Category 2**	**Category 3**	**Bank Balance**	**Carrying Amount**
$751,615.34	$1,742,870.21	$341,559.56	$2,836,045.11	$(10,825,845.49)

NOTE 3: Deposits, Investments, and Repurchase Agreements (continued)

Consisting of the following:	
Demand Deposits	$(11,467,720.49)
Imprest Funds	73,375.00
Imprest Funds – Travel	120,000.00
Cashier Accounts	448,500.00
Total Deposits Carrying Amounts	$(10,825,845.49)

Investments
The fair values of investments as of the balance sheet date (including both short-term and long-term) are shown below. Investments are categorized to give an indication of the level of risk assumed by the agency at year-end. The three categories are:

Category 1: Investments that are insured or registered, or for which the securities are held by the agency, or its agent in the agency's name.
Category 2: Uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the agency'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 agency's name.

Type of Security	Category			Fair Value
	1	2	3	
U.S. Government and Agency Obligations	$9,149,430.77			$9,149,430.77
U.S. Government and Agency Mortgage Obligations	33,290,859.86			33,290,859.86
Collateralized Mortgage Obligations	228,897,079.42			228,897,079.42
Repurchase Agreements	40,294,760.91			40,294,760.91
Miscellaneous Investments	10,256,702.20			10,256,702.20
Corporate Stock	109,768,548.08		1,422,087.69	111,190,635.77
Totals	$431,657,381.24		$1,422,087.69	$433,079,468.93

Uncategorized Investments:

Mutual Funds	$ 114,148,417.93
Alternative Assets	9,965,484.25
Money Market Mutual Funds	17,977,215.76
Statewide HMO	1,949,862.00
TexPool	207,620,849.99
Real Estate and Mortgages	754,635.50
Other Uncategorized Investments	6,297,796.72
Total Uncategorized Investments	358,714,262.15
Total Investments	$791,793,731.08

NOTE 3: Deposits, Investments, and Repurchase Agreements (continued)

Reverse Repurchase Agreements

The Texas Tech University System, 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 Agency and the Agency 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 Agency arises when a broker-dealer does not return the securities or their value at the conclusion of the reverse repurchase agreement. There were no significant violations of legal or contractual provisions during the year.

Derivative Investing

Included in the U.S. Government and Agency Obligations category funds are investments in certain conservative mortgage derivative securities. A derivative security is an investment product which may be a security or contract which derives its value from another security, currency, commodity or index.

The schedule below provides certain information of the different types of mortgage derivatives included in the Texas Tech University System's portfolio.

Mortgage Derivative Securities	
Type	Carrying Value
Planned Amortization Class Securities	$228,897,079.46
Total	$228,897,079.46

NOTE 4: Summary of Long Term Liabilities

Changes in Long-Term Liabilities

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

Long Term Liability Category	Balance 09/01/2001	Increases	Decrease	Balance 08/31/2002	Current Portion
Accrued Liabilities	$ 1,083,620	$ 615,195	$ 646,552	$ 1,052,263	$ 608,605
Unclaimed Property Due to State Treasury	142,080	24,051	44,574	121,557	49,348
Compensable Leave	17,900,897	6,921,742	2,348,509	22,474,130	3,736,648
Claims Payable	52,486,027	5,772,385	10,687,163	47,571,249	3,567,844
Revenue Bonds	150,790,000	169,675,000	15,515,000	304,950,000	14,600,000
Other Liabilities	32,705	249	13,960	18,994	8,118
Total	$222,435,329	$183,008,622	$29,255,758	$376,188,193	$22,570,563

NOTE 4: Summary of Long Term Liabilities (continued)

Employees' Compensable Leave

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. Under state law, the hours accumulated are capped depending on the employees' length of service. Expenditures for accumulated annual leave balances are recognized in the period paid or taken. The liability for unpaid benefits is recorded in the Statement of Net Assets. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Bonds Payable

See note 14 for detailed information on bond liability balances and transactions.

NOTE 5: Capital Leases

As of August 31, 2002, the Texas Tech University System had no outstanding capital leases.

NOTE 6: Operating Leases

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

Year Ended August 31, 2002	
2003	$683,421.99
2004	151,103.96
2005	0.00
2006	0.00
2007	0.00
Total Minimum Future Lease Rental Payments	$834,525.95

NOTE 7: Interfund Balances/Activities

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

Interfund Receivables or Interfund Payables
Due from Other Agencies or Due to Other Agencies
Transfers In or Transfers Out
Legislative Transfers In or Legislative Transfers Out

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

NOTE 7: Interfund Balances/Activities (continued)

Individual balances and activity at August 31, 2002, follows:

Non-Current Portion	Non-Current Interfund Receivable	Non-Current Interfund Payable	Purpose
Agency 907, D23 Fund 0515	$0	$961,966.56	Lone Star
Total Interfund Receivable/Payable	$0	$961,966.56	

	Due From Other Agencies	Due To Other Agencies	Source
Agency 720, D23 Fund 0810	$3,147,990	$0	University of Texas System
Total Due From Other Agencies	$3,147,990	$0	

The detailed State Grant Pass Through information is listed on Schedule 1B – Schedule of State Grant Pass Through from/to State Agencies.

NOTE 8: Employees Retirement Plans

The State has joint contributory retirement plans for substantially all its employees. One of the primary plans in which the Texas Tech University System 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 6.0 percent and 6.4 percent, respectively, of annual compensation.

The Teacher Retirement System does not separately account for each of its component governmental agencies, since the Retirement System itself bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. Further information regarding actuarial assumptions and conclusions, together with audited financial statements are included in the Retirement System's annual financial report.

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 and custodial mutual fund contracts. The contributory percentages of participant salaries provided by the State and each participant for employees hired before September 1, 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 and 2.5% from other funding sources. The 6.00% contribution is mandatory with the other contributions being at the discretion of the governing board. The governing board has approved the additional contributions for employees of Texas Tech 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.

The retirement expense to the State for the Texas Tech University System was $11,621,658 for the fiscal year ended August 31, 2002. This amount represents the portion of expended appropriations made by the State Legislature on behalf of Texas Tech University and Texas Tech University Health Sciences Center.

NOTE 9: Deferred Compensation

State 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., §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 Section 457, GASB Statement Number 32, effective for financial statements for periods beginning after December 31, 1998, rescinds GASB Statement Number 2 and amends GASB Statement Number 31. GASB Statement Number 2, Financial Reporting of Deferred Compensation Plans Adopted under the Provisions of the Internal Revenue Code Section 457, establishing reporting requirements for IRC Section 457 plans. Based on the laws in effect at the time of its passage, that statement required that all amounts deferred by the plan participants be reported as assets of the employer until made available to the participants or their beneficiaries. The laws governing these plans were changed to state that, as of August 20, 1996, new plans will not be considered eligible plans "unless all assets and income of the plan described in subsection (B)(6) are held in trust for the exclusive benefit of the participants and their beneficiaries." Existing plans are also required to comply with this requirement by January 1, 1999. There are currently 42 Texas Tech University System participants in this plan.

NOTE 10: Contingent Liabilities

The United State Department of Justice's Office of the Inspector General has issued Audit Report Number GR-80-01-017, ORI Number TX 15206U, dated August 3, 2001. This audit report questions $356,106 of costs on Texas Tech University's Community Oriented Policing Services grant. The University believes that the questioned costs are valid and will pursue the matter until it is equitably resolved. No accrual has been made in this financial statement.

At August 31, 2002, other lawsuits and claims involving Texas Tech University System were pending. While the ultimate liability with respect to litigation and other claims asserted against the System cannot be precisely estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is in legal counsel's opinion, not likely to have a material effect on the System.

NOTE 11: Continuance Subject to Review

The Texas Tech University System is not subject to the Texas Sunset Act.

NOTE 12: Risk Financing and Related Insurance

The Texas Tech University System by state law is required to be a participant in the Workers Compensation Program and Pool managed by the State Office of Risk Management (SORM). The University is assessed fees by SORM based upon claims experience, claim incidences, payroll size and FTE. SORM also determines the methodology for allocation to the major fund groups. The State Office of Risk Management pays all WCI claims. The Worker's Compensation plan for the fiscal year was funded by a 1.0 percent charge on gross payroll for non-educational and general funds.

The University has self-insured arrangements for Unemployment Compensation Fund coverage. The Unemployment Compensation Fund is funded by interest earnings on the fund. The unemployment

NOTE 12: Risk Financing and Related Insurance (continued)

compensation insurance expense to the State of Texas for the Texas Tech University System for fiscal year ended August 31, 2002, was $25,683.

NOTE 13: Segment Information

The Texas Tech University System has no reportable segments.

NOTE 14: Bonded Indebtedness

Bonds Payable

Detailed supplemental bond information is disclosed in Schedule 2-A. Supplementary Bond Information and Summary of Debt Service Requirements, Schedule 2-B, Analysis of Funds Available for Debt Service, and Schedule 2-C, Defeased Bonds Outstanding.

Texas Tech University Revenue Financing System Refunding Bonds, Series 1993	
Purpose:	Current and advance refunding of $28,675,000 in principal amount of all the Revenue Bonds (excluding Housing System Revenue Bonds), Series 1967, 1968, 1970, 1971, 1973, 1974, 1975, 1977, 1978, 1985
Original Issue Amount	$29,320,000
Issue Date	October 26, 1993
Interest Rates	2.63% to 5.00%
Maturity Dates	1994 through 2007
Type of Bond	Revenue
Unissued Amounts	$0
Changes in Debt	$0 issued; $2,670,000 retired

Texas Tech University Health Sciences Center Revenue Financing System Refunding Bonds, Series 1993	
Purpose:	Advance refunding of $16,565,000 in principal amount of all the General Tuition Revenue Bonds, Series 1972, 1972A, 1974 and 1984
Original Issue Amount	$17,100,000
Issue Date	October 26, 1993
Interest Rates	2.63% to 5.00%
Maturity Dates	1994 through 2007
Type of Bond	Revenue
Unissued Amounts	$0
Changes in Debt	$0 issued; $1,170,000 retired

NOTE 14: Bonded Indebtedness (continued)

Texas Tech University Revenue Financing System Bonds, Series 1995	
Purpose:	Financing of Southwest Collection Library for Texas Tech University, other capital improvements, and the costs of issuing the bonds
Original Issue Amount	$14,000,000
Issue Date	March 17, 1995
Interest Rates	4.30% to 6.00%
Maturity Dates	1996 through 2015
Type of Bond	Revenue
Unissued Amounts	$0
Changes in Debt	$0 issued; $560,000 retired

Texas Tech University Health Sciences Center Revenue Financing System Bonds, Second Series 1995	
Purpose:	Financing of the library/conference center project and the costs of issuing the bonds
Original Issue Amount	$11,000,000
Issue Date	April 25, 1995
Interest Rates	4.30% to 6.00%
Maturity Dates	1996 through 2015
Type of Bond	Revenue
Unissued Amounts	$0
Changes in Debt	$0 issued; $440,000 retired

Texas Tech University Revenue Financing System Refunding and Improvement Bonds, Series 1996	
Purpose:	Financing of arena complex, housing complex, and other capital projects and the advance refunding of Housing Revenue Bonds, Series 1962,1963, 1966
Original Issue Amount	$71,285,000
Issue Date	December 5, 1996
Interest Rates	4.00% to 6.00%
Maturity Dates	1998 through 2017
Type of Bond	Revenue
Unissued Amounts	$0
Changes in Debt	$0 issued; $3,810,000 retired

NOTE 14: Bonded Indebtedness (continued)

Texas Tech University Revenue Financing System Bonds, Second Series 1996 (Taxable)	
Purpose:	Financing of arena complex, other capital projects, and costs of issuance
Original Issue Amount	$7,380,000
Issue Date	December 5, 1996
Interest Rates	5.75% to 6.75%
Maturity Dates	1998 through 2017
Type of Bond	Revenue
Unissued Amounts	$0
Changes in Debt	$0 issued; $680,000 retired

Texas Tech University Revenue Financing System Refunding and Improvement Bonds, Series 1999	
Purpose:	Current refunding of a portion of Series A Notes, advance refunding of Revenue Bonds, Series 1995, 1996 and financing of a new English building and other projects
Original Issue Amount	$99,467,818
Issue Date	May 4, 1999
Interest Rates	4.00% to 5.25%
Maturity Dates	1999 through 2029
Type of Bond	Revenue
Unissued Amounts	$0
Changes in Debt	$0 issued; $1,160,503 retired

Texas Tech University Health Sciences Center Revenue Financing System Refunding and Improvement Bonds, Series 1999	
Purpose:	Financing for projects in Amarillo, Midland, and Lubbock, the costs of issuing the bonds, and advance refunding of a portion of the Revenue Financing System Bonds, Second Series 1995
Original Issue Amount	$15,632,182
Issue Date	May 4, 1999
Interest Rates	4.00% to 5.25%
Maturity Dates	1999 through 2029
Type of Bond	Revenue
Unissued Amounts	$0
Changes in Debt	$0 issued; $149,497 retired

NOTE 14: Bonded Indebtedness (continued)

Texas Tech University Revenue Financing System Bonds, Series 2001	
Purpose:	Financing of renovation of Jones Stadium, Student Union and Student Recreational Center, and other projects, current refunding of a portion of Series A Notes, and costs of issuance
Original Issue Amount	$107,355,000
Issue Date	January 23, 2002
Interest Rates	3.00% to 5.50%
Maturity Dates	2002 through 2031
Type of Bond	Revenue
Unissued Amounts	$0
Changes in Debt	$107,355,000 issued; $3,805,000 retired

Texas Tech University Health Sciences Center Revenue Financing System Bonds, Seventh Series 2001	
Purpose:	Financing for projects in El Paso and Lubbock, the costs of issuing the bonds, and the retirement of outstanding commercial paper
Original Issue Amount	$19,510,000
Issue Date	January 23, 2002
Interest Rates	3.00% to 5.50%
Maturity Date Range	2002 through 2021
Type of Bond	Revenue
Unissued Amounts	$0
Changes in Debt	$19,510,000 issued; $1,070,000 retired

Texas Tech University Revenue Financing System Bonds, Second Series 2001 (Taxable)	
Purpose:	Financing of renovation of Jones Stadium and costs of issuance
Original Issue Amount	$42,810,000
Issue Date	January 23, 2002
Interest Rates	3.00% to 5.50%
Maturity Date Range	2003 through 2023
Type of Bond	Revenue
Unissued Amounts	$0
Changes in Debt	$42,810,000 issued; $0 retired

NOTE 14: Bonded Indebtedness (continued)

Sources of Debt-Service Revenue

On October 21, 1993, the governing board of the Texas Tech University System established a Revenue Financing System for the purpose of providing a financing structure for all revenue supported indebtedness of the Texas Tech University System components. The source of revenues for debt service issued under the Revenue Financing System includes pledged general tuition, pledged tuition fee, pledged general fee and any other revenues, income, receipts, rentals, rates, charges, fees, including interest or other income, and balances lawfully available to the Texas Tech University System components. Excluded from the revenues described above are amounts received under Article 7, Section 17 of the Constitution of the State of Texas, general revenue funds appropriated by the Legislature except to the extent so specifically appropriated, encumbered housing revenues, and practice plan funds.

Bonds Authorized But Unissued at Year End

House Bill 658 of the 77th Legislature codified as Section 55.1739 of the Texas Education Code, authorized the issuance of $90,529,525 in the systemwide revenue financing program. As of August 31, 2002, the entire amount of this authorization remains unissued.

NOTE 15: Subsequent Events

The Texas Tech University System experienced no material subsequent events.

NOTE 16: Related Parties – Relationship with Texas Tech University System

The Texas Tech Foundation Inc. (TTFI) and Texas Tech Physician Associates (TTPA) are reported as blended component units. A 30-member board whose appointment is approved by the governing board of the Texas Tech University System governs TTFI. Contributions and revenues collected through TTFI for the benefit of TTUHSC totaled $352,527 for the year ended August 31, 2002.

Texas Tech Physician Associates is a certified non-profit health corporation authorized under the Medical Practice Act Section 5.01(a), article 4495b of the State of Texas. TTPA was created by TTUHSC for the purpose of entering into prepaid capitation agreements for physician and other medical services. TTPA collected $38,577,253 in capitation and medical service revenue during the year ended August 31, 2002. On the balance sheet date, $42,750 was due to TTUHSC from TTPA. TTPA is exempt from tax under Internal Revenue Code section 501(c)(3). The TTPA board consists of 8 directors who are appointed by TTUHSC.

Although both entities are legally separate from TTUHSC, TTFI and TTPA are reported as if they were part of the primary institution because their sole purpose is to financially support TTUHSC.

The Alumni Association provided services on behalf of Texas Tech University for which the University paid $100,110 during the 2002 fiscal year. These services include public relations and general support of the University through various scholarships and awards.

NOTE 17: Stewardship, Compliance and Accountability

Effective September 1, 2001, the Texas Tech University System changed the basis of financial reporting from modified accrual to full accrual. This change was in response to the recent implementation of Governmental Accounting Standards Board statements 34 and 35.

NOTE 17: Stewardship, Compliance and Accountability (continued)

The Texas Tech University System has no other material stewardship, compliance, and accountability issues.

NOTE 18: The Financial Reporting Entity and Joint Ventures

The Financial Reporting Entity

The Texas Tech University System is an agency of the State of Texas. As required by generally accepted accounting principles, these financial statements present the Texas Tech University System and its component units. The component units discussed below this note are included in the System's reporting entity because of the significance of their operational or financial relationships with the System.

Individual Component Unit Disclosures

The Texas Tech University Foundation, the Texas Tech University Research Foundation and the Texas Tech Physician Associates are blended component units of the Texas Tech University System.

Although each is legally separate from Texas Tech University System, they are reported as if they were part of the primary government.

The Texas Tech University Foundation is governed by a 30-member board whose appointment is approved by the Texas Tech Board of Regents.

The Texas Tech University Research Foundation is governed by a six-member board whose appointment is approved by the Texas Tech University Board of Regents. The Texas Tech University Research Foundation is currently inactive. However, the entity has not been deactivated.

Texas Tech Physician Associates is governed by an eight-member board appointed by Texas Tech University Health Sciences Center.

NOTE 19: Restatement of Net Assets

The only material prior-period adjustments for the Texas Tech University System that required the restatement of beginning fund balance (to net assets) relate to the implementation of Governmental Accounting Standard Board (GASB) statements 34 and 35.

Texas Tech University System
Restatement of Net Assets

Description	Net Assets 08/31/2001	Restatement	Net Assets 08/31/2001
Implementation of GASB Statements	$1,554,755,327	$(576,306,812)	$978,448,515
Total	$1,554,755,327	$(576,306,812)	$978,448,515

NOTE 20: Donor-Restricted Endowments

Expenditure of endowed funds is not allowed without the express consent of the donor. Most of the Texas Tech endowments are held in perpetuity. In many cases, endowment earnings are expendable for student financial assistance or other purposes as designated by the donor. In other cases, endowment earnings are reinvested.

NOTE 20: Donor-Restricted Endowments (continued)

Endowment assets are invested predominantly in the Long Term Investment Fund (LTIF), described in more detail in Note 3. The LTIF has experienced varying performance since its inception. The cumulative effect of valuation changes assignable to endowment fund assets, held both by Texas Tech University System and Texas Tech Foundation, Inc. are summarized in the following table:

Donor-Restricted Endowment	Amounts of Net Appreciation/(Depreciation)	Reported in Net Assets
TTU/TTUHSC Endowment Assets	$(6,514,011)	Restricted for Nonexpendable
TTFI Endowment Assets	3,292,514	Restricted for Expendable
Total	$(3,221,497)	

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

Texas Tech University System Pledged/Non-Pledged Revenues and Discounts and Allowances				
Revenue Source	Gross Receipts Pledged	Gross Receipts Non-Pledged	Discounts/ Allowances	Net Receipts
Tuition and Fees	$ 101,539,627	$15,647,437	$(4,897,586)	$112,289,478
Hospitals	-	-	-	-
Professional Fees		268,976,963	(116,901,447)	152,075,516
Auxiliary Enterprises	63,077,066	480,984		63,558,050
Other Sales and Services	6,454,907	2,932,828		9,387,735
Total	$171,071,600	$288,038,212	$(121,799,033)	$337,310,779

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

System Administration Identification

Beginning with fiscal year 2002 the Texas Tech University System Administration was identified as a discreet state agency receiving state appropriations. Prior to fiscal year 2002 expenditures associated with the Texas Tech University System functions were incorporated within the Texas Tech University annual financial statements. These expenditures are now reported separately within the Texas Tech University System Administration Annual Financial Report. Beginning with the 2002 fiscal year, the University's support of the System's functions are reflected as non-mandatory transfers within the Statement of Revenues, Expenses, and Changes in Net Assets.

Sale of Easement

The Texas Department of Transportation purchased an easement on University property located in Lubbock. The purchase was made to allow for the completion of the Marsha Sharp Freeway. The Marsha Sharp Freeway is expected to extend east to west across the City of Lubbock.

SCHEDULES

Texas Tech University System
Schedule 1A – Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2002

NOTE 1: NonMonetary Assistance

The "donation of federal surplus personal property" is presented at 23.3 percent of the federal acquisition cost $181,668.33. The surplus property is passed through from the General Services Commission. The federal grantor is the general services administration (GSA) and the federal CFDA number is 39.003. The estimated fair value at date of receipt was $32,501.31.

NOTE 2: Reconciliation

Below is a reconciliation of the total federal pass-through and federal expenditures as reported on the Schedule of Federal Financial Assistance to the total of federal revenues and federal grant pass-through revenues as reported in the general purpose financial statements. Generally, federal funds are not earned until expended: therefore, federal revenues equal federal expenditures for the reporting period.

Federal Revenues per Statement of Changes in Revenues, Expenses and Net Assets	$46,102,271.00
Federal Pass-Through Grants from Other State Agencies	2,080,952.83
Total Federal Revenues per Statement of Changes in Revenues, Expenses and Net Assets	$48,183,223.83
Reconciling Items:	
Pass-Through to State Entities	1,772,503.43
Pass-Through to Other Entities	1,200,788.96
NonMonetary Assistance:	
Donation of Federal Surplus Property	42,328.31
New Loans Processed:	
Federal Family Education Loan Program	84,712,699.42
Federal Perkins Loan Program	176,185.00
Perkins Loan Revenue	(38,773.00)
Other	1,054,800.85
Total Pass-Through and Expenditures per Federal Schedule	$137,103,757.10

NOTE 3: Student Loans Processed and Administrative Costs Recovered

Federal Grantor/CDFA Number/Program Name	New Loans Processed	Admin Costs Recovered	Total Loans Processed and Admin. Costs Recovered	Ending Balances of Previous Year's Loans
U.S. Department of Health and Human Services				
93.342 Health Professions Student Loans	$0.00	$0.00	$0.00	$ 492,627.00
93.364 Nursing Student Loans	0.00	0.00	0.00	114,862.00
Total U.S. Dept. of Health and Human Services	$0.00	$0.00	$0.00	$607,489.00

Texas Tech University System
Schedule 1A – Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended August 31, 2002

NOTE 3: Student Loans Processed and Administrative Costs Recovered (continued)

Federal Grantor/CDFA Number/Program Name	New Loans Processed	Admin Costs Recovered	Total Loans Processed and Admin. Costs Recovered	Ending Balances of Previous Year's Loans
U.S. Department of Education				
84.032 Federal Family Education Loans	$84,524,360.42	$0.00	$84,524,360.42	$ 0.00
84.038 Federal Perkins Loan Program	364,524.00	8,163.00	372,687.00	3,491,583.00
Total U.S. Dept. of Education	$84,888,884.42	$8,163.00	$84,897,047.42	$3,491,583.00
Total Student Loans	$84,888,884.42	$8,163.00	$84,897,047.42	$4,099,072.00

NOTE 4: Governmental Publications

The System participates as a depository library in the Government Printing Office's Depository libraries for Government Publications Program, CFDA #40.0001. The University is the legal custodian of government publications, which remain the property of the federal government. The publications are not assigned a value by the Government Printing Office.

NOTE 5: Unemployment Insurance Funds

Texas Tech University System does not have CFDA 17.225 awards.

NOTE 6: Petroleum Violations Escrow (PVE) Funds subject to 1-133 Audits

These are only reported by the Governor's Office.

NOTE 7: Rebates from the Special Supplemental Food Program for Women, Infant, and Children (WIC)

Texas Tech University System has a CFDA 10.557 award, but the award is for data analysis. The project does not purchase formula and does not have any cash rebates from infant formula manufacturers.

Texas Tech University System
Schedule 1B - State Grant Pass-Throughs From/To State Agencies
For the Year Ended August 31, 2002

Pass Through From:

Office of Attorney General (Agency 302)	
Premarital Education	33,351.15
Helping Young Children Through Divorce: Filial Therapy Groups For Custodial Parents	29,780.83
Implementing The Parenting Through Change Program With Latina Single Mothers	18,393.24
Post-Divorce Collaborative Family Assessment & Intervention With Texas Families	20,976.94
Texas Department of Agriculture (Agency 551)	
Monitoring And Control Of The Larger Black Flour Beetle	9,046.81
Damage Assessment Of Lygus Elisus, Unkown Cotton Pest On The Texas High Plains	5,052.48
Genetic Resources Of Drought Resistance On Wild Emmer Wheat For Wheat Improvement	33,902.22
Development Of Selected Ornamentals Tolerant To Recycled And Saline Irrigation	44,678.87
Texas Commission on Alcohol/Drug Abuse (Agency 517)	
Academic Aftercare For Recovering Students	3,123.00
Telecommunications Infrastructure Fund Board (Agency 367)	
Library	596,484.00
Discovery Grant	440,325.71
Texas Higher Education Coordinating Board (Agency 781)	
Texas Grant Program	4,104,805.00
Retention Performance Fund	50,600.00
General Academic Enrollment Growth	620,188.00
Advanced Research Program	1,775,793.00
Advanced Technology Program	2,324,744.00
Developmental Education Program	61,029.00
College Work Study Program	53,588.00
5th Year Accounting Student Scholarship	25,667.00
Texas Technology Worforce Grant	180,231.68
Family Practice Residency	1,294,060.00
Family Practice Rural and Public Health Rotation	37,319.00
Resident Physician Compensation Program	434,123.00
Graduate Medical Education	925,189.00
Health Related Nursing Growth	104,360.00
Primary Care Residency Program	330,000.00
Nursing and Allied Health	126,424.00
Minority Health Research / Education	132,034.00
Texas Agriculture Experiment Station (Agency 556)	
TX Profit Program	66,930.00
TX Cotton Program	171,750.00
TX Grain Program	17,500.00
TX Beef Initiative	5,000.00
Imported Fire Ant Research and Management Program	213,753.00
Total Pass-Through from Other Agencies	$ 14,290,202.93

Texas Tech University System
Schedule 2A -- Miscellaneous Bond Information
For the Year Ended August 31, 2002

Description of Issue	Bonds Issued to Date	Range of Interest Rates		Scheduled Maturities First Year	Scheduled Maturities Last Year	First Call Date
Revenue Bonds						
Rev Fin Sys Ref Bds Ser '93	$ 46,420,000	2.63%	5.00%	1994	2007	02/15/2003
Rev Fin Sys Bds Ser '95	25,000,000	4.30%	6.00%	1996	2015	02/15/2005
Rev Fin Sys Ref & Imp Bds Ser '96	71,285,000	4.00%	6.00%	1998	2017	02/15/2006
Rev Fin Sys Bds Tax Ser '96	7,380,000	5.75%	6.75%	1998	2007	N/A
Rev Fin Sys Ref & Imp Bds Ser '99	115,100,000	4.00%	5.25%	1999	2029	02/15/2009
Rev Fin Sys Bds Ser '01	19,510,000	3.00%	5.50%	2002	2021	02/15/2012
Rev Fin Sys Bds Ser '01	107,355,000	3.00%	5.50%	2002	2031	2/15/2012
Rev Fin Sys Bds Tax Ser '01	42,810,000	3.46%	6.75%	2003	2023	2/15/2012
Total	$ 434,860,000					

Texas Tech University System
Schedule 2B - Changes in Bonded Indebtedness
For the Year Ended August 31, 2002

Description of Issue	Bonds Outstanding 9/1/2001	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/02	Amounts Due Within One Year
Revenue Bonds						
Rev Fin Sys Ref Bds Ser '93	$ 12,325,000	$	$ 3,840,000	$	$ 8,485,000	$ 3,590,000
Rev Fin Sys Bds Ser '95	4,215,000		1,000,000		3,215,000	1,015,000
Rev Fin Sys Ref & Imp Bds Ser '96	20,080,000		3,810,000		16,270,000	3,945,000
Rev Fin Sys Bds Tax Ser '96	4,805,000		680,000		4,125,000	725,000
Rev Fin Sys Ref & Imp Bds Ser '99	109,365,000		1,310,000		108,055,000	1,370,000
Rev Fin Sys Bds Ser '01		126,865,000	4,875,000		121,990,000	3,210,000
Rev Fin Sys Bds Tax Ser '01		42,810,000			42,810,000	745,000
Total	$ 150,790,000	$ 169,675,000	$ 15,515,000	$	$ 304,950,000 (a)	$ 14,600,000

Footnotes:
(a) Bonds Outstanding balance at 8/31/02 does not include unamortized premium, discounts, issuance costs, or refunding costs.

Texas Tech University System
Schedule 2C - Debt Service Requirements
For the Year Ended August 31, 2002

Description of Issue	2003	2004	2005	2006	2007	2003-2007
Revenue Bonds						
Rev Fin Sys Ref Bds Ser '93						
Principal	$ 3,590,000	$ 2,230,000	$ 1,100,000	$ 1,160,000	$ 405,000	$ 8,485,000
Interest	303,890	174,735	99,260	46,700	9,720	634,305
Rev Fin Sys Bds Ser '95						
Principal	1,015,000	1,070,000	1,130,000			3,215,000
Interest	143,809	88,810	30,227			262,846
Rev Fin Sys Ref & Imp Bds Ser '96						
Principal	3,945,000	4,125,000	3,995,000	4,205,000		16,270,000
Interest	787,663	585,463	362,163	126,150		1,861,438
Rev Fin Sys Bds Tax Ser '96						
Principal	725,000	770,000	820,000	875,000	935,000	4,125,000
Interest	250,265	201,485	149,003	92,425	31,556	724,734
Rev Fin Sys Ref & Imp Bds Ser '99						
Principal	1,370,000	1,430,000	1,480,000	2,740,000	6,760,000	13,780,000
Interest	5,243,375	5,187,375	5,129,175	5,043,063	4,842,900	25,445,888
Rev Fin Sys Bds Ser '01						
Principal	3,210,000	3,365,000	3,510,000	3,680,000	3,235,000	17,000,000
Interest	6,294,710	6,168,907	6,034,307	5,858,807	5,674,807	30,031,538
Rev Fin Sys Bds Tax Ser '01						
Principal	745,000	1,670,000	1,735,000	1,765,000	2,090,000	8,005,000
Interest	2,624,227	2,598,450	2,531,650	2,452,187	2,363,937	12,570,449
Total	30,247,938	29,665,224	28,105,784	28,044,331	26,347,920	142,411,197
Less Interest	15,647,938	15,005,224	14,335,784	13,619,331	12,922,920	71,531,197
Total Principal	$ 14,600,000	$ 14,660,000	$ 13,770,000	$ 14,425,000	$ 13,425,000	$ 70,880,000

Description of Issue	2008-2012	2013-2017	2018-2022	2023-2027	2028-2032	Total Requirements
Revenue Bonds						
Rev Fin Sys Ref Bds Ser '93						
Principal	$	$	$	$	$	$ 8,485,000
Interest						634,305
Rev Fin Sys Bds Ser '95						
Principal						3,215,000
Interest						262,846
Rev Fin Sys Ref & Imp Bds Ser '96						
Principal						16,270,000
Interest						1,861,438
Rev Fin Sys Bds Tax Ser '96						
Principal						4,125,000
Interest						724,734
Rev Fin Sys Ref & Imp Bds Ser '99						
Principal	30,809,999	31,665,000	10,990,000	14,110,000	6,700,000	108,054,999
Interest	20,106,032	11,880,205	6,631,750	3,509,000	339,000	67,911,875
Rev Fin Sys Bds Ser '01						
Principal	18,790,000	23,215,000	35,730,000	17,360,000	9,895,000	121,990,000
Interest	25,704,118	20,178,957	11,953,532	5,162,500	1,267,250	94,297,895
Rev Fin Sys Bds Tax Ser '01						
Principal	7,355,000	2,960,000	6,350,000	8,785,000	9,355,000	42,810,000
Interest	10,080,445	8,759,775	7,327,763	4,900,830	1,592,580	45,231,841
Total	112,845,595	98,658,937	78,983,045	53,827,330	29,148,830	515,874,933
Less Interest	55,890,595	40,818,937	25,913,045	13,572,330	3,198,830	210,924,933
Total Principal	$ 56,954,999	$ 57,840,000	$ 53,070,000	$ 40,255,000	$ 25,950,000	$ 304,949,999

Texas Tech University System
Schedule 2D - Analysis of Funds Available for Debt Service
For the Year Ended August 31, 2002

Description of Issue	Operating Revenues	Interest Earned on Investments	Other Pledged Revenues	Total Pledged Sources	Operating Expenses	Capital Outlay
Revenue Bonds:						
RFS Ref Bds Series 1993						
RFS Bds Series 1995						
RFS Ref & Imp Bds Series 1996						
RFS Bds Tax Series 1996						
RFS Ref & Imp Bds Series 1999						
RFS Bds 7th Series 2001						
RFS Bds Tax 8th Series 2001						
Total Revenue Bonds	$ 217,818,870.00	$ 9,242,546.00	$ 56,407,157.00	$ 283,468,573.00	$ 24,338,408.00	$ 13,333,210.00

Description of Issue	Net Available for Debt Service	Debt Service		Refunded or Extinguished	Interest and Sinking Fund	Bond Reserve Fund
		Principal	Interest			
Revenue Bonds:						
RFS Ref Bds Series 1993						
RFS Bds Series 1995						
RFS Ref & Imp Bds Series 1996						
RFS Bds Tax Series 1996						
RFS Ref & Imp Bds Series 1999						
RFS Bds 7th Series 2001						
RFS Bds Tax 8th Series 2001						
Total Revenue Bonds	$ 245,796,955.00	$ 15,515,000.00	$ 12,304,806.00	$ -	$ 636,041.00	$ n/a

Texas Tech University System
Schedule 2E -- Defeased Bonds Outstanding
For the Year Ended August 31, 2002

Description of Issue	Year Refunded	Par Value Outstanding
Revenue Bonds		
Revenue Financing System Bonds, Series 1995	1999	$ 15,835,000
Revenue Financing System Refunding & Improvement Bonds, Series 1996	1999	37,380,000
Texas Tech University Housing System Revenue Bonds, Series 1962-E	1996	3,820,000
Texas Tech University Housing System Revenue Bonds, Series 1963-A	1996	558,000
Texas Tech University Housing System Revenue Bonds, Series 1966	1996	2,600,000
		$ 60,193,000

Texas Tech University System
Schedule 3 - Reconciliation of Cash in State Treasury
As of August 31, 2002

Cash in State Treasury	Unrestricted	Restricted	Current Year Total
Local Revenue (Fund 0239)	$ 3,363,648.00	$	$ 3,363,648.00
Local Revenue (Fund 0269)	10,601.26		10,601.26
Local Revenue (Fund 0255)	1,041,424.00		1,041,424.00
Permanent Health Fund - El Paso Campus (Fund 0820)	1,406,887.00		1,406,887.00
Permanent Health Fund - Other Campuses (Fund 0821)	1,302,176.00		1,302,176.00
Total Cash in State Treasury (Stmt of Net Assets)	$ 7,124,736.26	$	$ 7,124,736.26

Texas Tech University System
Schedule 4 - Higher Education Assistance Fund (HEAF)
For the Year Ended August 31, 2002

Beginning Balance September 1, 2001	$ 41,329,815.75
Revenues	
HEAF Appropriation	28,696,881.00
Expenses	
Professional Fees and Services	1,768,173.64
Materials and Supplies	2,449,251.07
Communication and Utilities	76,141.85
Equipment	4,865,301.20
Repairs and Maintenance	1,704,226.14
Rentals and Leases	18,901.65
Printing and Reproduction	5,901.64
Interest	853.36
Depreciation	1,276,678.00
Other Expenses	19,034,768.09
Total Expenses	31,200,196.64
Other Revenues (Expenses), Gains/(Losses) and Transfers	
Transfers In	11,625,944.01
Transfers Out	(11,625,944.01)
Total Other Revenues (Expenses), Gains/(Losses) and Transfers	0.00
Ending Balance at August 31, 2002	$ 38,826,500.11

Appendix C

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction. The Texas Tech University System (the "University System") is composed of Texas Tech University (the "University"), Texas Tech University Health Sciences Center (the "Health Sciences Center") and the University System Administration. The Texas Tech Foundation, Inc. and the Texas Tech Physician Associates are also included in this financial report as blended component units. The University is a comprehensive public university organized into eight colleges (11 instructional schools) offering bachelors degrees in 106 fields and graduate degrees in 160 fields of study. The main campus is located in Lubbock, Texas. In addition, University academic centers serving residents of the Texas Hill Country and West Texas are located in Junction, Fredericksburg, Marble Falls/Highland Lakes, Amarillo, and Abilene. The Distance Learning Program in the Division of Outreach and Extended Studies at the University is one of the largest of its type in the United States, providing high school, college, and continuing education courses. The Health Sciences Center operates five schools: the School of Allied Health, the School of Medicine, the School of Nursing, the School of Pharmacy, and the Graduate School of Biomedical Sciences. The School of Pharmacy is the newest addition having begun operations in 1996. The Graduate School of Biomedical Sciences is closely related to the School of Medicine, with biomedical science offerings that lead to Ph.D. degrees rather than M.D. degrees. The Health Sciences Center operates its main campus in Lubbock, Texas along with regional campuses around the state of Texas located in Amarillo, El Paso, and Odessa. The University System serves over 29,000 students and employs more than 12,000 people.

Using the Financial Statements and Financial Analysis. The University System presents its financial statements for the Fiscal Year ended August 31, 2002 in accordance with Governmental Accounting Standards Board (GASB) principles. For the period ended August 31, 2002, the University System adopted GASB statements 34 and 35, as amended by GASB statements 37 and 38. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis. Previously, financial statements focused on the accountability of individual fund groups rather than on the institution as a whole. Other significant changes to the financial statements are as follows:

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

Resources are classified for accounting and reporting purposes into the following four net asset categories: invested in capital assets, restricted nonexpendable, restricted expendable, and unrestricted.

Revenues and expenses are categorized as operating or non-operating. Previously, a measure of operations was not presented. Significant recurring sources of revenue, including state appropriations, gift contributions, and investment income (loss) are considered non-operating, as required by GASB statements 34 and 35.

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

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

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

Because of these changes, prior Fiscal Years comparative data is not included. Comparative data will be presented in future years. These discussions will focus on current year data and activities. Three primary financial statements are presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

Statement of Net Assets. Net assets are the difference between assets and liabilities as of the end of the Fiscal Year and represent the equity component of the University System. This is a point-in-time financial presentation and is a snapshot of the financial status as of August 31, 2002. Assets and liabilities are presented in current and non-current format, allowing the reader of the financial statements to determine the assets available for use in the continuing operations of the institution, the availability for expenditures by the institution, as well as amounts owed to vendors, investors and lending institutions. Over time, increases or decreases in net assets are one indicator of the improvement or decline of the organization's financial health when considered with non-financial factors such as enrollment, student and patient levels, and the condition of facilities. Assets and liabilities are generally measured using current values with the one notable exception of capital assets, which are stated at historical cost less accumulated depreciation. Net Assets are presented in three major categories: invested in capital assets, net of debt; restricted net assets; and unrestricted net assets. The invested in capital assets category identifies the equity in property, plant and equipment owned by the University System. Restricted net assets are presented in two subcategories: non-expendable and expendable. Non-expendable restricted net assets are available only for investment purposes. Expendable restricted net assets are available for expenditure but must be expended for the purposes designated by the external donor/provider of the assets. Unrestricted net assets are available for any lawful purpose of the institution.

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The following table (Exhibit 1) summarizes the University System's net assets as of August 31, 2002:

Exhibit 1
Statement of Net Assets
(in thousands)

	August 31, 2002
Assets	
Current Assets	$ 491,029
Capital Assets, Net	598,521
Other Non-Current Assets	482,014
Total Assets	$ 1,571,564
Liabilities	
Current Liabilities	195,272
Non-Current Liabilities	354,580
Total Liabilities	549,852
Net Assets	
Invested in Capital Assets, Net of Debt	$ 354,928
Restricted	
Expendable	240,701
Non-Expendable	218,466
Unrestricted	207,617
Total Net Assets	1,021,712
Total Liabilities and Net Assets	$ 1,571,564

Current Assets and Current Liabilities. Current assets consist primarily of cash and cash equivalents, short-term investments, balances in the state treasury, and various student, patient, and contract receivables. Current liabilities consist primarily of trade accounts payable, deferred revenues, commercial paper notes, and the current portion of bonds payable.

Capital Assets. Capital assets consist of nondepreciable assets such as land and improvements and construction in progress as well as depreciable assets, net of accumulated depreciation, such as buildings and improvements, infrastructure, furniture and equipment, vehicles and other miscellaneous categories. Capital assets are $598 million (net of $530 million accumulated depreciation) as of August 31, 2002.

Other Non-Current Assets and Non-Current Liabilities. Non-current assets include both long-term and restricted short-term holdings. The restricted short-term investments are held as endowment funds, either in permanent endowments or funds functioning as endowments. Non-current liabilities consist primarily of bonds and notes payable and any other liability that has a maturity exceeding one year.

Total assets of the University System decreased by slightly over $533 million during the Fiscal Year. This decrease was primarily caused by a change in accounting standards requiring the University System to begin recording depreciation in Fiscal Year 2002. In previous years, the capital assets of the University System were not subject to depreciation. With the change in reporting format required by GASB statements Nos. 34 and 35 as amended by statements 37 and 38, public higher education entities are now required to capitalize and depreciate capital assets over their useful lives. The implementation of depreciation reduced the value of net capital assets by $514 million. With the implementation of depreciation, the capitalization policy for the agencies of the State of Texas has also been modified. The change in the capitalization threshold resulted in an additional reduction of $75 million in capital assets. Non-depreciable capital asset additions in the amount of just under $43 million and depreciable capital asset additions of just over $115 million were funded by a variety of sources, including private donations and proceeds from debt issuances authorized and funded by the state legislature. Total liabilities of the University System increased by $126 million primarily because of the issuance of new revenue bonds. Net assets invested in capital assets, net of related debt, represents capital assets net of accumulated depreciation and outstanding debt obligations attributable to the acquisition, construction, or improvement of those assets. Restricted non-expendable net assets include permanent endowment funds that are subject to externally imposed restrictions governing their use. Although unrestricted net assets are not subject to externally imposed stipulations, substantially all unrestricted net assets have been committed for various future operating budgets related to academic, patient, and research programs and initiatives, as well as capital projects.

Statement of Revenues, Expenses and Changes in Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets presents significant operating activities and the results of operations for a period. The statement presents both operating and non-operating revenues, expenses, and other revenues, expenses, gains and losses for the University System.

Operating Revenues and Expenses. Operating revenues are received for providing goods and services to the various customers and constituencies of the University System. Operating expenses are those expenses paid to acquire goods and services provided in return for operating revenues and to carry out the mission of the University System.

Student tuition and fees, a primary source of funding for academic programs, are reflected net of associated discounts and allowances. Student-related revenues increased for 2002, caused primarily by overall increases in student enrollment. Professional fee revenues are principally generated within the practice plans from patients or through contractual arrangements with governmental payers and private insurers. Sponsored program revenues are primarily from governmental and private sources and related to research programs that generally provide for the recovery of direct and indirect costs. The functional presentation of operating expenses shown below in Exhibit 4 and Exhibit 5 reflects the continued commitment to promoting instruction, research, public service, and student support. Reporting of capital asset expenditures has been replaced by the recognition of depreciation expense. Total expenses generally increased in 2002, in response to growing student enrollment, research, and patient care activities. Expenditures for expansion of facilities have also been on the rise, resulting in increasing depreciation expenses.

Non-Operating Revenues and Expenses. Non-operating revenues are revenues received for which no goods or services have been provided. Numerous significant recurring revenues are considered non-operating, as required by GASB statements 34 and 35. The largest element of recurring non-operating revenue is appropriations from the State, which continued to increase compared to prior Fiscal Years. Gift contributions were received from private sources and used to further research and public service initiatives and to support education. Realized gains and losses from the sale of investments are factored into the reported amount for investment income, whereas unrealized gains and losses are reported as the net change in the fair value of investments. The University System's endowment investment policies are designed to maximize long-term total return while income distribution policies are designed to preserve the value of the endowments and to generate a predictable stream of distributable income. Interest expense on capital asset financings increased during this Fiscal Year primarily due to additional debt issuances.

Other Revenues, Expenses, Gains, and Losses. Other Revenues, Expenses, Gains, Losses and Transfers are made up of special-purpose gifts for facilities expansion and renovation, distributions from the Higher Education

Assistance Fund (HEAF), and net transfers to other agencies. Also included in this category is the sale of an easement on System property to the Texas Department of Transportation to allow for the completion of the Marsha Sharp Freeway.

The following table (Exhibit 2) summarizes the University System's revenues, expenses, and changes in net assets for the year ending August 31, 2002:

Exhibit 2
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended August 31, 2002
(in thousands)

Operating Revenues	$ 593,584
Operating Expenses	(849,769)
Operating Income(Loss)	(256,185)
Non-Operating Revenues and Expenses	245,975
Income(Loss) before Other Revenues, Expenses Gains, Losses and Transfers	(10,210)
Other Revenues, Expense, Gains, Losses and Transfers	53,474
Total Changes in Net Assets	43,264
Beginning Net Assets (September 1, 2001)	1,554,755
Restatements of Beginning Net Assets	(576,307)
Beginning Net Assets as Restated	978,448
Ending Net Assets (August 31, 2002)	$ 1,021,712

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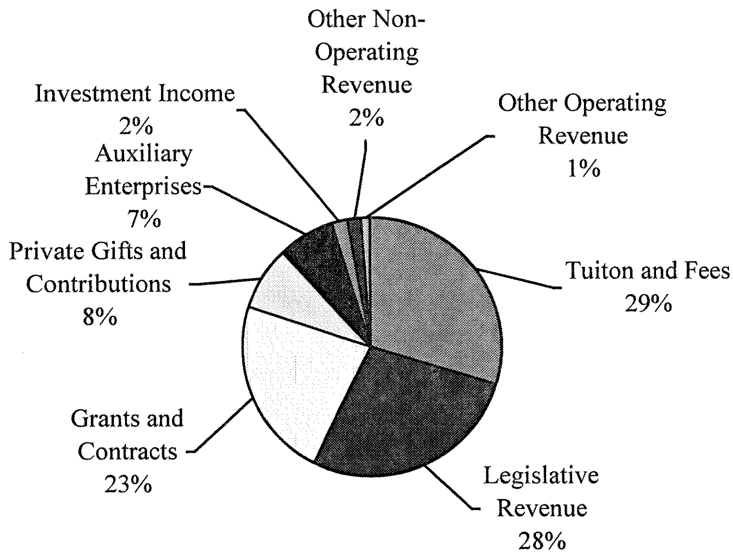
The following (Exhibit 3) is a graphic presentation of net revenues by source (both operating and non-operating) that are used to fund the University System's activities.

Exhibit 3
Operating and Non-Operating Revenues



The following tables and graphic presentations give a comparison of operating expenses in the National Association of College and University Business Officers Association (NACUBO) functional categories (Exhibit 4 and Exhibit 5) and the natural category classification of expense (Exhibit 6 and Exhibit 7).

Exhibit 4
Summary of Operating Expenses
By Functional (NACUBO) Classification
(in thousands)

Instruction	$	300,455
Research		56,472
Public Service		151,581
Academic Support		114,464
Student Services		23,391
Institutional Support		54,490
Operations and Maintenance of Plant		39,256
Scholarships and Fellowships		21,433
Auxiliary Enterprises		69,929
Depreciation and Amortization		18,298
Total Operating Expenses	$	849,769

Exhibit 5
Operating Expenses by NACUBO Function

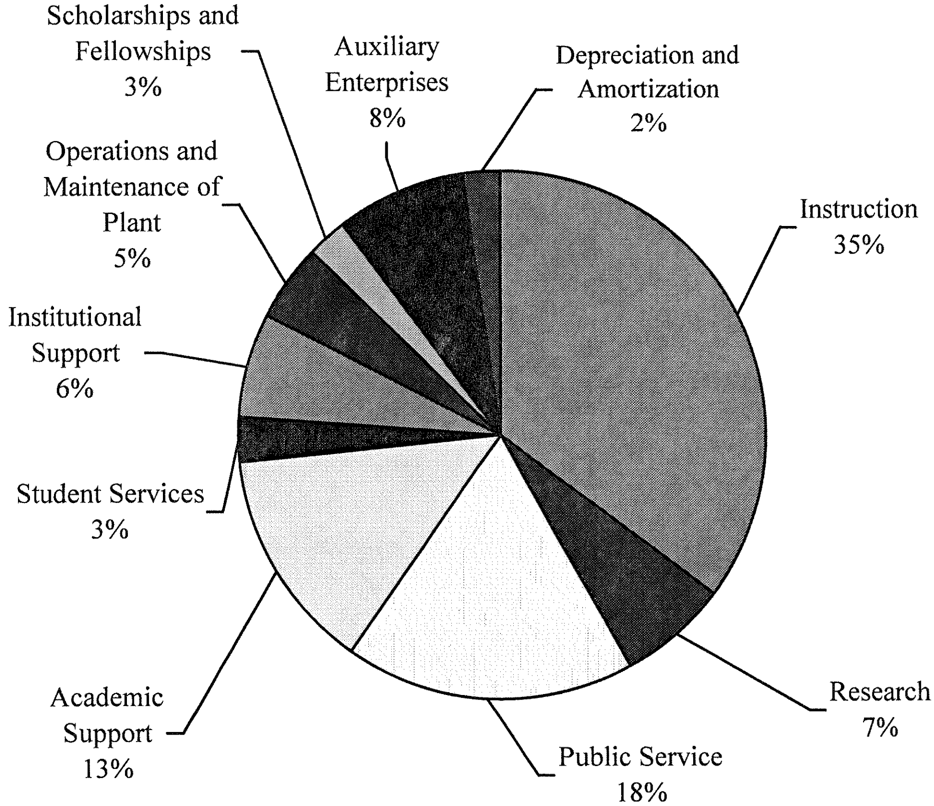
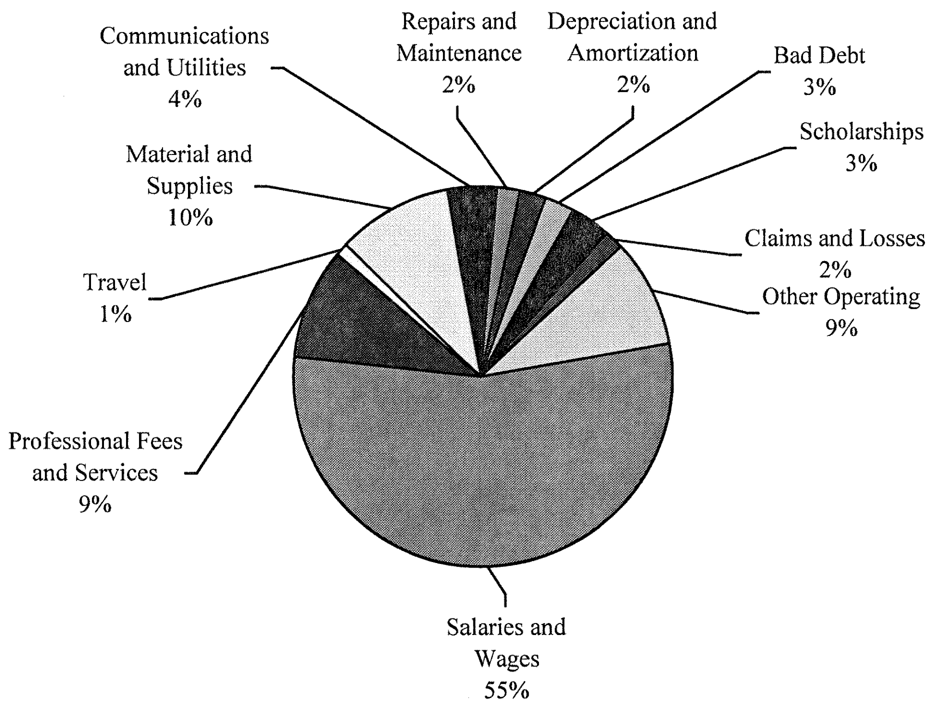


Exhibit 6
Summary of Operating Expenses
By Natural Category Classification
(in thousands)

Salaries and Wages	$	462,790
Professional Fees and Services		78,950
Travel		11,211
Material and Supplies		83,540
Communications and Utilities		36,736
Repairs and Maintenance		16,164
Depreciation and Amortization		18,298
Bad Debt		21,398
Scholarships		28,405
Claims and Losses		13,256
Other Operating		79,021
Total Operating Expenses	$	849,769

Exhibit 7
Operating Expenses by Natural Classification



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Statement of Cash Flows. The Statement of Cash Flows provides additional information about financial results by reporting the major sources and uses of cash. The statement provides an assessment of the institution's financial flexibility and liquidity to meet obligations as they come due and the need for external financing. There are five sections to the statement. The first section reflects the cash flows from operating activities and reflects the net cash used by operating activities. The second section represents the cash flows from non-capital financing activities. This reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section reflects the cash flows from investing activities. Section four details the cash flows from capital and related financing activities. This represents the cash used for the acquisition and construction of capital and related items. The fifth section reconciles net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets. The following table (Exhibit 8) summarizes the University System's cash flows for the year ending August 31, 2002.

Exhibit 8
Statement of Cash Flows
For the Year Ended August 31, 2002
(in thousands)

Cash Provided/(Used) by:		
Operating Activities	$	(214,981)
Noncapital Financing Activities		280,208
Capital and Related Financing Activities		(10,738)
Investing Activities		(70,533)
Net Cash Flows		(16,044)
Beginning Cash and Cash Equivalents		18,238
Ending Cash and Cash Equivalents	$	2,194
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities		
Operating Loss	$	(256,185)
Adjustments:		
Depreciation Expense		18,298
Bad Debt Expense		21,380
(Increase) Decrease in Accounts Receivables		(15,576)
(Increase) Decrease in Loans and Notes Receivable		4,381
(Increase) Decrease in Inventory		(563)
(Increase) Decrease in Prepaid Expenses		1,956
(Increase) Decrease in Other Assets		2,487
Increase (Decrease) in Accounts Payables		(5,388)
Increase (Decrease) in Accrued Liabilities		138
Increase (Decrease) in Deferred Revenue		15,067
Increase (Decrease) in Compensable Leave		4,050
Increase (Decrease) in Claims Payable		(4,915)
Increase (Decrease) in Other Liabilities		(111)
Net Cash Provided/(Used) by Operating Activities	$	(214,981)

Net cash used in operating activities should be viewed in conjunction with net cash provided by non-capital financing activities. State appropriations and gift contributions for operations are significant sources of recurring revenues in support of operating expenses, but required to be classified as non-capital financing activities under GASB statements 34 and 35.

Net cash used in capital and related financing activities reflects a continuing commitment to expand and renovate facilities and to invest in equipment. Net cash provided by investing activities reflects receipts from sales and maturities of investments compared to purchases of investments. The unrealized losses from the decrease in the fair value of investments is a non-cash transaction for valuation purposes only and does not affect cash flows from investing activities.

Capital Asset and Debt Administration. The University System is committed to continuing to improve the quality of its academic, research, and service programs through the development and renewal of its capital assets. The University System continues to implement a long-range plan to modernize its older teaching and research facilities along with new construction.

Capital additions totaled $115 million in 2002. The amount of Fiscal Year 2002 additions is based on the new capitalization thresholds of $5,000 for furniture and equipment, $100,000 for buildings, and $500,000 for infrastructure.

There were two bond series issued during the 2002 Fiscal Year. Taxable Revenue Financing University System Bonds of $42,810,000 were issued to finance capital improvements and renovations to Jones SBC Stadium. These bonds will be paid in annual installments with the final payment occurring in Fiscal Year 2031. The University System also issued tax-exempt bonds in the amount of $126,865,000 to finance construction and renovations to Jones SBC Stadium as well as several other athletic complexes, the Student Union, the Student Recreational Center, and various teaching and research facilities for use by both the University and Health Sciences Center.

Economic Outlook. The University System is experiencing strong enrollment growth in all degree programs. This growth is reflected in substantial increases in tuition and fee revenues. Projections are that this trend will continue. Projected enrollment for Fiscal Year 2004 is over 31,000 students and over 32,000 students for Fiscal Year 2005. Management considers the institution to be well positioned to continue to provide quality service to students, patients, and the research community. Future successes are largely dependent upon effective resource use, the ability to recruit and retain the highest quality students, faculty, and staff, cost containment, and ongoing financial and political support from state government. Private gift contributions are a significant factor in the growth of academic, research, and patient care units and are an important supplement to the fundamental support provided by the state and through collections from students and patients. Economic pressures affecting donors may also affect the future level of support afforded to the University System from corporate and individual giving. The University System will continue to monitor resources to maintain its ability to respond to internal and external issues.

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Appendix D

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 FINANCE," "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, copies of which may be obtained from the offices of the Assistant Vice Chancellor, Investments and Assistant Chief Financial Officer of the University System.

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

"*Annual Debt Service Requirements*" means, for any Fiscal Year, the principal of and interest on all Parity Obligations coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the Board on such Debt, or be payable in respect of any required purchase of such Debt by the Board) 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 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 Board's 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 a Designated Financial Officer shall deliver to the Board 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 where 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 such Parity Obligations has not 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 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 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 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.

"*Board*" and "*Issuer*" mean the Board of Regents of Texas Tech University System, acting separately and independently for and on behalf of TTU and separately and independently for and on behalf of the Health Sciences

Center, or any successor thereto, and pursuant to authority granted in Section 55.02, Texas Education Code, to act as a board of a university system.

"*Bond Counsel*" means Delgado, Acosta, Braden & Jones, P.C., El Paso, Texas, or such other firm of attorneys of nationally recognized standing in the field of law relating to municipal revenue bonds selected by 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 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.

"*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 funds (or investments that will provide sufficient funds, 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 Chancellor and Chief Financial Officer of the University System, the Vice President for Fiscal Affairs of TTU, the Executive Vice President for Fiscal Affairs of the Health Sciences Center, or such other financial or accounting official of TTU or the Health Sciences Center designated by the Board.

"*Direct Obligation*" means the proportionate share of Outstanding Parity Obligations attributable to and the responsibility of each respective participant in the Financing System.

"*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.

"*Health Sciences Center*" means the Texas Tech University Health Sciences Center, together with every other agency or health related institution or branch now or hereafter operated by or under the jurisdiction of the Board acting for and on behalf of the Health Sciences Center pursuant to law.

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

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

"*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 a Designated Financial Officer.

"*Opinion of Counsel*" means a written opinion of counsel, which counsel shall be acceptable to the Board.

"*Outstanding*" when used with respect to Parity Obligations means, as of the date of determination, all Parity Obligations theretofore delivered under this Resolution and any Supplement, except:

(1) Parity Obligations theretofore cancelled and delivered to the Board or delivered to the Paying Agent or the Registrar for cancellation;

(2) Parity Obligations deemed paid pursuant to the provisions of Section 12 of the Resolution or any comparable section of any Supplement;

(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 Resolution and any Supplement; and

(4) Parity Obligations under which the obligations 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 Master Resolution or any Supplement.

"*Parity Obligations*" means all Debt of the Board which may be issued or assumed in accordance with the terms of the Master Resolution and a Supplement, secured by a pledge of the Pledged Revenues subject only to the liens securing Prior Encumbered Obligations.

"*Participant in the Financing System*" and "*Participant*" means each of the agencies, institutions and branches of TTU and the Health Sciences Center and such agencies, institutions and branches designated by the Board to be a participant in the Financing System.

"*Paying Agent*" shall mean each entity designated in a Supplement as the place of payment of a series or issue of Parity Obligations.

"*Pledged General Fee*" means the gross collections of a student use fee to be fixed, charged, and collected pursuant to Section 55.16, Texas Education Code, as it existed prior to the effective date of S.B. 1907, from the students (excepting, with respect to each series or issue of Parity Obligations issued prior to such date, any student in a category which, at the time of the adoption of the Supplement relating to such Parity Obligations, was exempt by law from paying fees) regularly enrolled at the institutions and branches thereof now or hereafter constituting a Participant of the Financing System, respectively, for the general use and availability of the such institutions or branches thereof, respectively, in the manner and amounts, at the times, and to the extent provided in this Resolution, and including, subject to the provisions of the Prior Encumbered Obligations, the Prior Encumbered General Fee.

"*Pledged General Tuition*" means all of the aggregate amount of student tuition charges now or hereafter required or authorized by law to be imposed on students enrolled at each and every institution, branch, and school, now or hereafter constituting a Participant of the Financing System, but specifically excluding and excepting, with respect to each series or issue of Parity Obligations, any student in a category which, at the time of the adoption of the Supplement relating to such Parity Obligations (1) was exempt by law from paying such tuition, (2) the amount of tuition scholarships provided for by law at the time of the adoption of each Supplement, and (3) the Prior Encumbered Tuition Fee; and it is provided by law and hereby represented and covenanted that the aggregate amount of student tuition charges which are now required or authorized by law to be imposed, and which are pledged to the payment of the Parity Obligations, shall never be reduced or abrogated while such obligations are outstanding; it being further covenanted that the aggregate amount of student tuition charges now required or authorized by law to be imposed on students enrolled at each and every institution, branch, and school operated by or under the jurisdiction of the Board are set forth in the Texas Education Code, as amended, to which reference is hereby made for all purposes.

"*Pledged Practice Plan Funds*" means that portion of the Practice Plan Funds of the Health Sciences Center described in a Supplement which may be pledged to the payment of Parity Obligations; provided, however, that any such pledge may be limited in amount and in any manner, extent or duration as provided in such Supplement.

"*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 Supplement: (a) amounts received by TTU under Article 7, Section 17 of the Constitution of the State of Texas, including the income therefrom and any fund balances relating thereto; (b) amounts received on behalf of the Health Sciences Center under Article 7, Section 17 of the Constitution of the State of Texas, including the income therefrom and any fund balances relating thereto; (c) except to the extent so specifically appropriated, general revenue funds appropriated to the Board by the Legislature of the State of Texas; and (d) Practice Plan Funds of the Health Sciences Center, including the income therefrom and any fund balances relating thereto, to the extent said moneys are included in Pledged Practice Plan Funds.

"*Pledged Tuition Fee*" means, as authorized by Section 55.17, Texas Education Code as it existed prior to the effective date of S.B. 1907, the following specified amounts out of the tuition charges now or hereafter required or permitted by law to be imposed on each tuition paying student enrolled at each and every institution or branch thereof now or hereafter constituting a Participant, and including, subject to the provisions of the Prior Encumbered Obligations, the Prior Encumbered Tuition Fee, respectively:

$5.00 from each enrolled student for each regular semester, and

$2.50 from each enrolled student for each summer term of each summer session.

"*Practice Plan*" means any agreement entered into by and between the Health Sciences Center and faculty appointees of the Health Sciences Center that: (a) assigns to the Health Sciences Center patient fees collected for professional services rendered by the appointee and (b) regulates the collection and expenditure of such patient fees.

Practice Plan also includes such agreements existing between an institution which becomes a part of the Health Sciences Center after the date of the adoption of the Resolution and such institution's faculty.

"*Practice Plan Funds*" means the Practice Plan receipts, income and fund balances of the Health Sciences Center.

"*Prior Encumbered General Fee*" means the Pledged General Fee securing Prior Encumbered Obligations and that portion of the student use fee charged and collected at an institution which becomes a participant after the date of adoption of the Resolution and which are pledged to the payment of bonds or other obligations outstanding on the date such institution becomes a participant.

"*Prior Encumbered General Tuition*" means the Pledged General Tuition securing Prior Encumbered Obligations and the aggregate amount of student tuition charges now required or authorized by law in the definition of Pledged General Tuition charged and collected at an institution which becomes a participant of the Financing System after the date of adoption of the Resolution and which are pledged to the payment of bonds or other obligations outstanding on the date such institution becomes a participant of the Financing System.

"*Prior Encumbered Obligations*" means those 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 General Fee, the Prior Encumbered General Tuition, the Prior Encumbered Revenues and/or the Prior Encumbered Tuition Fee 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, including without limitation, the Housing System Bonds. Upon the delivery of the Third Series Bonds, the reference to "Housing System Bonds" shall be null and void.

"*Prior Encumbered Revenues*" means the revenues pledged to the payment of Prior Encumbered Obligations and 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 becomes a participant of the Financing System.

"*Prior Encumbered Tuition Fee*" means the Pledged Tuition Fee securing Prior Encumbered Obligations and that portion of the tuition charges in the maximum amount permitted in the definition of Pledged Tuition Fee charged and collected at an institution which becomes a participant after the date of adoption of the Resolution and which are pledged to the payment of bonds or other obligations outstanding on the date such institution becomes a participant.

"*Registrar*" shall mean the entity designated in a Supplement as the Registrar of a series or issue of Parity Obligations.

"*Resolution*" or "*Master Resolution*" means the Master Resolution establishing the Financing System.

"*Revenue Financing System*" or "*Financing System*" means the "Texas Tech University System Revenue Financing System" composed of TTU and the Health Sciences Center, 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, including specifically the Pledged General Tuition and, to the extent and subject to the provisions of this Resolution, the Pledged General Fee and the Pledged Tuition Fee. Revenue Funds does not include, with respect to each series or issue of Parity Obligations, any tuition, rentals, rates, fees, or other charges attributable to any student in a category which, at the time of the adoption of the Supplement relating to such Parity Obligations, is exempt by law from paying such tuition, rentals, rates, fees, or other charges.

"*S.B. 1907*" means Senate Bill 1907 passed by the State Legislature in the Seventy-Fifth Regular Legislative Session.

"*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.

"*Supplement*" or "*Supplemental Resolution*" means a resolution supplemental to, and authorized and executed pursuant to the terms of, the Resolution.

"*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.

"*TTU*" means Texas Tech 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 TTU pursuant to law.

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 current Participants include the University and the Health Sciences Center, and the Revenue Financing System may include other entities that are hereafter included under the control of the Board, but only upon affirmative official action of the Board.

Payment and Funds. 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 supplement the security for Parity Obligations. This could take the form of establishing one or more reserve funds or accounts to further secure any Parity Obligations. Currently, the Board has not established a reserve fund to secure the payment of the Parity Obligations. Additionally, the Board may secure Parity Obligations with one or more Credit Agreements that are secured by Pledged Revenues.

Participants. *Release of Participants*. 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 specifically finds that (based upon a certificate of a Designated Financial Official to such effect) 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 Revenue Financing System, 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 shall have received an opinion of counsel which shall state that such release will not affect the status for federal income tax purposes of interest on any Parity Obligations and that all conditions precedent provided in the Resolution or any supplement 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 Obligations as they come due; 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 remaining 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 Obligations or to pay or discharge said Participant's Direct Obligations, 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.

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 Supplement to the Master Resolution.

Certain Covenants. *Rate Covenant*. The Resolution requires the Board to 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 relating to the Revenue Financing System, including all deposits or payments due on or with respect to Parity Obligations. The Board has covenanted in the Resolution to fix, levy, charge, and collect at each Participant which has students the Pledged General Fee and the Pledged General Tuition from each student (unless exempted therefrom by law) enrolled at each Participant, at each regular fall and spring semester and at each term of each summer session, in such amounts, without legal limitation, as will be at least sufficient at all times, together with other legally available funds, including other Pledged Revenues, to make payments with respect to Parity Obligations when due. See "SECURITY FOR THE BONDS—Pledge Under Master Resolution."

Other Covenants. The Board has additionally covenanted in the Resolution (i) to faithfully perform all covenants and provisions contained in the Resolution, any supplement thereto, 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 land, buildings, and facilities which comprise the Revenue Financing System 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 Revenue Financing System; (vi) not to incur any debt secured by the Pledged Revenues except as permitted in the Resolution; (vii) to invest and secure money held in funds and accounts established under the Resolution in accordance with law and written policies of the Board; (viii) to keep proper books and records and accounts for the Revenue Financing System and to cause to be prepared annual financial reports of the Revenue Financing System and to furnish such reports, to appropriate municipal bond rating agencies and, upon request, owners of Parity Obligations; and (ix) to permit any owner or owners of 25% or more of outstanding principal amount of Parity Obligations at all reasonable times to inspect all records, accounts, and data of the Board relating to the Revenue Financing System.

Remedies. Any owner of Parity Obligations in the event of default in connection with any covenant contained in the Master Resolution or in any Supplement, or default in the payment of any Parity Obligation, or of any interest due thereon, or other costs and expenses related thereto, may require the Board, its officials and employees, and any appropriate official of the State, to carry out, respect, or enforce the covenants and obligations of the Master Resolution or in any Supplement, 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, its officials and employees, or any appropriate official of the State. 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 Master Resolution and any Supplement and the rights and obligations of the Board and of the owners of the 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 contained in the Resolution, other covenants and agreement thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Board 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 of an opinion of bond counsel, that the same is needed for such purpose, and will more clearly express the intent of the Resolution;

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

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

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

(vi) 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, materially adversely affect the interests of the owners of the Parity Obligations.

Amendments With Consent. Subject to the other provisions of the Resolution, the owners of Outstanding Parity Obligations aggregating a majority in Outstanding Principal Amounts shall have the right from time to time to approve any amendment, other than amendments described in the foregoing paragraph, to the Master Resolution, or with respect to an amendment affecting a particular supplemental resolution only, a majority in aggregate principal amount of the Parity Obligations issued under such supplemental resolution, which may be deemed necessary or desirable by the Board; provided, however, that no provision shall permit or be construed to permit, without the approval of the owners of all of the Outstanding Parity Obligations, the amendment of the terms and conditions in the Resolution so as to:

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

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

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

In addition to the foregoing limitations, the Resolution provides that no provisions shall be construed to permit, without the approval of the owners of all of the Bonds outstanding, the amendment of the Resolution or the Bonds so as to:

(1) Make any change in the maturity of the Bonds;

(2) Reduce the rate of interest borne by the Bonds;

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

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

(5) Affect the rights of the owners of less than all Bonds then Outstanding; or

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

Defeasance. Any Parity Obligations and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Debt") within the meaning of 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 maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption or 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 (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 Board with each such Paying Agent for the payment of its services until after all Defeased Debt shall have become due and payable. At such time as Parity Obligations shall be deemed to be Defeased Debt under the terms of the Resolution, such Parity Obligations and the interest thereof shall no longer be secured by, payable from, or entitled to the benefits of, the Pledged Revenues, and such principal and interest shall be payable solely from such money or Government Obligations, and shall not be regarded as outstanding for any purposes other than payment, transfer, and exchange.

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Appendix E

FORM OF BOND COUNSEL OPINION

DELGADO, ACOSTA, BRADEN & JONES, P.C.

Attorneys at Law

HECTOR DELGADO
ALEJANDRO ACOSTA, JR.
PAUL A. BRADEN
JOHN R. JONES
BURGAIN G. HAYES
MARCO DELGADO
CARLOS RINCON
JERRY WALLACE
RENE ORDOÑEZ
JAMES A. MOUNTS, III
STEVEN J. BLANCO
ERIC B. DARNELL
RODOLFO MATA
RUBEN DUARTE
BOBBIE M. GUERRA
R.R. "TRIPP" DAVENPORT, III
STACY B. ZAVALA
SAIRA M. SHAH

221 N. KANSAS, SUITE 2000
EL PASO, TEXAS 79901
TEL. (915) 544-9997
FAX (915) 544-8544

325 NORTH ST. PAUL, SUITE 2100
DALLAS, TEXAS 75201
TEL. (214) 397-0390
FAX (214) 397-0391

111 CONGRESS AVENUE, SUITE 455
AUSTIN, TEXAS 78701
TEL. (512) 391-1999
FAX (512) 391-1711

www.delgadoacosta.com

September __, 2003

$97,265,000
BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM
REVENUE FINANCING SYSTEM
REFUNDING AND IMPROVEMENT BONDS
NINTH SERIES (2003)

WE HAVE ACTED AS BOND COUNSEL for the Board of Regents of Texas Tech University System (the "Board") in connection with the issuance of the bonds described above (the "Bonds"), 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. The Bonds shall bear interest from the date and mature on the dates specified on the face of the Bonds, all in accordance with the resolutions of the Board and its duly designated Pricing Committee authorizing the issuance of the Bonds (collectively, the "Bond Resolution"). 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 Board or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Board's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein. Terms used herein and not otherwise defined shall have the meaning given in the Bond Resolution.

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, which contains certified copies of certain proceedings of the Board; customary certificates of officers, agents and representatives of the Board and other public officials; and other certified showings relating to the authorization and issuance of the Bonds. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the truth and accuracy of the statements contained in such certificates. We have also examined applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations, and published rulings of the Internal Revenue Service as we have deemed relevant. We have also examined one of the executed Bonds which we found to be in due form and properly executed. We express no opinion with respect to any statement of insurance that may appear on the Bonds.

BASED ON SAID EXAMINATION, IT IS OUR OPINION THAT the Bonds have been authorized, issued and delivered in accordance with law; the Bonds constitute valid and legally binding obligations of the Board enforceable in accordance with their terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation, and other similar laws now or hereafter enacted relating to creditors' rights generally; and the Bonds constitute valid and legally binding special obligations of the Board secured by and payable, together with certain other obligations, from a lien on and pledge of the Pledged Revenues.

THE BOARD has reserved the right, subject to the restrictions stated in the Bond Resolution, to amend the Bond Resolution. The Board also has reserved the right, subject to the restrictions stated in the Bond Resolution, to issue additional Parity Obligations which also may be secured by and payable from a lien on and pledge of the Pledged Revenues on a parity with the lien securing the Bonds.

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.

BASED ON THE FOREGOING, IT IS OUR OPINION that under existing law interest on the Bonds (1) is excludable from the gross income, as defined in Section 61 of the Code, of the owners thereof pursuant to Section 103 of the Code and (2) does not constitute a specific item of tax preference under Section 57(a)(5) of the Code, except that interest on the Bonds will be included in the "adjusted current earnings" of certain corporations for purposes of calculating the alternative minimum tax imposed on individuals or corporations pursuant to Section 55 of the Code. The statutes, regulations, rulings, notices and other official pronouncements and court decisions on which such opinion is based are subject to change.

The adjustment for "adjusted current earnings" set forth in Section 56(g) of the Code is required in determining a corporation's alternative minimum taxable income, other than an S corporation, a qualified mutual fund, a real estate investment trust (REIT), a financial asset securitization investment trust (FASIT) or a real estate mortgage investment conduit (REMIC). Alternative minimum taxable income is increased by seventy-five percent (75%) of the excess (if any) of (I) the "adjusted current earnings" of a corporation over (ii) the alternative minimum taxable income (determined without regard to this adjustment or the alternative tax net operating loss deduction). Interest on tax-exempt obligations, including the Bonds, would generally be included in computing a corporation's "adjusted current earnings." Accordingly, a portion of any interest on the Bonds received or accrued by a corporation that owns the Bonds will be included in computing such corporation's alternative minimum taxable income for such year.

IN RENDERING THESE OPINIONS, we have relied upon the Report and representations and certifications of the Board with respect to matters solely within the knowledge of the Board and assume continuing compliance by the Board with covenants 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 and certifications are determined to be inaccurate or incomplete, or the Board fails to comply with the foregoing covenants, interest on the Bonds could become includable in gross income retroactively to the date of issuance of the Bonds, regardless of the date on which the event causing such inclusion occurs.

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

WE CALL YOUR ATTENTION TO THE FACT THAT the ownership of obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise eligible for the earned income tax credit, owners of an interest in a FASIT, certain S corporations with Subchapter C earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred expenses allocable to, tax-exempt obligations.

Respectfully,

Appendix F

FORM OF FINANCIAL GUARANTY INSURANCE POLICY

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Ambac

Financial Guaranty Insurance Policy

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

Obligor: Policy Number:

Obligations: Premium:

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

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

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

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

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

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

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

Robert J. Genader

President

AMBAC ASSURANCE CORPORATION
CORPORATE
SEAL
WISCONSIN

Anne G. Gill

Secretary

Effective Date:

Authorized Representative

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

Authorized Officer of Insurance Trustee

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

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Financial Advisory Services
Provided By

FIRST SOUTHWEST COMPANY

INVESTMENT BANKERS