OFFICIAL STATEMENT

NEW ISSUE - BOOK-ENTRY ONLY

Ratings:
Fitch: "AA"
Moody's: "Aa3"
S&P: "AA"
See "RATINGS" herein

In the opinion of Fulbright & Jaworski L.L.P., Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, court decisions, regulations and published rulings. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel, including a description of the alternative minimum tax consequences for corporations and other tax consequences.

$170,825,000
BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS TWELFTH SERIES (2009)

Dated: February 1, 2009 **Due: As shown on the inside front cover**

Interest Accrual: Date of Delivery

The Board of Regents of Texas Tech University System Revenue Financing System Refunding and Improvement Bonds, Twelfth Series (2009) (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 Twelfth Supplemental Resolution adopted by the Board on August 8, 2008. 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, Texas Tech University Health Sciences Center and Angelo State University, (ii) refunding certain of the Outstanding Commercial Paper Notes (as defined herein), (iii) refunding certain of the Board's Outstanding Parity Obligations as more particularly described in Schedule I attached hereto (the "Refunded Bonds"), (iv) refunding a portion of the Angelo State Parity Debt (as defined herein), as more particularly described in Schedule II attached hereto (the "Refunded Angelo State Parity Debt"), and (v) paying the costs of issuance of the Bonds. See "PLAN OF FINANCE", "Schedule I – REFUNDED BONDS" and "Schedule II - REFUNDED ANGELO STATE PARITY DEBT."

Interest on the Bonds will accrue from their date of delivery and is calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Bonds is payable on August 15, 2009, and each February 15 and August 15 thereafter until maturity or prior redemption. Principal of the Bonds will be payable on the dates and in the amounts shown on the inside front cover page. 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 within a maturity. No physical delivery of the Bonds will be made to the purchasers thereof. Interest on and principal of the Bonds will be payable by The Bank of New York Mellon Trust Company, N.A., 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."

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, TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER, ANGELO STATE UNIVERSITY, 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. SEE "SECURITY FOR 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 Fulbright & Jaworski L.L.P., Dallas, 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 March 3, 2009.

RBC Capital Markets J.P. Morgan

CITI **FROST BANK**

ESTRADA HINOJOSA & COMPANY, INC. **MORGAN KEEGAN & COMPANY, INC.**

Dated: February 2, 2009

MATURITY SCHEDULE

$170,825,000
Board of Regents of Texas Tech University System
Revenue Financing System
Refunding and Improvement Bonds, Twelfth Series (2009)

Date	Maturing Amount	Interest Rate	Yield	CUSIP Numbers[1]
8/15/2009	$ 7,360,000	4.000%	0.540%	882806 AC6
2/15/2010	11,965,000	4.000%	0.680%	882806 AD4
2/15/2011	11,085,000	4.000%	1.550%	882806 AE2
2/15/2012	9,430,000	4.000%	1.780%	882806 AF9
2/15/2013	9,590,000	4.000%	2.000%	882806 AG7
2/15/2014	9,810,000	3.000%	2.310%	882806 AH5
2/15/2015	9,375,000	5.000%	2.500%	882806 AJ1
2/15/2016	8,005,000	5.000%	2.730%	882806 AK8
2/15/2017	8,400,000	5.000%	2.970%	882806 AL6
2/15/2018	5,400,000	5.000%	3.230%	882806 AM4
2/15/2019	4,975,000	5.000%	3.470%	882806 AN2
2/15/2020	5,225,000	5.000%	3.750%[2]	882806 AP7
2/15/2021	5,505,000	5.000%	4.050%[2]	882806 AQ5
2/15/2022	5,795,000	5.000%	4.260%[2]	882806 AR3
2/15/2023	6,080,000	5.000%	4.470%[2]	882806 AS1
2/15/2024	6,400,000	5.000%	4.630%[2]	882806 AT9
2/15/2025	6,725,000	5.000%	4.790%[2]	882806 AU6
2/15/2026	7,065,000	5.000%	4.920%[2]	882806 AV4
2/15/2027	7,425,000	5.000%	5.020%	882806 AW2
2/15/2028	7,810,000	5.000%	5.080%	882806 AX0

$7,575,000 5.125% Term Bond, due February 15, 2033, Yield 5.250%, CUSIP No. 882806 AY8

$9,825,000 5.250% Term Bond, due February 15, 2038, Yield 5.350%, CUSIP No. 882806 AZ5

(interest to accrue from date of delivery)

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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. None of the Board, the University System or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

(2) Yield calculated based upon assumption that Bonds maturing in the years 2020 through 2026, inclusive, will be called on first optional call date at a redemption price of par plus accrued interest to the date of redemption (February 15, 2019).

BOARD OF REGENTS

OF THE TEXAS TECH UNIVERSITY SYSTEM

Name	Residence	Term Expiration[1]
Mr. F. Scott Dueser, Chair	Abilene	January 31, 2009
Mr. Larry K. Anders,Vice Chair	Dallas	January 31, 2011
Mr. Bob L. Stafford	Amarillo	January 31, 2009
Ms. Windy Sitton	Lubbock	January 31, 2009
Mr. Mark Griffin	Lubbock	January 31, 2011
Mr. Daniel "Dan" T. Serna	Arlington	January 31, 2011
Mr. L. Frederick "Rick" Francis	El Paso	January 31, 2013
Mr. John F. Scovell	Dallas	January 31, 2013
Mr. Jerry E. Turner	Blanco	January 31, 2013
Ms. Kelli Stumbo, Student Regent		May 31, 2009[2]

(1) The actual expiration date of the term depends on the date the successor is appointed, qualified and takes the oath of office.
(2) Student Regent. Current state law does not allow a Student Regent to vote on any matter before the Board.

PRINCIPAL ADMINISTRATORS

Name	Title
Mr. Kent Hance	Chancellor
Mr. Jim Brunjes	Vice Chancellor and Chief Financial Officer
Dr. Guy Bailey	President (Texas Tech University)
Dr. John C. Baldwin	President (Texas Tech University Health Sciences Center)
Dr. Joseph C. Rallo	President (Angelo State University)

CONSULTANTS

Financial Advisor	Bond Counsel
First Southwest Company	Fulbright & Jaworski L.L.P.
Dallas, Texas	Dallas, Texas

For additional information regarding the University System, please contact:

Mr. Jim Brunjes
Vice Chancellor and Chief Financial Officer
Texas Tech University System
2500 Broadway
Administration Building, Room 317
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

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. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Board's undertaking to provide certain information on a continuing basis. This Official Statement is submitted in connection with the sale of the Bonds 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 PRICES 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 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT APPROVED OR DISAPPROVED THE BONDS OR 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.

TABLE OF CONTENTS

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OFFICIAL STATEMENT
relating to

$170,825,000
BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM
REVENUE FINANCING SYSTEM
REFUNDING AND IMPROVEMENT BONDS
TWELFTH SERIES (2009)

INTRODUCTION

This Official Statement, which includes the cover page and the Schedules and 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, Twelfth Series (2009)" (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"), Texas Tech University Health Sciences Center (the "Health Sciences Center") and Angelo State University ("Angelo State"). The University, the Health Sciences Center and Angelo State 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 (as amended, 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, the Health Sciences Center and Angelo State 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, Angelo State, 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. Jim Brunjes, Vice Chancellor and Chief Financial Officer, Texas Tech University System, 2500 Broadway, Administration Building, Room 317, 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 55.1759, Texas Education Code, as amended. The Bonds are being issued pursuant to the Master Resolution and a Twelfth Supplemental Resolution adopted by the Board on August 8, 2008 (the "Supplemental Resolution"). The Master Resolution and the Supplemental Resolution are referred to herein collectively as the "Resolution." The Bonds will be the twelfth series of debt obligations (including the ASU Note) issued as Parity Obligations and payable from the Pledged Revenues. Certain of the Parity Obligations previously issued pursuant to the Master Resolution are no longer outstanding. 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, the Health Sciences Center and Angelo State, (ii) currently refunding certain of the

Board's Outstanding Parity Obligations, as more particularly described in Schedule I attached hereto (the "Refunded Bonds"), (iii) refunding $51,894,000 of the "Board of Regents of Texas Tech University System Revenue Financing System Commercial Paper Notes, Series A" (the "Commercial Paper Notes"), (iv) currently refunding a portion of the Board's obligation with respect to the Angelo State Parity Debt (as defined herein), as more particularly described in Schedule II attached hereto (the "Refunded Angelo State Parity Debt"), and (v) paying the costs of issuance of the Bonds. As described under "ADDITION OF ANGELO STATE," upon the effective date of the refunding of the Refunded Angelo State Parity Debt, an amount of the ASU Note (as defined herein) equal to the principal amount of the Refunded Angelo State Parity Debt will be immediately cancelled and discharged on the same date. The Commercial Paper Notes and the ASU Note constitute Parity Obligations under the terms of the Master Resolution. See "SECURITY FOR THE BONDS—The Revenue Financing System" and "ADDITION OF ANGELO STATE."

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 principal and interest due on the Refunded Bonds are to be paid on the scheduled interest payment dates and the respective redemption dates of such Refunded Bonds from funds to be deposited pursuant to a certain Escrow Agreement (the "Refunded Bonds Escrow Agreement") between the Board and The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Escrow Agent"). The Supplemental Resolution provides that from the proceeds of the sale of the Bonds received from the Underwriters, the Board will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on their respective redemption dates. Such funds will be held by the Escrow Agent in a special escrow account (the "Refunded Bonds Escrow Fund") and used to purchase direct obligations of the United States of America (the "Federal Securities"). Under the Refunded Bonds Escrow Agreement, the Refunded Bonds Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds. The Refunded Bonds Escrow Fund will not be available to pay the principal of and interest on the Bonds.

By the deposit of the Federal Securities and cash, if necessary, with the Escrow Agent pursuant to the Refunded Bonds Escrow Agreement, the Board will have effected the defeasance of all of the Refunded Bonds in accordance with Chapter 1207, Texas Government Code, as amended ("Chapter 1207"). As a result of such defeasance, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Federal Securities and any cash held for such purpose by the Escrow Agent and such Refunded Bonds will not be deemed as being outstanding obligations of the Board payable from Pledged Revenues nor for the purpose of applying any limitation on the issuance of debt.

The Board has covenanted in the Refunded Bonds Escrow Agreement to make timely deposits to the Refunded Bonds Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Bonds, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Refunded Bonds Escrow Fund are insufficient to make such payment.

Refunded Notes. A portion of the proceeds from the issuance and sale of the Bonds, together with other available funds of the Board, will be applied to refund $51,894,000 of Outstanding Commercial Paper Notes (the "Refunded Notes"). The Board will make any necessary contribution sufficient, together with a portion of the proceeds of the Bonds, to provide for the payment of the principal of and interest due on the Refunded Notes in accordance with the terms thereof.

The principal of and interest due on the Refunded Notes are to be paid on their scheduled payment dates from funds to be paid to Deutsche Bank Trust Company Americas, as the Issuing and Paying Agent for the Refunded Notes (the "Issuing and Paying Agent") in accordance with the provisions of the supplemental resolution authorizing the Commercial Paper Notes, to refund the Refunded Notes.

By the deposit of the cash with the Issuing and Paying Agent, the Board will have effected the defeasance of all of the Refunded Notes in accordance with Chapter 1207. As a result of such defeasance, the Refunded Notes will be outstanding only for the purpose of receiving payments from such cash held by the Issuing and Paying Agent for the Refunded Notes and such Refunded Notes will not be deemed as being outstanding obligations of the Board payable from Pledged Revenues or for the purpose of applying any limitation on the issuance of debt.

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

The principal and interest due on the Refunded Angelo State Parity Debt are to be paid on the scheduled interest payment dates and the respective redemption or maturity dates of such Refunded Angelo State Parity Debt from funds to be deposited pursuant to a certain Escrow Agreement (the "Refunded ASU Debt Escrow Agreement") among the Board, the Board of Regents of Texas State University System (the "TSUS Board") and the Escrow Agent. The Supplemental Resolution provides that from the proceeds of the sale of the Bonds received from the Underwriters, the Board will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Angelo State Parity Debt on their respective maturity and redemption dates. Such funds will be held by the Escrow Agent in a special escrow account (the "Refunded ASU Debt Escrow Fund") and used to purchase Federal Securities. Under the Refunded ASU Debt Escrow Agreement, the Refunded ASU Debt Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Angelo State Parity Debt. The Refunded ASU Debt Escrow Fund will not be available to pay the principal of and interest on the Bonds.

The TSUS Board is scheduled to approve the redemption of the Refunded Angelo State Parity Debt at its meeting on February 20, 2009. By the deposit of the Federal Securities and cash, if necessary, with the Escrow Agent pursuant to the Refunded ASU Debt Escrow Agreement and the action of the TSUS Board, the Refunded Angelo State Parity Debt will have been defeased in accordance with Chapter 1207. As a result of such defeasance, the Refunded Angelo State Parity Debt will be outstanding only for the purpose of receiving payments from the Federal Securities and any cash held for such purpose by the Escrow Agent.

The Board has covenanted in the Refunded ASU Debt Escrow Agreement to make timely deposits to the Refunded ASU Debt Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Angelo State Parity Debt, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Refunded ASU Debt Escrow Fund are insufficient to make such payment. As described under "ADDITION OF ANGELO STATE," upon the effective date of the refunding of the Refunded Angelo State Parity Debt, an amount of the ASU Note equal to the principal amount of the Refunded Angelo State Parity Debt will be immediately cancelled and discharged on the same date.

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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	$170,825,000.00
Original Issue Premium	9,556,878.40
Total Sources of Funds	$180,381,878.40
Uses of Funds	
Deposit to Project Construction Fund	$78,975,000.00
Deposit to Escrow for Refunded Bonds	39,534,699.58
Deposit to Refund the Refunded Notes	51,894,000.00[(1)]
Deposit to Escrow for Refunded Angelo State Parity Debt	8,237,725.79
Original Issue Discount	365,955.15
Costs of Issuance [(2)]	1,374,497.88
Total Uses of Funds	$180,381,878.40

(1) The Board will utilize other available funds to accomplish the refunding of the Refunded Notes, as described under "PLAN OF FINANCE."

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

DESCRIPTION OF THE BONDS

General. The Bonds will be dated February 1, 2009 and will accrue interest from their date of delivery. Further, the Bonds 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 August 15, 2009 and each February 15 and August 15 thereafter until maturity or prior redemption. Principal of the Bonds will be payable on the dates and in the amounts shown on the inside front cover page. 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 The Bank of New York Mellon Trust Company, N.A., 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. In the event the use of DTC's book-entry-only system should be discontinued, 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 or Bonds 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, 2020 are subject to redemption prior to maturity at the option of the Board on February 15, 2019, 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.

Mandatory Sinking Fund Redemption. The Bonds scheduled to mature on February 15, 2033 and February 15, 2038 are subject to mandatory sinking fund redemption prior to their scheduled maturity and shall be redeemed by the Board, in part, prior to their scheduled maturity, with the particular Bonds or portions thereof to be redeemed to be selected and designated by the Board (provided that a portion of a Bond may be redeemed only in an integral multiple of $5,000), at a redemption price equal to the par or principal amount thereof and accrued interest to the date of redemption, on the date, and in the principal amount set forth in the following schedule:

Bonds Maturing February 15, 2033

Redemption Date	Principal Amount
2029	$1,365,000
2030	1,435,000
2031	1,510,000
2032	1,590,000
2033 (maturity)	1,675,000

Bonds Maturing February 15, 2038

Redemption Date	Principal Amount
2034	$1,765,000
2035	1,860,000
2036	1,960,000
2037	2,065,000
2038 (maturity)	2,175,000

The principal amount of the Bonds required to be redeemed on each such redemption date pursuant to the foregoing operation of the mandatory sinking fund shall be reduced, at the option of the Board, by the principal amount of any Bonds, which, at least 45 days prior to the mandatory sinking fund redemption date, (1) shall have been acquired by the Board and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been acquired and canceled by the Paying Agent/Registrar at the direction of the Board, in either case of (1) or (2) at a price not exceeding the par or principal amount of such Bonds, or (3) have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against mandatory sinking fund redemption. 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.

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, not less than 30 days prior to the date fixed for redemption, 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 securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: "AAA." The DTC Rules applicable to its Direct Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership 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 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. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity 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 MMI 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, redemption proceeds 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 principal, redemption proceeds, and interest 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, and 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, Bond certificates will be printed and delivered to DTC.

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

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, 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 Board has added Angelo State as a Participant 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."

Following the Board's addition of Angelo State as a Participant in the Revenue Financing System, the Board entered into an agreement with the Texas State University System ("TSUS") to issue a note (the "ASU Note") reflecting the Board's payment obligation with respect to the Angelo State Parity Debt (as defined in "ADDITION OF ANGELO STATE—Outstanding Angelo State Parity Debt"). The principal balance of the Angelo State Parity Debt and the ASU Note as of August 31, 2008 is $53,015,628.28. The Board authorized the issuance of the ASU Note pursuant to a Thirteenth Supplemental Resolution to the Master Resolution adopted by the Board on September 12, 2008 (see "ADDITION OF ANGELO STATE" herein). The ASU Note is payable from the Pledged Revenues on a parity with the Outstanding Parity Obligations and constitutes a Parity Obligation under the Master 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 proceedings authorizing the issuance of any 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, this provision of the State Constitution provides for an annual appropriation 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; for fiscal year 2007 and each fiscal year thereafter, the amount of the annual appropriation is $262.5 million), 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." Subsequent to the adoption of the Master Resolution, State law was amended to recharacterize Pledged General Tuition and Pledged General Fee as "State Mandated Tuition," "Board Designated Tuition" and "Board Authorized Tuition." See "Appendix A – TEXAS TECH UNIVERSITY SYSTEM – Selected Financial Information". Such sources constitute Revenue Funds, and are available for the payment of debt service on Parity Obligations.

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

	2004	2005	2006	2007	2008
Available Pledged Revenues					
Revenues Not Including Fund Balances	$ 322,166,932	$ 352,957,321	$ 366,810,609	$ 415,240,935	$ 494,884,615
Pledgeable Unappropriated					
Funds and Reserve Balances(1)(2)	127,830,064	138,468,032	136,847,319	169,417,039	220,780,807
Total Pledged Revenues	$ 449,996,996	$ 491,425,353	$ 503,657,928	$ 584,657,974	$ 715,665,422

(1) The pledge of Educational and General Funds appropriated by the State Legislature is limited to State Mandated Tuition, including Board Designated tuition and Board Authorized tuition 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, to the extent permitted by law, 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, ANGELO STATE, 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, THE HEALTH SCIENCES CENTER OR ANGELO STATE.

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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[(1)]
Revenue Financing System Commercial Paper Notes, Series A[(2)]	$ 35,270,000
Revenue Financing System Bonds, Seventh Series (2001)	19,570,000
Revenue Financing System Bonds, Eighth Series (Taxable 2001)	32,615,000
Revenue Financing System Refunding and Improvement Bonds, Ninth Series (2003)	79,955,000
Revenue Financing System Refunding and Improvement Bonds, Tenth Series (2006)	211,590,000
ASU Note [(3)]	45,010,000
The Bonds	170,825,000
Total	$594,835,000

(1) Excludes the Refunded Bonds.
(2) Excludes the Outstanding Commercial Paper Notes being retired with proceeds of the Bonds.
(3) Excludes that portion of the ASU Note that will be immediately canceled and discharged upon the refunding of the Refunded Angelo State Parity Debt.

Commercial Paper Notes. Commercial Paper Notes issued by the Board are Parity Obligations under the terms of the Master Resolution and may be issued as either tax-exempt or taxable notes. Pursuant to an Amended and Restated Fifth Supplemental Resolution to the Master Resolution adopted by the Board on February 27, 2003, as amended and restated by the Board on August 8, 2008 (the "Fifth Supplement"), 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 $150,000,000, 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" (as defined in the Fifth Supplement). Under the terms of the Fifth Supplement, 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 90 days. Acting upon the authority originally granted by the Board on February 27, 2003, the Board began on May 8, 2003, to provide its own liquidity in support of the Commercial Paper Notes then and thereafter outstanding.

Under the terms of the Fifth Supplement, to the extent that the "Dealer" (as defined in the Fifth Supplement) 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 Fifth Supplement, such payment, issuance and purchase is not intended to constitute an extinguishment of the obligation represented by any Commercial Paper Notes held by the Board, and the Fifth Supplement provides that 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 Fifth Supplement expires on July 31, 2038.

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.

ADDITION OF ANGELO STATE

General. Pursuant to HB 3564, the Texas Legislature (80th Regular Session) transferred the governance, control, management and property of Angelo State from the Texas State University System (“TSUS”) to the Board effective September 1, 2007, and thereafter the Board adopted the Eleventh Supplemental Resolution to the Master Resolution whereby the Board designated Angelo State as a Participant in the Revenue Financing System.

Pursuant to HB 3564, all contracts and written obligations of every kind and character entered into by the TSUS Board for and on behalf of Angelo State, other than bonds, are considered ratified, confirmed and validated by the Board on the effective date of the transfer (*i.e.*, September 1, 2007) and in those contracts and written obligations, the Board is substituted for and stands and acts in the place of the TSUS Board to the extent permitted by law. Additionally, all funds that, on the effective date of the transfer, have been appropriated or dedicated to or are held for the use and benefit of Angelo State under the governance of the TSUS Board are transferred to the Board for the use and benefit of Angelo State.

Outstanding Angelo State Parity Debt. At the time of the transfer, TSUS had TSUS Parity Debt (as defined in a Master Resolution adopted by the TSUS Board on August 13, 1988 (the “TSUS Master Resolution”)) outstanding under the TSUS Revenue Financing System that had been issued for the benefit of, and was payable by, Angelo State (“Angelo State Parity Debt”). HB 3564 did not address issues associated with the outstanding Angelo State Parity Debt. On September 11, 2007, the Board passed a resolution (the “9/11 Resolution”) which obligated the Board to make payments to TSUS on the Angelo State Parity Debt at the times and in the amounts equal to the debt service on such debt from funds or balances derived from or attributable to Angelo State. The Board has made timely payments to TSUS of both principal and interest on the Angelo State Parity Debt since the effective date of HB 3564. As of August 31, 2008, TSUS has $53,015,628.28 (aggregate principal amount) of outstanding Angelo State Parity Debt under the TSUS Revenue Financing System.

Subsequent to the passage of the 9/11 Resolution, TSUS formally requested that the Board’s payment obligation with respect to the Angelo State Parity Debt be secured under the Revenue Financing System. With the assistance of the Texas Attorney General and the Texas Higher Education Coordinating Board, the Board and the TSUS Board negotiated the terms of an Agreement By and Between the University System and TSUS (the “Agreement”) pursuant to which the Board agreed to refund its obligation under the 9/11 Resolution by issuing the ASU Note as permitted by applicable law, including Chapter 1207, Texas Government Code.

On September 12, 2008, the Board passed the Thirteenth Supplemental Resolution to the Master Resolution authorizing the Agreement and the issuance of the ASU Note to TSUS. The ASU Note was issued for the purpose of effecting an exchange refunding of the Board's obligations under the 9/11 Resolution, and is secured by the Pledged Revenues and constitutes a Parity Obligation. The Texas Attorney General approved the issuance of the ASU Note on January 14, 2009. Under the terms of the Agreement, the TSUS Board is obligated to use the payments it receives under the ASU Note to make payments on the outstanding Angelo State Parity Debt. The Agreement, together with the ASU Note, released and extinguished the Board from its obligation to make payments pursuant to the 9/11 Resolution and any contractual obligation of Angelo State to make payments to TSUS under the TSUS Master Resolution.

The Agreement also provides that the Board may refund or defease all or a portion of the Angelo State Parity Debt directly through its Revenue Financing System if the Board determines that such refunding or defeasance is beneficial for both the Board and Angelo State; provided such refunding or defeasance does not result in additional costs to TSUS. A portion of the proceeds of the Bonds will be used for such refunding purpose. See "PLAN OF FINANCE" and "Schedule II – REFUNDED ANGELO STATE PARITY DEBT" for a description of the Angelo State Parity Debt to be refunded with a portion of the proceeds of the Bonds. In the event that the Board refunds or defeases all or a portion of the Angelo State Parity Debt, an amount of the ASU Note equal to the principal amount of Angelo State Parity Debt so refunded or defeased shall be immediately cancelled and discharged upon the effective date of such refunding or defeasance. In the Agreement, TSUS has agreed to use its best efforts to cooperate in, and take all actions reasonably requested of it by the Board in connection with, any such refunding or defeasance. The TSUS Board is scheduled to approve the redemption and call of the Refunded Angelo State Parity Debt at its February 20, 2009 Board of Regents meeting.

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DEBT SERVICE REQUIREMENTS

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[1][2]	Less the Refunded Bonds and Refunded Angelo State Parity Debt	The Bonds		Total Annual Debt Service on Parity Obligations
			Principal	Interest	
2009	$ 44,643,760	$1,987,253	$ 7,360,000	$3,548,152	$53,564,659
2010	44,278,199	9,083,281	11,965,000	7,351,081	54,510,999
2011	42,020,846	7,744,150	11,085,000	6,890,081	52,251,777
2012	41,323,646	7,639,706	9,430,000	6,479,781	49,593,721
2013	40,990,741	7,409,450	9,590,000	6,099,381	49,270,673
2014	40,426,555	7,286,294	9,810,000	5,760,431	48,710,693
2015	40,191,481	6,480,788	9,375,000	5,378,906	48,464,599
2016	37,069,669	4,674,269	8,005,000	4,944,406	45,344,806
2017	36,784,382	4,662,513	8,400,000	4,534,281	45,056,151
2018	35,823,911	762,156	5,400,000	4,189,281	44,651,036
2019	33,537,889		4,975,000	3,929,906	42,442,795
2020	33,530,330		5,225,000	3,674,906	42,430,236
2021	33,531,065		5,505,000	3,406,656	42,442,721
2022	27,236,124		5,795,000	3,124,156	36,155,281
2023	25,991,440		6,080,000	2,827,281	34,898,721
2024	18,698,925		6,400,000	2,515,281	27,614,206
2025	18,705,685		6,725,000	2,187,156	27,617,841
2026	18,696,435		7,065,000	1,842,406	27,603,841
2027	11,650,470		7,425,000	1,480,156	20,555,626
2028	9,938,130		7,810,000	1,099,281	18,847,411
2029	9,928,460		1,365,000	869,053	12,162,513
2030	6,527,138		1,435,000	797,303	8,759,441
2031	6,517,165		1,510,000	721,838	8,749,003
2032	1,179,750		1,590,000	642,400	3,412,150
2033	1,181,250		1,675,000	558,734	3,414,984
2034			1,765,000	469,481	2,234,481
2035			1,860,000	374,325	2,234,325
2036			1,960,000	274,050	2,234,050
2037			2,065,000	168,394	2,233,394
2038			2,175,000	57,094	2,232,094
	$660,403,446	$57,729,859	$170,825,000	$86,195,642	$859,694,229

[1] Does not include debt service on the Outstanding Commercial Paper Notes.
[2] Includes debt service on the Refunded Bonds and the Angelo State Parity Debt. See "PLAN OF FINANCE" herein.

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FUTURE CAPITAL IMPROVEMENT PLANS

In addition to the projects to be financed with the proceeds of the Bonds, the System has various other projects under consideration as part of its 5-year capital plan. Projects with aggregate estimated costs of $253 million may require financing in future years. The System may consider other construction projects as well.

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 maintenance 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 Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), 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 ("NRMSIR") 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. Prior to July 1, 2009, 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. Effective July 1, 2009, all such information must be filed with the Municipal Securities Rulemaking Board ("MSRB"), rather than the current NRMSIRs. The MSRB intends to make the information available to the public without charge through an internet portal.

The Municipal Advisory Council of Texas (the "MAC") has been designated by the State as a SID and recognized by the SEC as a qualified SID. The address of the MAC is 600 West 8th Street, P.O. Box 2177, Austin, Texas 78768-2177, and its telephone number is (512) 476-6947.

Central Post Office. The MAC has also received SEC approval to operate, and has begun to operate, a "central post office" for information filings made by municipal issuers, such as the Board. A municipal issuer may submit its information filings with the central post office, which then transmits such information to the NRMSIR and the appropriate SID for filing. The central post office can be accessed and utilized at www.DisclosureUSA.com ("DisclosureUSA"). The Board may utilize DisclosureUSA for the filing of information relating to the Bonds.

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," "—Admissions and Matriculation," "—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 are 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, 2009.

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 180 days following the close of the Fiscal Year, unless the State changes its fiscal year. If the State changes its Fiscal Year, the Board will notify each NRMSIR and any SID of the change.

Material Event Notices. The Board will 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 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 its 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.

LEGAL MATTERS

Legal matters relating to the Bonds are subject to approval of legality by the Attorney General of the State of Texas and of certain legal matters by Fulbright & Jaworski L.L.P., Dallas, 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," "ADDITION OF ANGELO STATE," "CONTINUING DISCLOSURE OF INFORMATION" (other than information under the subcaption "—Compliance with Prior Undertakings"), "LEGAL MATTERS" (except for the last sentence of the first paragraph thereof), "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.

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

TAX MATTERS

Tax Exemption. The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. A form of Bond Counsel's opinion is reproduced as Appendix E. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

Interest on all tax-exempt obligations, including the Bonds, owned by a corporation will be included in such corporation's adjusted current earnings for tax years beginning after 1989, for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust ("FASIT"). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by Section 55 of the Code will be computed.

In rendering the foregoing opinions, 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 Supplemental Resolution subsequent to the issuance of the Bonds. The Supplemental Resolution contains covenants by the Board with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof for Federal income taxes from date of the issuance of the Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Board 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 qualifying 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. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Tax Accounting Treatment of Discount and Premium on Certain Bonds. The initial public offering price of certain Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. 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, 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 (the "Premium Bonds") may be greater than the amount payable on such Bonds at maturity. 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" or its equivalent 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 ratings of "AA", "Aa3" and "AA", respectively, to the Bonds.

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 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007; and from S&P at 55 Water Street, New York, New York 10041). 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 all ratings 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 have agreed, subject to certain customary conditions to delivery, to purchase the Bonds from the Board at a price equal to $179,105,370.00, which is equal to the principal amount of the Bonds, plus a net original issue premium of $9,190,923.25 and less an underwriting discount of $910,553.25. 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 approves the form and content of this Official Statement, and authorizes the undersigned to approve any addenda, supplement, or amendment thereto, and authorizes its further use in the reoffering of the Bonds by the Underwriters.

/s/ Mr. Jim Brunjes
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 System Revenue Financing System
Refunding and Improvement Bonds, Sixth Series (1999)

Original Dated Date	Original Maturity Date	Interest Rates	Original Principal Amount	Principal Amount Refunded
4/1/1999	2/15/2010	4.500%	$6,030,000	$6,030,000
	2/15/2011	5.250%	4,955,000	4,955,000
	2/15/2012	5.250%	5,110,000	5,110,000
	2/15/2013	5.250%	5,010,000	5,010,000
	2/15/2014	5.250%	5,215,000	5,215,000
	2/15/2015	5.250%	5,490,000	5,490,000
	2/15/2016	5.250%	3,625,000	3,625,000
	2/15/2017	5.000%	3,810,000	3,810,000
			$39,245,000	$39,245,000

Redemption Date: April 7, 2009, at a price of par plus accrued interest to the redemption date.

Schedule II

REFUNDED ANGELO STATE PARITY DEBT

Board of Regents of Texas State University System Revenue Financing System Revenue Bonds, Series 1998A

Original Dated Date	Original Maturity Date	Interest Rates	Original Principal Amount	Principal Amount Refunded
8/1/1998	3/15/2015	5.000%	$345,000	$345,000
	3/15/2016	4.750%	660,000	660,000
	3/15/2017	5.125%	685,000	685,000
	3/15/2018	5.125%	725,000	725,000
			$2,415,000	$2,415,000

Redemption Date: April 24, 2009, at a price of par plus accrued interest to the redemption date.

Board of Regents of Texas State University System Revenue Financing System Revenue Refunding Bonds, Series 1998B

Original Dated Date	Original Maturity Date	Interest Rates	Original Principal Amount	Principal Amount Refunded
8/1/1998	3/15/2009	4.500%	$790,000	$790,000
	3/15/2010	4.625%	830,000	830,000
	3/15/2011	4.625%	870,000	870,000
	3/15/2012	4.875%	915,000	915,000
	3/15/2013	5.000%	1,095,000	1,095,000
	3/15/2014	5.000%	1,090,000	1,090,000
			$5,590,000	$5,590,000

Redemption Date: April 24, 2009, at a price of par plus accrued interest to the redemption date.

Appendix A

TEXAS TECH UNIVERSITY SYSTEM

GENERAL DESCRIPTION

Background. In 1999, the 76th Texas Legislature created the Texas Tech University System (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 (the "Board") 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 and designated such Board as the Board of Regents of the Texas Tech University System. Currently, Texas Tech University, the Health Sciences Center (the "Health Sciences Center"), and Angelo State University are the only component institutions of the University System, and the only participants under the Revenue Financing System (the "Participants").

Governance. The Board consists of ten members, each of whom is appointed by the Governor of the State of Texas (the "State") subject to confirmation by the State Senate. Each non-student regent serves a six-year term, with three new appointments made to the Board every two years. The Board also has one student regent that serves a one-year term. 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 the Vice Chancellor and Chief Financial Officer, Vice Chancellor and General Counsel, Vice Chancellor for Institutional Advancement, Vice Chancellor for Governmental Relations, Vice Chancellor for Facilities Planning and Construction, Vice Chancellor for Technology Commercialization, Associate Vice Chancellor for Communications and Marketing, the President of Texas Tech University, the President of the Health Sciences Center, and the President of Angelo State University.

Administration. The President of Texas Tech University directs the operations of Texas Tech University and is assisted by the Vice President for Student Affairs, Provost and Senior Vice President for Academic Affairs, Vice President for Research and Graduate Studies, Vice President for Administration and Finance, and an Athletic Director.

The President of the Health Sciences Center directs the operations of the Health Sciences Center and is assisted by the Executive Vice President for Finance and Administration, Vice President for Information Technology, Vice President for Medical Affairs, Executive Vice President for Research, Dean of the School of Medicine, Dean of the Graduate School of Biomedical Sciences, Dean of the School of Pharmacy, Dean of the School of Allied Health Sciences, Dean of the School of Nursing, and Founding Dean of the Paul L. Foster School of Medicine.

The President of Angelo State University directs the operations of Angelo State University and is assisted by a Provost and Vice President for Academic and Student Affairs, Vice President for Finance and Administration, and a Vice President for Strategy, Planning, and Policy.

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

Tech University, the Health Sciences Center, and Angelo State University appearing on page ii of this Official Statement:

Mr. Kent Hance became Chancellor of the University System in December 2006. Mr. Hance received his B.B.A. from Texas Tech University in 1965. In 1968, he received his law degree from the University of Texas where he served as President of the Student Bar Association, Class President, and was a recipient of the Counsel Award. He served on the Board of Regents of West Texas State University in 1972. In 1973, he was named Outstanding Professor at Texas Tech University. Mr. Hance's political career began in 1974, when he was elected to the Texas Senate. He later also served in the U.S. House of Representatives for six years. He was appointed to the Texas Railroad Commission in 1987 and served until 1990. In 1987, Mr. Hance was appointed to the Texas Higher Education Coordinating Board. He also has served on the Governor's Energy Council, Governor's Oil Spill Advisory Committee, Texas High Speed Rail Commission, Interstate Oil Compact Commission, and the Texas Mining Council. Mr. Hance is currently on a leave of absence from practicing law in Austin as a partner with Hance Scarborough, LLP.

Mr. Jim Brunjes became the Vice Chancellor and Chief Financial Officer of the University System in 1999. He had served as the Vice President for Fiscal Affairs at Texas Tech 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 Texas Tech 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. Guy Bailey became President of Texas Tech University on August 1, 2008. Dr. Bailey holds a bachelor's and master's degrees in English from the University of Alabama and a doctorate in English linguistics from the University of Tennessee. He is the author of approximately 100 books and articles. Dr. Bailey came to Texas Tech University from the University of Missouri-Kansas City, where he served as chancellor from January 2006 until July 2008. He previously served as Provost and Executive Vice President for Academic Affairs at the University of Texas-San Antonio from 1999 through 2005. Dr. Bailey was active in economic development partnerships in Kansas City, serving on the boards of the Greater Kansas City Chamber of Commerce and the Economic Development Corporation of Kansas City.

Dr. John C. Baldwin became President of the Health Sciences Center in August 2007. Dr. Baldwin earned his B.A. from Harvard University and his M.D. from Stanford University School of Medicine. Dr. Baldwin joined the faculty of Stanford University in 1984 and was later appointed head of the heart/lung transplantation program and director of the cardiovascular surgery research laboratories at Stanford. In 1988, Dr. Baldwin was appointed professor and chief of the Division of Cardiothoracic Surgery at Yale University. In 1994, Dr. Baldwin became head of surgical programs at Baylor College of Medicine. He served as Dean of Dartmouth Medical School and Associate Provost from 1998 until 2005. From 1991 through 1997, he served as governor of the American College of Surgeons and, in 1999, was elected President of the International Society of Cardiothoracic Surgeons. He has served on the national board of directors of the United Network for Organ Sharing and as a member of the ethics committee of The Methodist Hospital in Houston. He also served on the board of Harvard University for a six-year term and was selected as its vice-chair in 2000.

Dr. Joseph C. Rallo became the President of Angelo State University in June 2007. Dr. Rallo received his B.A. in Russian history from Lafayette College, his J.D. from Western New England College, as well as his M.A.

and Ph.D. in international relations from the Maxwell School of Citizenship and Public Affairs at Syracuse University. Dr. Rallo was the provost and academic vice president at Western Illinois University, following his position as dean of the College of Business and Administration and the Graduate School of Business Administration at the University of Colorado-Colorado Springs. He also served as the Director of the Colorado Institute for Technology Transfer and Implementation and was responsible for the creation of its journal *Comparative Technology Transfer and Society,* published by the John Hopkins University Press.

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, Texas Tech University's purpose has changed to that of a comprehensive public university with a total student enrollment of approximately 28,000 students. Texas Tech University is organized into ten colleges (11 instructional schools): Agricultural Sciences and Natural Resources; Architecture; Arts and Sciences; Business Administration; Education; Engineering; Honors; Human Sciences; Mass Communication; and Visual and Performing Arts. These colleges, together with the School of Law and the Graduate School have approximately 65 academic departments offering the bachelor's degree in 117 fields and graduate degrees in 167 fields of study and 193 majors. Texas Tech University is accredited by its regional accrediting body, the Southern Association of Colleges and Schools, and colleges and departments of Texas Tech University are accredited with their respective professional associations.

Texas Tech University's main campus 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. Texas Tech 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 55th 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 Fiber and Biopolymer Research Institutes. The Fiber and Biopolymer Research Institutes, the second of its kind in the United States, is supported by the Plains Cotton Growers, the U.S. Department of Agriculture, and others.

Texas Tech University also has limited educational facilities located in the Texas cities of Junction, Fredericksburg, Marble Falls, Abilene, Amarillo, and in Seville, Spain.

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 is a fully accredited five-year professional degree program leading directly to the Master of Architecture degree. The college 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 Texas Tech 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 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 College of Human Sciences offers diverse programs that focus on addressing economic, technical, social and environmental issues.

The College of Mass Communications provides students with a broad-based communications education and experience that integrates today's media convergence and the future's media development in five areas of mass communications. Students may select among accredited programs leading to careers in advertising, electronic media, journalism, photocommunications, and public relations.

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 59 doctoral programs and scholarships and fellowships specifically for graduate education.

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 61st State Legislature authorized the creation of the Texas Tech University School of Medicine as a separate educational multi-campus institution with Lubbock as the administrative center and regional campuses at Amarillo, El Paso, and Odessa. The School of Medicine formally opened in 1972. In 1979, the State Legislature expanded the charter to become the Texas Tech University Health Sciences Center leading the way for establishment of the School of Nursing which formally opened in 1981, the School of Allied Health Sciences which formally opened in 1983, and the Graduate School of Biomedical Sciences which was originally part of the School of Medicine awarding its first degree in 1975. 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. During the fall of 1995, academic and clinical programs in the School of Allied Health Sciences 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. In February 2008, the Paul L. Foster School of Medicine at El Paso received accreditation as a four-year medical school by the Liaison

Committee on Medication Education. It is the first four-year accredited medical school on the Texas-Mexico border.

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 and the Regional Centers in Amarillo, Odessa and El Paso, the Health Sciences Center has expanded to Abilene, Dallas, and Marble Falls (Highland Lakes), 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. A new, multi-story Clinic Building also opened in 2007 and the International Pain Center will be opening in 2009. The Health Sciences Center's facilities in Amarillo include a School of Medicine and Allied Health Sciences Building which houses both academic and clinical space, the School of Pharmacy Building, and the Women's Health and Research Building. The Coulter Research Building opened during 2008. The Health Sciences Center's facilities operated in El Paso include a Health Sciences Center Building, a recently expanded Clinic Building, and a recently completed Medical Sciences Research Building and Medical Education Building. The Health Sciences Center's facilities in Odessa consist of a Health Sciences Center Building and an ambulatory clinic. In Midland, the Physician Assistant program operates in the Aaron Medical Science Building and OB/Gyn and Internal Medicine departments will soon be operating clinics out of the former Allison Cancer Center adjacent to the Midland Memorial Hospital.

The TTUHSC Libraries of the Health Sciences (the "TTUHSC Libraries") uses 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, 50,000 electronic books, 400 electronic databases, over 20,000 electronic journals, 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. All electronic resources can be used remotely (including at home) by students, faculty, and staff. The TTUHSC Libraries home page also features a 24/7 virtual reference librarian help system for the users.

The School of Medicine had 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 in Lubbock, Amarillo, and El Paso. As noted above, the El Paso Campus has received accreditation as a four-year medical school and is scheduled to begin accepting first year students in the Fall of 2009. The Health Organization Management M.B.A. and M.D./M.B.A. programs are offered in conjunction with Texas Tech University's College of Business Administration. Approval has been granted to begin a joint M.D./Jurisprudence Doctorate (J.D.) program in conjunction with the Texas Tech School of Law; students are expected to start in the program in the Fall of 2009. A total of 38 graduate medical residency and fellowship programs are offered 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 cardiology, dermatology, emergency medicine, gastroenterology, hematology and oncology, neonatology and perinatology, nephrology, neurology, ophthalmology, orthopedics, pain management, pediatrics, preventive medicine and community health, psychiatry, surgery, trauma, and burn. 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/teaching sites in Lubbock, Highland Lakes, Abilene, Permian Basin, and El Paso. In 1999, the School of Nursing initiated a web based RN-BSN option for RNs pursuing a baccalaureate degree while maintaining a full-time job. The program is offered throughout the State as well as nationally. Another option for individuals with a degree in another discipline who wish to pursue a career in nursing is the web-enhanced accelerated bachelor's degree option. This is offered in Lubbock, Permian Basin, El Paso, Abilene, and Highland Lakes. 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 Texas Tech University. The Ph.D. in Nursing program is a partnership between the School of Nursing and Texas Woman's University. Courses are offered in Denton and Lubbock, Texas 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 which includes family practice, pediatric, geriatric, acute care and clinical trials management. Beginning in the Summer of 2008, the school launched the Doctorate in Nursing Practice program.

The School of Allied Health Sciences offers programs in Lubbock leading to baccalaureate degrees in clinical laboratory science, speech language and hearing sciences, and clinical services management. Physical therapy programs are offered at the Odessa and Amarillo Regional Health Centers as well as in Lubbock. Occupational therapy programs are offered only at the Lubbock campus. The School of Allied Health Sciences provides graduate programs in audiology, physical therapy, occupational therapy, athletic training, rehabilitation counseling, physician assistant studies, clinical practice management, molecular pathology, and speech-language pathology. The Physician Assistant Program is located on the Midland College campus.

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. Since the fall of 1996, the SOP has expanded and now includes regional campuses in Lubbock (opened in 1998), the Dallas/Ft. Worth Metroplex (1999) and Abilene (2007). The Amarillo and Abilene campuses each offer all four years of the Health Sciences Center's Pharm.D. program. Students who spend their first two years at the Amarillo campus can remain in Amarillo to complete their degree or they can opt to transfer to Lubbock or Dallas/Ft. Worth for their third and fourth years. Students who enroll at the Abilene campus for their first and second years remain in Abilene for years three and four. In 1997, the SOP implemented a Graduate Pharmacy Education (Residencies) program. A Master of Sciences (M.S.) degree program and a Doctor of Philosophy (Ph.D.) in Pharmaceutical Sciences program were added in 1999.

The Graduate School of Biomedical Sciences at the Texas Tech University Health Sciences Center awarded its first Master of Science degree in 1975 and its first doctoral degree in 1978. Since then the school has grown to include 7 graduate programs: Biochemistry and Molecular Genetics; Biotechnology; Cell and Molecular Biology; Medical Microbiology; Pharmaceutical Sciences; Pharmacology and Neuroscience; and Physiology. Degree options such as MS, PhD, and MD/PhD are available. There are also research opportunities in various Texas cities: Lubbock, Amarillo, El Paso, and Abilene. More information is available at http://www.ttuhsc.ttu.edu.

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.

<u>Angelo State University</u> is a public, coeducational university located in San Angelo, Texas. Angelo State University was created as Angelo State College in 1965 by an act of the 58th Session of the Texas Legislature in 1963. In May 1967, the first baccalaureate degrees were awarded. The name of the institution was changed to Angelo State University in May 1969. Angelo State University was designated as a member of the Texas State University System in 1975, along with Sam Houston State University, Southwest Texas State University, and Sul

Ross State University, when the 64th Legislature changed the name of the governing board to the Board of Regents, Texas State University System.

In March 2007, House Bill 3564 sought to align Angelo State University with the University System. The bill was approved by the full House on April 24, 2007, and by the Senate in a unanimous vote on May 15, 2007. On May 23, 2007, Gov. Rick Perry signed the bill. A technical correction to the Texas Constitution to provide for the continuation of Angelo State Appropriations upon a change of governance went before voters on November 6, 2007. It was approved and the Texas Constitution was amended. Effective September 1, 2007, the governance, control, management, and property of Angelo State University was transferred from the Board of Regents of the Texas State University System to the Board.

Angelo State University offers 97 bachelors, 23 masters, and 1 doctoral degree. The campus is divided into five colleges: Business; Education; Liberal and Fine Arts; Nursing and Allied Health; Sciences; and Graduate Studies.

Accreditation. The institutions, agencies, and services comprising the University System are members of the following professional associations and 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 Council 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 Texas Tech University, Angelo State University, and the Health Sciences Center for each of the last five years:

Headcount Enrollment Information

Institutions:	2004	2005	2006	2007	2008
Texas Tech University	28,325	28,001	27,996	28,260	28,422
The Health Sciences Center	2,272	2,391	2,458	2,616	2,904
Angelo State University	-	-	-	6,185	6,113
Total	30,597	30,392	30,454	37,061	37,439

Note: Angelo State University's enrollment information is only included in the 2007 and 2008 statistics of the Board since this campus was officially acquired as of September 1, 2007. Angelo State University's enrollment information for prior periods may be available from the NRMSIRs and SID in connection with previous filings made therewith by the TSUS Board with respect to TSUS Revenue Financing System obligations.

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

Graduate Enrollment Information					
Institutions:	2004	2005	2006	2007	2008
Texas Tech University	4,996	4,999	5,145	5,239	5,315
The Health Sciences Center	1,775	1,758	1,805	2,008	2,181
Angelo State University	-	-	-	422	465
Total	6,771	6,757	6,950	7,669	7,961

Note: Angelo State University's enrollment information is only included in the 2007 and 2008 statistics of the Board since this campus was officially acquired as of September 1, 2007. Angelo State University's enrollment information for prior periods may be available from the NRMSIRs and SID in connection with previous filings made therewith by the TSUS Board with respect to TSUS Revenue Financing System obligations.

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

Full-Time Equivalent Enrollment Information					
Institutions:	2004	2005	2006	2007	2008
Texas Tech University	24,587	24,424	25,892	24,792	24,791
The Health Sciences Center	2,272	2,409	2,217	2,363	2,636
Angelo State University	-	-	-	5,270	5,140
Total	26,859	26,833	28,109	32,425	32,567

Note: Angelo State University's enrollment information is only included in the 2007 and 2008 statistics of the Board since this campus was officially acquired as of September 1, 2007. Angelo State University's enrollment information for prior periods may be available from the NRMSIRs and SID in connection with previous filings made therewith by the TSUS Board with respect to TSUS Revenue Financing System obligations.

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Admissions and Matriculation.

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

Admissions and Matriculation Information					
	2004	2005	2006	2007	2008
Applications Submitted	13,323	12,583	13,809	13,976	16,143
Applications Accepted	8,939	8,927	9,691	10,759	11,643
Matriculation	3,951	3,801	3,922	4,515	4,407
% Accepted	67.09%	70.94%	70.18%	76.98%	72.12%
% Matriculated	44.20%	42.58%	40.47%	41.96%	37.85%

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

Admissions and Matriculation Information					
	2004	2005	2006	2007	2008
Applications Submitted	5,429	5,133	5,658	6,790	6,584
Applications Accepted	842	882	1,182	1,339	1,333
Matriculation	824	861	1,142	1,271	1,253
% Accepted	15.51%	17.18%	20.89%	19.72%	20.25%
% Matriculated	97.86%	97.62%	99.62%	94.92%	94.00%

Angelo State University. Set forth below is the information relating to undergraduate admissions and matriculation for Angelo State University for 2007 and 2008:

Admissions and Matriculation Information		
	2007	2008
Applications Submitted	3,267	3,712
Applications Accepted	3,235	3,315
Matriculation	1,378	1,467
% Accepted	99.02%	89.30%
% Matriculated	42.60%	44.25%

Note: Angelo State University's enrollment information is only included in the 2007 and 2008 statistics of the Board since this campus was officially acquired as of September 1, 2007. Angelo State University's enrollment information for prior periods may be available from the NRMSIRs and SID in connection with previous filings made therewith by the TSUS Board with respect to TSUS Revenue Financing System obligations.

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FINANCIAL MANAGEMENT

Financial management of the University System is the responsibility of the Vice Chancellor and Chief Financial Officer, who reports to the Chancellor. The 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 of Texas (the "Comptroller"), 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 Comptroller's 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 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 Comptroller, made a restatement of the prior year financials impossible. As such, historical financial data (prior to Fiscal Year 2002) will not be comparable to the data presented under the new format. Historical data for fiscal years prior to 2002 can be found in the University System Annual Financial Reports for those years, or in prior official statements.

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, 2008. The University System's unaudited primary financial statements consist of the Statement of Net Assets as of August 31, 2008; the Statement of Revenues, Expenses and Changes in Net Assets for the Year Ended August 31, 2008; and the Statement of Cash Flows for the Year Ended August 31, 2008. See “Appendix B - TEXAS TECH UNIVERSITY SYSTEM CONSOLIDATED ANNUAL FINANCIAL REPORT.”

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The following table reflects the condensed statement of net assets of the University System as of August 31, 2005, 2006, 2007 and 2008.

Condensed Statement of Net Assets
As of August 31
(In Thousands)

Assets:	**2005**	**2006**	**2007**	**2008**
Current Assets	$424,019	$479,942	$537,982	$795,422
Capital Assets, Net	803,676	874,293	925,861	1,074,389
Other Assets	766,616	850,206	1,011,601	1,012,742
Total Assets	$1,994,311	$2,204,441	$2,475,444	$2,882,553
Liabilities:				
Current Liabilities	$262,517	$254,963	$304,010	$384,051
Non Current Liabilities	379,928	454,947	437,227	418,010
Total Liabilities	$642,445	$709,910	$741,237	$802,061
Net Assets:				
Invested in Capital Assets, Net of Related Debt	$455,814	$485,535	$499,576	$612,776
Restricted				
Expendable	134,868	163,215	200,849	258,551
Non-Expendable	348,791	405,040	539,695	609,107
Unrestricted	412,393	440,741	494,087	600,058
Total Net Assets	$1,351,866	$1,494,531	$1,734,207	$2,080,492
Liabilities and Net Assets	$1,994,311	$2,204,441	$2,475,444	$2,882,553

For more detailed information, see "Appendix B - TEXAS TECH UNIVERSITY SYSTEM CONSOLIDATED ANNUAL FINANCIAL REPORT—Statement of Net Assets as of August 31, 2008."

The table below presents the Statement of Revenues, Expenses and Changes in Net Assets of the University System for Fiscal Years 2006, 2007, and 2008.

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

Operating Revenues	**2006**	**2007**	**2008**
Tuition and Fees	$ 26,675,909	$ 25,838,009	$ 58,138,488
Tuition and Fees: Pledged	187,641,838	197,848,451	210,039,645
Less Discounts and Allowances	(22,089,674)	(23,871,706)	(33,293,206)
Professional Fees	104,397,258	212,943,165	213,465,149
Sales and Services of Auxiliary Enterprises	70,730,842	70,231,251	89,439,837
Other Sales and Services	4,280,442	3,551,849	5,074,173
Other Sales and Services: Pledged	9,059,342	10,118,993	14,380,954
Federal Grants and Contracts	56,378,661	51,764,647	58,558,054
Federal Grants and Contracts: Pledged	2,401,511	2,386,861	2,483,120
Federal Pass-Through (net of administrative costs)	2,418,555	7,219,210	6,222,125
State Grants and Contracts	101,930,319	7,175,896	9,539,471
State Grants and Contracts: Pledged	74,822	113,093	159,320
State Pass-Through	13,485,860	14,580,368	20,556,481
Local Government Grants and Contracts	66,899,325	78,871,877	84,198,457
Local Government Grants and Contracts: Pledged	658,783	579,153	693,668
Nongovernmental Grants and Contracts	25,431,397	31,415,772	36,550,004
Nongovernmental Grants and Contracts: Pledged	2,546,464	3,295,880	3,380,844
Total Operating Revenues	**$ 652,921,654**	**$ 694,062,768**	**$ 779,586,584**
Operating Expenses			
Instruction	358,798,708	386,901,667	439,666,390
Research	59,141,738	59,768,616	62,128,328
Public Service	112,941,299	122,255,004	126,922,318
Academic Support	124,129,067	136,315,674	155,443,394
Student Services	29,069,238	32,080,897	39,420,979
Institutional Support	68,346,973	68,119,822	90,229,139
Operations and Maintenance of Plant	55,271,694	59,969,982	67,508,423
Scholarships and Fellowships	25,646,891	21,745,702	31,949,650
Auxiliary Enterprises	85,030,467	81,752,893	101,432,976
Depreciation and Amortization	45,836,289	51,133,698	61,086,408
Total Operating Expenses	**$ 964,212,364**	**$ 1,020,043,953**	**$ 1,175,788,003**
Operating Income (Loss)	**$ (311,290,710)**	**$ (325,981,185)**	**$ (396,201,420)**
Non-operating Revenues (Expenses)			
Legislative Revenue	281,637,094	283,644,325	385,181,462
Federal Grants and Contracts (net of refunds to grantors)	1,035,779	552,866	376,543
Private Gifts Pledged	-	13,399,213	94,668,099
Private Gifts	63,245,133	114,916,725	3,726,664
Investment Income	51,100,835	49,720,251	26,489,850
Investment Income: Pledged	30,143,690	25,207,906	21,622,338
Interest Expense on Capital Asset Financing	(16,112,653)	(15,166,371)	(18,635,293)
Loss on Sale and Disposal of Capital Assets	(1,767,120)	(1,292,909)	(3,115,031)
Interest Expense and Fiscal Charges	-	-	-
Net Increase (Decrease) in Fair Value of Investments	778,957	49,182,794	(44,858,196)
Other Non-operating Revenues (Expenses)	(8,523,493)	2,455,562	5,968,761
Other Non-operating Revenues (Expenses): Pledged	18,153,425	16,737,922	7,628,515

Settlement of Claims	-	-	-
Other Non-operating Expenses and Losses	-	-	-
Total Non-operating Revenues (Expenses)	**$ 419,691,647**	**$ 539,358,285**	**$ 479,053,711**
Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers	**$ 108,400,937**	**$ 213,377,100**	**$ 82,852,292**
Other Revenues, Expenses, Gains, Losses and Transfers			
Capital Appropriations (HEAF)	29,785,945	29,785,945	48,264,720
Capital Contributions	3,874,563	1,363,916	9,616,129
Lapsed Appropriations	-	-	(18,824.86)
Additions to Permanent Endowments	1,817,755	947,407	2,719,031
Increase Net Assets- Interagency Transfer Capital Assets	-	-	41,343.71
Legislative Transfer Out	-	-	(4,125,475)
Transfers in from Other State Agencies	-	-	215,582,334
Transfer Out to Other State Agencies	(1,214,681)	(5,797,430)	(8,646,861)
Net Other Revenues, Expenses, Gains, Losses and Transfers	**$ 34,263,582**	**$ 26,299,838**	**$ 263,432,396**
Total Changes in Net Assets	**$ 142,664,519**	**$ 239,676,938**	**$ 346,284,688**
Beginning Net Assets (September 1)	**$ 1,351,866,205**	**$ 1,494,530,724**	**$ 1,734,207,662**
Restatements of Beginning Net Assets	-		
Ending Net Assets (August 31)	**$ 1,494,530,724**	**$ 1,734,207,662**	**$ 2,080,492,349**

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, 2008.”

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 operations of the Participants are heavily dependent upon the continued support of the State through appropriations of general revenue pursuant to the biennial appropriations process initiated by the Texas legislature. In the last regular session ending on May 31, 2007, the State Legislature adopted a budget for the 2008-09 biennium beginning September 1, 2007 that appropriated $369,458,898 for Texas Tech University, $313,005,514 for the Health Sciences Center, and $65,948,281 for Angelo State University. Future levels of State support are dependent upon the ability and willingness of the State Legislature to make appropriations to the Participants taking into consideration the availability of financial resources and other potential uses of such resources. State appropriations for fiscal year 2009, including funds to be received from the Higher Education Fund (HEF), are expected to comprise approximately 36.2% of the revenues of Texas Tech University, 26.8% of the revenues of the Health Sciences Center, and 37.1% of the revenues of Angelo State University.

In the 2008-09 biennium Texas Tech University will also receive a Research Development Fund appropriation in the amount of $5,479,373 each year. These appropriated funds may be used for the support and maintenance of educational and general activities, including research and student services, that promote increased research capacity at the institution and, if not used in the fiscal year received, the funds may be used in subsequent fiscal years (Texas Education Code §62.097).

Texas Tech University and the Health Sciences Center each receive a portion of an annual appropriation of funds made by the State Legislature to the HEF pursuant to the provisions of Article VII, Section 17 of the State Constitution. In 1995, the State Legislature approved a ten year annual allocation (beginning in 1996) to Texas Tech University and to the Health Sciences Center. The allocation formula was revised effective September 1, 2000. An increase in HEF appropriations for the five fiscal years, beginning with the State fiscal year ending August 31, 2008, was approved during the regular session of the 79th legislature. For the 2008-09 biennium, Texas Tech University will receive an annual allocation of $26,829,477 and the Health Sciences Center will receive an annual allocation of $17,849,441. Texas Tech 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, Texas Tech University and the Health Sciences Center may issue bonds against such appropriation and pledge up to 50% of the appropriation to secure the debt service payments due on such bonds.

In its 1999 regular session, the State Legislature passed, and the Governor signed into law, House Bill 1945, which establishes and funds certain endowment funds that will benefit the Health Sciences Center. See "-Investment and Endowment Income" below.

Tuition and Fees. Each Participant granting degrees charges tuition and fees as set by the State Legislature and the Board under Chapters 54 and 55 of the Texas Education Code. These total tuition charges are comprised of "State Mandated tuition" and "Board Designated tuition," as further described below. Unless otherwise stated, all references to statutes shall be to the Texas Education Code. The 2009 regular session of the State Legislature began on January 13, 2009, and is currently scheduled to end June 1, 2009. Several bills have been filed and are pending relating to higher education and adjustments to tuition regulation. The Board can make no representation as to whether any such legislation will be passed into law or its potential impact, if any, on the University System.

State Mandated Tuition. Section 54.051, Texas Education Code, currently requires (i) undergraduate tuition applicable to state residents be charged $50 per semester credit hour beginning 2005-06 academic year, and $80 per semester credit hour for resident law school students; 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 is computed by the Coordinating Board for each academic year). For the 2008-09 academic year, the Coordinating Board has computed $331 per semester credit hour for nonresident tuition. The tuition rates described above are referred to in this Official Statement as "State Mandated tuition." Section 56.033 of the Texas Education Code requires that not less than 15% (nor more than 20%) of each resident student's tuition charge and 3% of each non-resident student's tuition charge be set aside for Texas Public Education Grants. Section 56.095 of the Texas Education Code authorizes each institution to set aside $2 for each semester hour for which a doctoral student is enrolled pursuant to the Doctoral Loan Incentive Program. State Mandated tuition for a resident student enrolled in a program leading to an M.D. or D.O. degree is $6,550 per academic year. State Mandated tuition for a nonresident student enrolled in a program leading to an M.D. or D.O. 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. or D.O. degree would pay during the corresponding academic year. Section 61.539 of the Texas Education Code mandates each institution to set-aside 2% of tuition charges for each student registered in a medical branch, school, or college to be deposited in the State Treasury for the purpose of repaying student loans of certain physicians.

Board Designated Tuition. During the 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. Effective with the tuition that was charged for the spring 2003 semester, a governing board 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 statute also grants authority to the governing board to set a different tuition rate for each program and course level offered by the institution. This new authority offers more opportunity for the Participants to develop a tuition schedule that assists in meeting their strategic objectives in terms of access, affordability, effective use of campus resources, and improvement of graduation rates. The Board will authorize any changes in Board Designated tuition only after they have been thoroughly evaluated by the Chancellor of the System and the administration of each Participant. The Board has authorized the Board Designated tuition rate, beginning with the 2008 fall semester, at $93.67 per semester credit hour for Texas Tech University students and $82.25 for Angelo State University students. The Health Sciences Center assesses Board Designated tuition at per semester credit hour rates of $85.00 for the School of Allied Health Sciences, $60.00 for the Graduate School of Biomedical Sciences, $100.00 for the School of Nursing, and $125.00 for the School of Pharmacy. The School of Medicine is authorized at an annual rate of $4,800.00. In addition to these rates, the School of Law is also authorized to charge an additional $55 per semester credit hour to support their academic mission. No less than 20% of the Board Designated tuition charged to resident undergraduate students in excess of $46 per semester hour will be set aside to provide financial assistance to resident undergraduate students, consistent with the provisions of Texas Education Code, Section 56.011. No less than 15% of the Board Designated tuition charged to resident graduate students, professional students, and students enrolled in the School of Law in excess of $46 per semester credit hour will be set aside to provide financial assistance to resident graduate students, professional students, and law students, respectively, consistent with the provisions of Texas Education Code Section 56.012.

Board Authorized Tuition. Section 54.008 of the Texas Education Code permits the governing board of each institution to set tuition for graduate programs for that institution ("Board Authorized tuition") at a rate that is at least equal to that of the State Mandated tuition. Between the maximum and minimum rates, the Board may set the differential tuition among programs offered by an institution of higher education. The Board has set graduate tuition at an additional $50 per semester hour for both resident and nonresident graduate Texas Tech University students (excluding students enrolled in the Graduate School of Biomedical Sciences), $100 per semester credit hour for students enrolled in the School of Pharmacy, and $160 per semester credit hour for students enrolled in the School of Law.

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Set forth below is a table showing the State Mandated tuition, Board Designated tuition, Board Authorized tuition, mandatory fees, and the amount set aside for financial assistance to resident and non-resident students by each institution, excluding the Health Sciences Center, for the 2008-09 academic year based on 15 semester credit hours per semester for undergraduate students, 12 semester credit hours per semester for graduate students and 9 semester credit hours for doctoral students.

Tuition and Fees
Academic Year 2008-2009
Texas Tech University

	State Mandated Tuition	Board Designated Tuition	Board Authorized Tuition	Mandatory Fees	Total Tuition & Fees	Financial Assistance Set Aside
Resident Undergraduate 15 hours	$750.00	$1,405.05	$0.00	$1,236.50	$3,391.55	$255.51
Non-Resident Undergraduate 15 hours	$4,965.00	$1,405.05	$0.00	$1,236.50	$7,606.55	$148.95
Resident Masters 12 hours	$600.00	$1,124.04	$600.00	$1,103.00	$3,427.04	$175.81
Non-Resident Masters 12 hours	$3,972.00	$1,124.04	$600.00	$1,103.00	$6,799.04	$119.16
Resident Doctoral 9 hours	$450.00	$843.03	$450.00	$894.50	$2,637.53	$149.85
Non-Resident Doctoral 9 hours	$2,979.00	$843.03	$450.00	$894.50	$5,166.53	$89.37
Resident Law 15 hours	$1,200.00	$2,230.05	$2,400.00	$1,379.00	$7,209.05	$412.81
Non-Resident Law 15 hours	$4,965.00	$2,230.05	$2,400.00	$1,379.00	$10,974.05	$148.95

NOTE: A fixed international student fee of $50 is charged to all non-immigrant visa students for each term in which they enroll in the University System. Total tuition and fees includes amounts required to be set aside for financial assistance in accordance with applicable provisions of the Texas Education Code. The set-aside amounts are calculated as follows: from State Mandated tuition not less than 15% nor more than 20% of each resident student's tuition charge and 3% of each non-resident student's tuition charge is set aside for Texas Public Education Grants (Section 56.033); $2 for each semester hour for which a doctoral student is enrolled is set aside for the Doctoral Loan Incentive Program (Section 56.095); from Board Designated tuition no less than 20% charged to resident undergraduate students in excess of $46 per semester hour (Section 56.011) and no less than 15% charged to resident graduate students in excess of $46 per semester hour is set aside for financial assistance (Section 56.012). Of the set-aside from Board Designated tuition for resident undergraduate students, 5% charged to resident undergraduate students in excess of $46 per semester hour is deposited in the State Treasury into the Texas B-On-Time Loan Program (Section 56.465). In addition, 15% of Board Designated tuition charged to non-resident students in excess of $46 per semester hour is set aside to provide financial assistance for non-resident students.

Tuition and Fees
Academic Year 2008-2009
Angelo State University

	State Mandated Tuition	Board Designated Tuition	Board Authorized Tuition	Mandatory Fees	Total Tuition & Fees	Financial Assistance Set Aside
Resident Undergraduate 15 hours	$750.00	$1,233.75	$0.00	$721.60	$2,705.35	$221.25
Non-resident Undergraduate 15 hours	$4,965.00	$1,233.75	$0.00	$721.60	$6,920.35	$148.95
Resident Masters 12 hours	$600.00	$987.00	$360.00	$686.10	$2,633.10	$175.81
Non-Resident Masters 12 hours	$3,972.00	$987.00	$360.00	$686.10	$6,005.10	$119.16

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Set forth below is a table showing the State Mandated tuition, Board Designated tuition, Board Authorized Tuition, mandatory fees, and Financial Assistance Set-asides for full-time resident and non-resident students at the Health Sciences Center.

Tuition and Fees
Academic Year 2008-2009
The Health Sciences Center

	State Mandated Tuition	Board Designated Tuition	Board Authorized Tuition	Mandatory Fees	Total Tuition and Fees	Financial Assistance Set-Aside
M.D. Resident						
Year 1	$6,550.00	$4,800.00	$ -	$1,386.00	$12,736.00	$1,472.98
Year 2	6,550.00	4,800.00	-	1,386.00	12,736.00	1,472.98
Year 3	6,550.00	4,800.00	-	1,204.00	12,554.00	1,472.98
Year 4	6,550.00	4,800.00	-	1,114.00	12,464.00	1,472.98
M.D. Non-Resident						
Year 1	19,650.00	4,800.00	-	1,386.00	25,836.00	1,341.98
Year 2	19,650.00	4,800.00	-	1,386.00	25,836.00	1,341.98
Year 3	19,650.00	4,800.00	-	1,204.00	25,654.00	1,341.98
Year 4	19,650.00	4,800.00	-	1,114.00	25,564.00	1,341.98
Graduate Students						
Resident (24 SCH)	1,200.00	1,440.00	-	1,228.00	3,868.00	230.40
Non-Resident (24 SCH)	7,944.00	1,440.00	-	1,228.00	10,612.00	288.72
Allied Health Sciences Graduate Level - Resident						
Year 1 (37 SCH)	1,850.00	3,145.00	1,850.00	1,604.50	8,449.50	493.95
Year 2 (37 SCH)	1,850.00	3,145.00	1,850.00	1,604.50	8,449.50	493.95
Year 3 (37 SCH)	1,850.00	3,145.00	1,850.00	1,604.50	8,449.50	493.95
Allied Health Sciences Graduate Level - Non-Resident						
Year 1 (37 SCH)	12,247.00	3,145.00	1,850.00	1,604.50	18,846.50	583.86
Year 2 (37 SCH)	12,247.00	3,145.00	1,850.00	1,604.50	18,846.50	583.86
Year 3 (37 SCH)	12,247.00	3,145.00	1,850.00	1,604.50	18,846.50	583.86
Allied Health Sciences Undergraduate Level - Resident						
Year 1 (37 SCH)	1,850.00	3,145.00	-	1,604.50	6,599.50	566.10
Year 2 (37 SCH)	1,850.00	3,145.00	-	1,604.50	6,599.50	566.10

Allied Health Sciences						
Undergraduate Level - Non-Resident						
Year 1 (37 SCH)	12,247.00	3,145.00	-	1,604.50	16,996.50	583.86
Year 2 (37 SCH)	12,247.00	3,145.00	-	1,604.50	16,996.50	583.86
Nursing						
Graduate Level - Resident						
Year 1 (24 SCH)	1,200.00	2,400.00	1,200.00	1,450.00	6,250.00	374.40
Year 2 (18 SCH)	900.00	1,800.00	900.00	1,049.00	4,649.00	280.80
Nursing						
Graduate Level – Non-Resident						
Year 1 (24 SCH)	7,944.00	2,400.00	1,200.00	1,450.00	12,994.00	432.72
Year 2 (18 SCH)	5,958.00	1,800.00	900.00	1,049.00	9,707.00	324.54
Nursing						
Undergraduate Level – Resident						
Year 1 (34 SCH)	1,700.00	3,400.00	-	1,446.50	6,546.50	622.20
Year 2 (33 SCH)	1,650.00	3,300.00	-	1,405.50	6,355.50	603.90
Nursing						
Undergraduate Level - Non-Resident						
Year 1 (34 SCH)	11,254.00	3,400.00	-	1,446.50	16,100.50	613.02
Year 2 (33 SCH)	10,923.00	3,300.00	-	1,405.50	15,628.50	594.99
Pharmacy – Resident						
Year 1 (41 SCH)	2,050.00	5,125.00	4,100.00	2,060.00	13,335.00	793.35
Year 2 (38 SCH)	1,900.00	4,750.00	3,800.00	2,030.00	12,480.00	735.30
Year 3 (38 SCH)	1,900.00	4,750.00	3,800.00	2,030.00	12,480.00	735.30
Year 4 (52 SCH)	2,600.00	6,500.00	5,200.00	2,632.00	16,932.00	1,006.20
Pharmacy - Non-Resident						
Year 1 (41 SCH)	13,571.00	5,125.00	4,100.00	2,060.00	24,856.00	892.98
Year 2 (38 SCH)	12,578.00	4,750.00	3,800.00	2,030.00	23,158.00	827.64
Year 3 (38 SCH)	12,578.00	4,750.00	3,800.00	2,030.00	23,158.00	827.64
Year 4 (52 SCH)	17,212.00	6,500.00	5,200.00	2,632.00	31,544.00	1,132.56

NOTE: A fixed international student fee of $50 is charged to all non-immigrant visa students for each term in which they enroll in the University System. Total tuition and fees includes amounts required to be set aside for financial assistance in accordance with applicable provisions of the Texas Education Code. The set-aside amounts are calculated as follows: from State Mandated tuition not less than 15% nor more than 20% of each resident student's tuition charge and 3% of each non-resident student's tuition charge is set aside for Texas Public Education Grants (Section 56.033); medical school set aside of 2% of tuition charges for each student registered in a medical branch, school, or college is deposited in the State Treasury for the purpose of repaying student loans of certain physicians (Section 61.539); from Board Designated tuition no less than 20% charged to resident undergraduate students in excess of $46 per semester hour (Section 56.011) and no less than 15% charged to resident graduate students in excess of $46 per semester hour is set aside for financial assistance (Section 56.012). Of the set-aside from Board Designated tuition for resident undergraduate students, 5% charged to resident undergraduate students in excess of $46 per semester hour is deposited in the State Treasury into the Texas B-On-Time Loan Program (Section 56.465). In addition, 15% of Board Designated tuition is charged to non-resident students in excess of $46 per semester hour is set-aside to provide financial assistance for non-resident students.

Gifts, Grants, and Contracts. The Participants receive federal, state, and local grants and contracts for research which incorporate an overhead component for use in defraying operating expenses. This overhead component is treated as unrestricted current funds revenues while the balance of the grant or contract is treated as restricted current funds revenues. Indirect cost recovery rates used in calculating the overhead component are negotiated periodically with the United States Department of Health and Human Services.

Investment and Endowment Income. Investment and endowment income is received on both a restricted and unrestricted basis. In the legislative session that ended May 31, 1999, the State Legislature passed, and the Governor signed into law, House Bill 1945 ("HB 1945") (codified as Chapter 63 of the Texas Education Code), which creates two separate endowment funds that benefit the Health Sciences Center: a permanent health fund for higher education (the "Permanent Health Fund") that benefits 10 state health related institutions of higher education and a separate permanent endowment fund specifically for the Health Sciences Center (the "Permanent Endowment Fund"). The Permanent Health Fund is established for the benefit of 10 institutions of higher education, including the Health Sciences Center. On August 30, 1999, the effective date of HB 1945, the Comptroller transferred $350,000,000 to the Permanent Health Fund. Distributions from the Permanent Health Fund may only be appropriated for programs that benefit medical research, health education, or treatment programs. The Board of Regents of The University of Texas System will administer the Permanent Health Fund and is required to determine the amounts available for distribution from the Permanent Health Fund. Distributions will be made by the Comptroller on a quarterly basis to each of the institutions based on a formula set out in HB 1945. The Permanent Endowment Fund is established for the exclusive benefit of the Health Sciences Center. On August 30, 1999, the effective date of HB 1945, the Comptroller transferred $25,000,000 to the Permanent Endowment Fund. The Permanent Endowment Fund will be managed by the Board unless they elect to have the Comptroller administer the fund. The Permanent Endowment Fund is to be invested in a manner that preserves the purchasing power of the fund's assets and the fund's annual distributions. Annual distributions from the Permanent Endowment Fund may only be appropriated for research and other programs that are conducted by the Health Sciences Center and that benefit the public health.

Operating Revenues. Collection of non-pledged fees and sales of goods and services were collected for the first time in 2004. These revenues are included as pledgeable revenues, see "Security for the Bonds-Pledge Under the Master Resolution."

Sales and Services. Other educational activities and auxiliary enterprises generate revenue from sales and services which is unrestricted.

Other Interest Income. Each Participant generates interest from the investment of cash pursuant to investment policies adopted by the Board in accordance with State law. See "-Investment Policies and Procedures and Endowments" below.

Other Sources. All miscellaneous revenues including rents, fees, fines, sales, and other receipts not categorized above have been grouped together as "other sources."

Investment Policies and Procedures and Endowments.

Management of Investments. The Board is responsible for the investment of the University System funds held outside the State Treasury and has provided for centralized investment management through the Office of the Vice Chancellor and Chief Financial Officer for the University System. Investments are managed both internally, by the Associate Vice Chancellor and Chief Investment 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, a member of the Board of the Texas Tech Foundation, Inc. (the "Foundation Board"), and five persons appointed, after consultation with the Board and the Foundation Board, by the Chancellor, who have no financial interest in any organization providing investment services to the University System and serve four-year staggered terms.

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 has not implemented and does not currently intend to commence such a program.

Investment Programs and Policies. To facilitate the investment of the 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.

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 or, if instructed by the donor, managed and safeguarded in their original form. The LTIF is managed by unaffiliated investment managers selected by the Board upon the recommendation of the Investment Advisory Committee.

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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
2008	$673,168	$756,667	$1,429,834
2007	549,190	599,560	$1,148,750
2006	510,100	512,371	1,022,471
2005	472,584	468,978	941,562
2004	451,641	379,357	830,998

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, funds retained under Chapter 145 of the Texas Education Code for paying research overhead expenses, and Constitutional College Building Amendment Funds. All such funds held in the State Treasury are administered by the Comptroller. The Comptroller invests money in the State Treasury in authorized investments consistent with applicable law and the Texas State Treasury Investment Policy, dated 1993. 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 December 31, 2008, the amount of University System funds held by the State Treasury was $36,037,752.04.

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 2008

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ANNUAL FINANCIAL REPORT

OF

TEXAS TECH UNIVERSITY SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2008

LUBBOCK, TEXAS

Table of Contents

TEXAS TECH UNIVERSITY SYSTEM™

Office of the Chancellor

November 17, 2008

Honorable Rick Perry
Governor of Texas

Honorable Susan Combs
Texas Comptroller

Mr. John O'Brien
Director, Legislative Budget Board

Mr. John Keel, 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, 2008. 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, 2008.

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,

Kent R. Hance
Chancellor

Box 42013 | Lubbock, Texas 79409-2013 | P 806.742.0012 | F 806.742.8050

TEXAS TECH UNIVERSITY™

Office of Financial Affairs

November 16, 2008

Chancellor Kent Hance
Texas Tech University System
Lubbock, Texas 79409

Dear Chancellor Hance:

Submitted herein is the Annual Financial Report of Texas Tech University System for the fiscal year ended August 31, 2008, 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 statewide requirements embedded in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report (CAFR); 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

Sharon Williamson, CPA
Director of Managerial Reporting

Approved:

Jim Brunjes
Texas Tech University System
Chief Financial Officer

SSW:nh

Box 41102 | Lubbock, Texas 79409-1102 | T 806.742.3255 | F 806.742.0066

Texas Tech University System

Board of Regents

Larry K. Anders	Term Expires January 31, 2011	Dallas, TX
F. Scott Dueser	Term Expires January 31, 2009	Abilene, TX
L. Frederick Francis	Term Expires January 31, 2013	El Paso, TX
Mark Griffin	Term Expires January 31, 2011	Lubbock, TX
John F. Scovell	Term Expires January 31, 2013	Dallas, TX
Daniel T. Serna	Term Expires January 31, 2011	Arlington, TX
Windy Sitton	Term Expires January 31, 2009	Lubbock, TX
Bob L. Stafford	Term Expires January 31, 2009	Amarillo, TX
Jerry E. Turner	Term Expires January 31, 2013	Blanco, TX

Student Regent

Kelli Stumbo	Term Expires May 31, 2009	Flower Mound, TX

Officers of the Board

F. Scott Dueser	Chair
Larry K. Anders	Vice Chair
Ben W. Lock	Secretary

Fiscal Officers

Kent Hance	Chancellor
Jim Brunjes	Vice Chancellor and Chief Financial Officer
Guy Bailey	TTU President
John C. Baldwin, M.D	TTUHSC President
Joseph C. Rallo	ASU President

FINANCIAL STATEMENTS

Texas Tech University System
Statement of Net Assets (Unaudited)
August 31, 2008

ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 1)	$	393,044,456.18
Restricted:		
Cash and Cash Equivalents (Note 1)		143,095,479.99
Legislative Appropriations		100,910,696.82
Accounts Receivable, net:		
Federal Receivables		9,233,672.28
Interest and Dividends		2,077,997.81
Patient Receivables		17,323,868.88
Student Receivables		8,081,482.82
Contract Receivables		14,271,189.85
Gift Receivables		33,239,204.27
Accounts Receivable		11,369,522.41
Other Receivables		5,687,531.21
Due From Other Agencies (Note 8)		6,976,208.72
Prepaid Expenses		42,628,506.83
Consumable Inventories		863,134.89
Merchandise Inventories		3,491,444.22
Loans and Notes Receivable, net		2,817,188.46
Other Current Assets		310,825.00
Total Current Assets		795,422,410.64
Non-Current Assets:		
Restricted:		
Cash and Cash Equivalents (Note 1)		27,142,980.15
Investments (Note 3)		159,826,276.59
Gift Receivables		42,772,101.01
Loans and Notes Receivable, net		3,242,584.99
Investments (Note 3)		779,758,657.20
Capital Assets (Note 2)		
Non-Depreciable		213,567,574.36
Depreciable		1,695,666,104.21
Accumulated Depreciation		(834,844,920.64)
Total Non-Current Assets		2,087,131,357.87
Total Assets	$	2,882,553,768.51
LIABILITIES		
Current Liabilities:		
Accounts Payable	$	50,268,297.09
Payroll Payable		57,647,839.87
Unclaimed Property Due to State Treasury		29,700.71
Deferred Revenues		130,725,459.79
Interfund Payable (Note 8)		344,045.42
Employees' Compensable Leave (Note 5)		8,214,221.12
Claims Payable (Note 5)		1,862,760.70
Notes and Loans Payable (Note 5)		74,268,000.00
Bonds Payable (Note 5)		19,600,000.01
Funds Held for Others		23,511,699.84
Other Current Liabilities		17,578,964.42
Total Current Liabilities		384,050,988.97

Texas Tech University System
Statement of Net Assets (Unaudited)
August 31, 2008

Non-Current Liabilities:		
Unclaimed Property Due to State Treasury		84,673.48
Interfund Payable (Note 8)		259,700.40
Employees' Compensable Leave (Note 5)		29,944,016.46
Claims Payable (Note 5)		16,764,846.30
Bonds Payable (Note 5)		369,444,999.99
Other Non-Current Liabilities		1,512,193.46
Total Non-Current Liabilities		418,010,430.09
Total Liabilities	$	802,061,419.06
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		612,775,879.62
Restricted:		
Nonexpendable:		
Endowments		609,107,542.12
Expendable:		
Capital Projects		35,247,633.79
Higher Education Assistance Fund		33,506,375.97
Debt Service		19,113,182.71
Other		170,683,674.14
Unrestricted (Note 1)		600,058,061.10
Total Net Assets		2,080,492,349.45
Total Liabilities and Net Assets	$	2,882,553,768.51

See Accompanying Notes to the Financial Statements

Texas Tech University System
Statement of Revenues, Expenses, and Changes in Net Assets (Unaudited)
For the Year Ended August 31, 2008

Operating Revenues	
Tuition and Fees	$ 58,138,488.40
Tuition and Fees - Pledged	210,039,645.38
Less Discounts and Allowances	(33,293,206.37)
Professional Fees	213,465,148.61
Sales and Services of Auxiliary Enterprises - Pledged	89,439,837.26
Other Sales and Services	5,074,173.14
Other Sales and Services - Pledged	14,380,953.95
Federal Grants and Contracts (Schedule 1A)	58,558,053.61
Federal Grants and Contracts - Pledged (Schedule 1A)	2,483,120.15
Federal Grant Pass-Throughs (Schedule 1A)	6,222,125.23
State Grants and Contracts	9,539,470.85
State Grants and Contracts - Pledged	159,319.95
State Grant Pass-Throughs (Schedule 1B)	20,556,480.51
Local Governmental Grants and Contracts	84,198,457.47
Local Governmental Grants and Contracts - Pledged	693,667.96
Nongovernmental Grants and Contracts	36,550,003.83
Nongovernmental Grants and Contracts - Pledged	3,380,843.83
Total Operating Revenues	779,586,583.76
Operating Expenses	
Instruction	439,666,389.88
Research	62,128,328.08
Public Service	126,922,318.18
Academic Support	155,443,393.74
Student Services	39,420,979.31
Institutional Support	90,229,138.53
Operations and Maintenance of Plant	67,508,422.65
Scholarships and Fellowships	31,949,649.56
Auxiliary Enterprises	101,432,975.67
Depreciation and Amortization	61,086,407.66
Total Operating Expenses	1,175,788,003.26
Operating Income (Loss)	(396,201,419.50)
Nonoperating Revenues (Expenses)	
Legislative Revenue	385,181,461.53
Federal Grants and Contracts (Schedule 1A)	376,542.50
Private Gifts	94,668,098.77
Private Gifts - Pledged	3,726,664.00
Investment Income	26,489,850.07
Investment Income - Pledged	21,622,337.83
Interest Expense on Capital Asset Financing	(18,635,292.92)
Loss on Sale and Disposal of Capital Assets	(3,115,031.16)
Net Decrease in Fair Value of Investments	(44,858,195.92)
Other Nonoperating Revenues (Expenses)	5,968,760.96
Other Nonoperating Revenues (Expenses) - Pledged	7,628,515.47
Total Nonoperating Revenues (Expenses)	479,053,711.13
Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers	82,852,291.63
Other Revenues, Expenses, Gains, Losses, and Transfers	
Capital Appropriations (HEAF)	48,264,720.00
Capital Contributions	9,616,128.97
Lapsed Appropriations	(18,824.86)
Additions to Permanent Endowments	2,719,030.51
Legislative Transfer Out (Note 8)	(4,125,474.93)
Increase Net Assets - Interagency Transfer Capital Assets (Note 8)	41,343.71
Transfers In from Other State Agencies (Note 8)	215,582,333.67
Transfers Out to Other State Agencies (Note 8)	(8,646,861.08)
Net Other Revenues, Expenses, Gains, Losses, and Transfers	263,432,395.99
TOTAL CHANGES IN NET ASSETS	$ 346,284,687.62
Beginning Net Assets (September 1, 2007)	1,734,207,661.83
Ending Net Assets (August 31, 2008)	$ 2,080,492,349.45

See Accompanying Notes to the Financial Statements

Texas Tech University System
Matrix of Operating Expenses by Natural Classification
For the Year Ended August 31, 2008

Function	Salaries and Wages	Payroll Related Costs	Federal Sub-Contracts	Professional Fees and Services	Travel
Instruction	$ 307,574,461.47	$ 72,632,228.89	$ 6,603.64	$ 12,162,410.29	$ 4,129,893.63
Research	34,015,581.69	6,963,916.58	334,400.90	1,181,179.10	2,338,540.08
Public Service	50,677,732.97	12,226,680.35	822,550.28	40,477,885.75	863,536.24
Academic Support	82,276,402.25	19,495,388.58	12,329.94	3,056,271.23	3,513,980.95
Student Services	18,846,021.07	4,620,122.92		985,339.87	1,292,004.36
Institutional Support	54,978,447.27	14,101,915.75		4,200,082.57	1,351,924.77
Operation and Maintenance of Plant	15,044,369.76	3,852,946.34		348,691.14	105,733.98
Scholarships and Fellowships	53,115.38	3,449.43			
Auxiliary Enterprises	34,515,062.86	7,958,713.95		824,626.45	1,279,766.56
Depreciation and Amortization					
Total Operating Expenses	$ 597,981,194.72	$ 141,855,362.79	$ 1,175,884.76	$ 63,236,486.40	$ 14,875,380.57

Function	Materials and Supplies	Communications and Utilities	Repairs and Maintenance	Rentals and Leases	Printing and Reproduction
Instruction	$ 17,537,874.65	$ 3,716,581.55	$ 1,330,945.78	$ 1,901,211.43	$ 1,496,014.16
Research	11,145,586.98	245,135.17	737,652.45	360,778.22	534,047.93
Public Service	15,806,566.69	1,130,768.02	615,037.63	1,110,824.58	329,941.58
Academic Support	18,568,188.24	4,384,487.19	2,392,769.14	2,623,810.66	1,365,435.46
Student Services	4,175,920.78	745,094.71	686,552.09	466,958.40	1,622,839.21
Institutional Support	2,646,728.29	1,568,950.84	5,783,890.63	2,813,616.28	1,537,435.25
Operation and Maintenance of Plant	9,100,398.26	25,674,910.50	9,412,967.30	344,979.27	33,793.69
Scholarships and Fellowships	420.69				
Auxiliary Enterprises	8,321,905.90	11,478,423.18	4,699,901.71	1,625,374.74	881,855.39
Depreciation and Amortization					
Total Operating Expenses	$ 87,303,590.48	$ 48,944,351.16	$ 25,659,716.73	$ 11,247,553.58	$ 7,801,362.67

Function	Depreciation and Amortization	Scholarships	Bad Debt	Claims and Losses	Other Operating
Instruction	$	$ 2,847,102.18	$ 577.53	$ 359,730.64	$ 13,970,754.04
Research		1,495,171.07			2,776,337.91
Public Service		281,081.07		3,000.00	2,576,713.02
Academic Support		5,218,683.93	35,341.41	262,916.66	12,237,388.10
Student Services		390,037.51			5,590,088.39
Institutional Support		212,255.07		(59,779.80)	1,093,671.61
Operation and Maintenance of Plant		272.35			3,589,360.06
Scholarships and Fellowships		31,891,699.06			965.00
Auxiliary Enterprises		4,417,675.93			25,429,669.00
Depreciation and Amortization	61,086,407.66				
Total Operating Expenses	$ 61,086,407.66	$ 46,753,978.17	$ 35,918.94	$ 565,867.50	$ 67,264,947.13

Function	Grand Total
Instruction	$ 439,666,389.88
Research	62,128,328.08
Public Service	126,922,318.18
Academic Support	155,443,393.74
Student Services	39,420,979.31
Institutional Support	90,229,138.53
Operation and Maintenance of Plant	67,508,422.65
Scholarships and Fellowships	31,949,649.56
Auxiliary Enterprises	101,432,975.67
Depreciation and Amortization	61,086,407.66
Total Operating Expenses	$ 1,175,788,003.26

Texas Tech University System
Statement of Cash Flows (Unaudited)
For the Year Ended August 31, 2008

Cash Flows from Operating Activities	
Tuition and Fees	$ 230,610,369.36
Grants and Contracts	217,792,778.65
Sales and Services of Auxiliary Enterprises	94,074,540.07
Collections from Patients and Insurers	215,815,297.33
Collections of Loans to Students	3,435,064.74
Other Sales and Services	10,004,058.80
Other Operating Activities	4,229,003.95
Payments to Suppliers	(265,304,669.13)
Payments to Employees	(599,243,202.39)
Payments for Loans Issued to Students	(1,434,970.10)
Payments for Auxiliary Enterprises	(329,877.23)
Payments for Other Operating Activities	(260,080,531.04)
Net Cash Used By Operating Activities	(350,432,136.99)
Cash Flows from Noncapital Financing Activities	
State Appropriations	347,185,173.65
Noncapital Gifts and Grants	87,928,297.05
Proceeds from Direct Lending	39,032,173.90
Payments for Direct Lending	(39,051,218.00)
Transfers In from Other State Agencies	51,140,242.18
Transfers Out to Other State Agencies	(7,098,979.00)
Payments for Agency Transactions	(639.30)
Proceeds from Agency Transactions	745,287.33
Other Noncapital Financing Activities	4,285,349.45
Net Cash Provided by Noncapital Financing Activities	484,165,687.26
Cash Flows from Capital and Related Financing Activities	
Proceeds from Capital Debt Issuances	45,858,000.00
Capital Appropriations	43,867,604.23
Capital Contributions	21,799.00
Proceeds from Capital Gifts and Grants	9,594,329.98
Purchases of Capital Assets	(124,768,264.01)
Principal Paid on Capital Debt	(32,503,185.01)
Interest Paid on Capital Debt	(20,033,251.17)
Payments for Other Capital Related Activities	(53,658.64)
Net Cash Used by Capital and Related Financing Activities	(78,016,625.62)
Cash Flows from Investing Activities	
Proceeds from Investment Sales and Maturities	196,715,604.84
Interest and Dividends Received	33,187,092.44
Purchases of Investments	(127,532,194.69)
Net Cash Provided by Investing Activities	102,370,502.59
TOTAL NET CASH FLOWS	$ 158,087,427.24
Beginning Cash & Cash Equivalents - September 1, 2007	405,195,489.08
Ending Cash & Cash Equivalents - August 31, 2008	$ 563,282,916.32

Reconciliation of Operating Loss to Net Cash Flows from Operating Activities	
Operating Loss	(396,201,419.50)
Adjustments:	
Depreciation Expense	61,086,407.66
Bad Debt Expense	35,918.94
(Increase) Decrease in Accounts Receivables	(11,799,255.93)
(Increase) Decrease in Loans and Notes Receivable	384,433.10
(Increase) Decrease in Inventory	(502,727.88)
(Increase) Decrease in Due From Other Agencies	(430,761.56)
(Increase) Decrease in Prepaid Expenses	(8,563,459.02)
(Increase) Decrease in Other Assets	1,002,516.83
Increase (Decrease) in Accounts Payables	1,947,972.91
Increase (Decrease) in Payroll Payables	1,974,580.72
Increase (Decrease) in Deferred Revenue	957,096.56
Increase (Decrease) in Compensable Leave	3,089,315.30
Increase (Decrease) in Claims Payable	(4,013,806.00)
Increase (Decrease) in Due To Other Agencies	(41,304.98)
Increase (Decrease) in Other Liabilities	642,355.86
Net Cash Used for Operating Activities	(350,432,136.99)

POLICIES AND NOTES

TEXAS TECH UNIVERSITY SYSTEM

Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies

Reporting Entity

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' Annual Financial Reporting Requirements for State Agencies.

Components of the Texas Tech University System include Texas Tech University, Texas Tech University Health Sciences Center, Angelo State University and 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 described below for blended component units.

<u>Blended Component Units</u>
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, Texas Tech University Health Sciences Center and Texas Tech University System Administration. The Texas Tech University Research Foundation was founded to support the research activities of Texas Tech University. Based on the application of the GASB Standard No. 14 criteria, the Texas Tech Foundation and the Texas Tech Research Foundation have been blended into these financial statements because of the significance of their financial relationship with the System.

Texas Tech Physician Associates (TTPA) 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 create for the purpose of entering into prepaid capitation agreements for physician and other medical services. TTPA is exempt from tax under Internal Revenue Service code section 501(c)(3). The TTPA board consists of nine directors appointed by TTUHSC.

The Robert G. Carr and Nona K. Carr Scholarship Foundation was established for the benefit of Angelo State University. The Foundation is included in the Texas Tech University System financial statements as a blended component unit.

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.

Basis of Accounting

The accounting records of the Texas Tech University System are maintained using a modified accrual basis of accounting. Accounting data for most external reports, including this Annual Financial Report, are converted to full accrual basis of accounting in compliance with GASB Statements 34 and 35. For financial reporting purposes, the Texas Tech University System is considered a special-purpose government engaged only in business-type activities. Accordingly, the System's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Texas Tech University System– Notes to the Financial Statements (continued)

Cash and Cash Equivalents

For the purpose of financial statement reporting, cash equivalents are short-term highly liquid investments with an original maturity of three months or less. Included in this category are demand deposits in banks, local funds held by the state, state reimbursements in transit, repurchase agreements, TexPool and TexStar investments.

The System records and reports its deposits in the general deposit account at cost. It records and reports its special deposit accounts at fair value. Investment pool cash equivalents are recorded at fair value.

Cash and Cash Equivalents as reported on the Statement of Net Assets

	Current Unrestricted	Current Restricted	Non-Current Restricted	Total
Cash on Hand	$180,338.70	$3,061.00	$0.00	$183,399.70
Cash in Bank	8,657,804.27	11,259,348.53	3,104,959.24	23,022,112.04
Reimburse from Treasury	9,514,796.79	83,644.22		9,598,441.01
Cash in State Treasury	48,224,740.59			48,224,740.59
Repurchase Agreements	30,221,110.64	11,761,591.87	1,168,154.53	43,150,857.04
TexPool & TexStar Investments	296,245,665.19	119,987,834.37	22,869,866.38	439,103,365.94
Total Cash and Cash Equivalents	$393,044,456.18	$143,095,479.99	$27,142,980.15	$563,282,916.32

Investments

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.

Inventories

Inventories include both merchandise inventories on hand for sale and consumable inventories such as maintenance supplies, housing supplies, janitorial supplies, office supplies, and telecommunications supplies. Inventories are valued at cost, generally utilizing the last-in, first-out method.

Receivables

Accounts receivable consist of tuition and fees charged to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable are recorded net of estimated uncollectible amounts.

Federal receivable includes amounts due from the federal, state, and local governments or private sources, in connection with reimbursement of allowable expenditures disbursed by the System's grants and contracts department.

Gift receivables are accounted for at their estimated net realizable value. The estimated net realizable value consists of the present value of long-term pledges and a reduction for any allowance for uncollectible pledges. Pledges vary from one to ten years and are used to support specifically identified System programs and initiatives.

Interest and income receivable consists of amounts due from investment holdings, cash management pools, and cash invested in various short-term investment items.

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

Prepaid Expenses

Disbursements for insurances, subscriptions, prepaid postage, prepaid travel costs and similar services paid in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods.

Loans and Notes Receivable

These receivables are student loans receivable that consist of amounts due from the Federal Perkins Loan Program, and from other loans administered by the System.

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. Routine repairs and maintenance and capital assets acquired for less than the threshold amounts are charges to operating expenses in the year in which the expense was incurred. 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.

Accounts Payable and Accrued Liabilities

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

Deferred Revenues

Deferred Revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Employees' Compensable Leave Balances

Employees' Compensable Leave payable 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.

Notes and Loans Payable

Notes payable represents amounts owed for commercial paper that was issued during the current accounting period. Notes and loans payable are further explained in Note 5.

Bonds Payable

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 13.

Funds Held for Others

Current balances in funds held for others result from the System acting as an agent or fiduciary for students and student organizations.

Interfund Payable

Interfund payables are resources payable to other state agencies for Lone Star that assisted the System with utility costs. This payable is further explained in Note 8.

Net Assets

Net Assets are the difference between fund assets and liabilities. They are presented in three separate classes: Invested in Capital Assets - Net of Related Debt, Restricted and Unrestricted.

Invested in Capital Assets, Net of Related Debt

Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets

Restricted net assets result when constraints placed on net asset use are either externally imposed by a party external to the System such as 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.

Unrestricted Net Assets as reported on the Statement of Net Assets

Reserved for:	
Encumbrances	$50,272,188.00
Accounts Receivable	49,511,992.13
Inventory	4,354,579.11
Prepaid Expenses	11,395,366.78
Imprest Funds	253,737.27
Balances Subject to Reappropriation	995,134.14
Working Capital	54,761.50
Self-Insured Plans	40,843,080.64
Fair Market Value Adjustment	(75,754.84)
Fire and Extended Coverage Loss	100,000.00
Future Operating Budgets	103,538,263.95
Service Department Operating Funds	16,888,994.76
Student Service Fees	1,039,870.45
Funds Functioning as Endowments	100,332,531.97
Unreserved	220,553,315.24
Total Unrestricted Net Assets	$600,058,061.10

Interfund Activity and Transactions

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 transactions between legally separate entities. Interfund activity and interfund transactions are both clearly identifiable and are eliminated where appropriate.

Texas Tech University System - Notes to the Financial Statements (continued)

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. The changes to fixed asset balances are summarized below.

Business-type Activities:	Balance 09/01/07	Adjustments	Completed CIP	Increase Int'agy Trans	Decrease Int'agy Trans	Additions	Deletions	Balance 08/31/08
Non-depreciable Assets:								
Land and Land Improvements	$10,031,878.86	2,754,755.97				1,341,032.00		$14,127,666.83
Construction In Progress	134,242,670.96	4,252,498.13	(35,951,482.36)			48,657,779.97	(123,073.71)	151,078,392.99
Other Capital Assets	46,336,963.94	275,805.00				1,748,745.60		48,361,514.54
Total Non -depreciable Assets	190,611,513.76	7,283,059.10	(35,951,482.36)			51,747,557.57	(123,073.71)	213,567,574.36
Depreciable Assets:								
Building & Building Improvements	972,261,217.89	131,766,230.77	35,664,760.04			36,606,805.88	(7,066,269.47)	1,169,232,745.11
Infrastructure	29,928,255.34	4,677,058.01	286,722.32			916,423.13		35,808,458.80
Facilities & Other Improvements	144,643,237.38	2,840,362.98				8,451,076.07		155,934,676.43
Furniture and Equipment	167,000,708.13	9,097,721.64		205,467.87	(28,039.50)	23,148,146.07	(7,127,847.84)	192,296,156.37
Vehicles, Boats and Aircraft	11,958,100.44	1,295,392.10				1,986,776.34	(610,177.90)	14,630,090.98
Other Capital Assets	113,984,842.53	5,519,589.26				8,281,248.61	(21,703.88)	127,763,976.52
Total depreciable assets at historical costs	1,439,776,361.71	155,196,354.76	35,951,482.36	205,467.87	(28,039.50)	79,390,476.10	(14,825,999.09)	1,695,666,104.21
Less Accumulated Depreciation for:								
Buildings and Improvements	(514,113,214.63)	(64,206,625.70)				(29,579,566.92)	4,305,086.88	(603,594,320.37)
Infrastructure	(6,174,079.82)	(1,197,602.68)				(1,276,252.12)		(8,647,934.62)
Facilities & Other Improvements	(32,281,625.41)	(2,639,064.40)				(6,409,903.22)		(41,330,593.03)
Furniture & Equip	(109,943,297.77)	(6,436,547.37)		(164,124.16)	28,039.50	(15,694,828.11)	6,457,514.29	(125,753,243.62)
Vehicles, Boats And Aircraft	(7,932,061.53)	(1,080,123.65)				(1,085,150.89)	557,697.64	(9,539,638.43)
Other Capital Assets	(34,082,845.23)	(4,877,342.82)				(7,040,706.40)	21,703.88	(45,979,190.57)
Total Accumulated Depreciation	(704,527,124.39)	(80,437,306.62)		(164,124.16)	28,039.50	(61,086,407.66)	11,342,002.69	(834,844,920.64)
Depreciable Assets, Net	735,249,237.32	74,759,048.14	35,951,482.36	41,343.71	0.00	18,304,068.44	(3,483,996.40)	860,821,183.57
Business-type Activities Capital Assets, net:	$925,860,751.08	$82,042,107.24	$0	$41,343.71	0.00	$70,051,626.01	$(3,607,070.11)	$1,074,388,757.93

Texas Tech University System – Notes to the Financial Statements (continued)

Note 3: Deposits, Investments, and Repurchase Agreements

Texas Tech University System's investment portfolio is invested pursuant to the parameters of applicable Texas law and the governing board's Investment Policies. Under Texas law, Texas Tech University System investments may be "any kind of investment that persons of ordinary prudence, discretion, and intelligence, exercising the judgment and care under the circumstances then prevailing, acquire or retain for their own account in the management of their affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital." Under Texas law, Texas Tech University System is required to invest its institutional funds according to written investment policies adopted by the Board of Regents. No person may invest Texas Tech University System funds without express written authority from the governing board.

The governing investment policy is Regents' Rules Chapter 09, "Investment, Endowments, and Income Producing Lands." The majority of Texas Tech University System assets are invested in two investment pools; the Long Term Investment Fund (LTIF) and the Short/Intermediate Term Investment Fund (STIF). Endowment funds and certain eligible long-term institutional funds are invested in the LTIF, which invests in equity and fixed income securities and is operated using total return philosophy. Other institutional funds not in the LTIF are invested in the STIF, which is a fixed income fund. Other assets include securities gifted to Texas Tech University System with written donor instructions to maintain in their original form, and bond proceeds invested in external investment pools.

Deposits of Cash in Bank

As of August 31, 2008, the carrying amount of deposits was $23,022,112.04 as presented below.

Enterprise Funds	
Cash in Bank -- Carrying Amount	$23,022,112.04
Less: Certificates of Deposit included in carrying value and reported as Cash Equivalent	0
Less: Uninvested Securities Lending Cash Collateral included in carrying value and reported as Securities Lending Collateral	0
Less: Securities Lending CD Collateral included in carrying value and reported as Securities Lending Collateral	0
Cash in Bank per AFR	$23,022,112.04

Enterprise Funds Current Assets Cash in Bank	$8,657,804.27
Enterprise Funds Current Assets Restricted Cash in Bank	11,259,348.53
Enterprise Funds Non-Current Assets Restricted Cash in Bank	3,104,959.24
Cash in Bank per AFR	$23,022,112.04

These amounts consist of all cash in local banks and are included on the Statement of Net Assets as part of current unrestricted and restricted "Cash and Cash Equivalents" and non-current restricted "Cash and Cash Equivalents".

As of August 31, 2008, the total bank balance for Enterprise Funds was $11,656,733.52.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The System's policy is to require collateralization of bank balances in excess of FDIC protection. The balance below was transferred to the University's primary depository, which has sufficient collateral, after fiscal year-end.

Texas Tech University System – Notes to the Financial Statements (continued)

Fund Type	GAAP Fund	Uninsured and uncollateralized	Uninsured and collateralized with securities held by the pledging financial institution	Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the state's name
05	9999	$149,910.74		

Investments
As of August 31, 2008, the fair value of investments is as presented below.

Type of Security	Fair Value
Enterprise Funds	
U.S. Government	
U.S. Treasury Securities	$ 21,114.85
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.)	164,545,496.24
Corporate Obligations	2,245,433.30
Corporate Asset and Mortgage Backed Securities	2,412.44
Equity	63,903,890.31
International Equity	111,415,299.82
Repurchase Agreement	43,150,857.04
Fixed Income Money Market and Bond Mutual Fund	157,069,687.92
Other Commingled Funds	106,552,460.07
Other Commingled Funds (Texpool)	424,128,853.60
Real Estate	897,835.71
Alternative Investments - Domestic	310,173,595.37
Alternative Investments – International	21,004,103.81
Misc (limited partnerships, guaranteed investment contract, political subdivision, bankers' acceptance, negotiable CD)	16,728,116.29
Total Investments	$1,421,839,156.77

Non-Current Investments	$ 939,584,933.79
Items in Cash and Cash Equivalents:	
Repurchase Agreements	43,150,857.04
TexPool & TexStar Investments	439,103,365.94
Total	$1,421,839,156.77

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System's investment policy is to require third party custody for the two investment pools, the LTIF and the STIF. The balances listed below relate to securities outside of those pools.

Fund Type	GAAP Fund	Type	Uninsured and unregistered with securities held by the counterparty	Uninsured and unregistered with securities held by the counterparty's trust department or agent but not in the state's name
05	9999	Equity	$1,964,781.00	

Texas Tech University System – Notes to the Financial Statements (continued)

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investment. The System's policy is limit international equity investments to between 10-30% of the LTIF portfolio. The exposure to foreign currency risk as of August 31, 2008, is as follows.

Fund Type	GAAP Fund	Foreign Currency	International Obligation	International Equity
05	9999	Argentine peso		$145,686.85
05	9999	Australian dollar		2,028,970.48
05	9999	Bermudan dollar		320,679.62
05	9999	Brazilian real		5,320,548.60
05	9999	Canadian dollar		688,923.08
05	9999	Cayman dollar		20,324.76
05	9999	Chilean Peso		48,562.28
05	9999	Chinese yuan		2,241,993.09
05	9999	Czech koruna		145,686.85
05	9999	Danish krone		1,048,332.64
05	9999	Egyptian pound		194,249.14
05	9999	Euro		26,161,690.67
05	9999	Hong Kong dollar		2,811,948.06
05	9999	Hungarian forint		655,590.83
05	9999	Indian rupee		1,073,588.58
05	9999	Indonesian rupiah		169,967.99
05	9999	New Israeli shekel		1,385,935.99
05	9999	Japanese yen		18,586,029.34
05	9999	Malaysian ringgit		650,812.75
05	9999	Mexican peso		853,264.53
05	9999	Moroccan dirham		48,562.28
05	9999	New Zealand dollar		43,826.03
05	9999	Norwegian krone		853,946.29
05	9999	Pakistani rupee		145,686.85
05	9999	Phillippino peso		218,530.28
05	9999	Polish zloty		267,092.56
05	9999	Pound sterling		19,424,415.14
05	9999	Russian ruble		2,379,551.92
05	9999	Singapore dollar		2,344,518.42
05	9999	South African rand		1,189,775.96
05	9999	South Korean won		5,554,650.97
05	9999	Swedish krona		1,325,427.41
05	9999	Swiss franc		6,215,801.06
05	9999	New Taiwan dollar		3,272,364.00
05	9999	Thai baht		1,786,403.44
05	9999	New Turkish lira		1,791,961.08
		Total		$111,415,299.82

Texas Tech University System – Notes to the Financial Statements (continued)

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System's investment policy limits fixed income securities held by the STIF to those issued by the U.S. or its agencies and instrumentalities. Fixed income mutual funds in the STIF must hold securities that are at least rated investment grade. As of August 31, 2008, the System's credit quality distribution for securities with credit risk exposure was as follows.

Standard & Poor's

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BB	Unrated
05	9999	U.S. Government Agency Obligations	$164,545,496.24				
05	9999	Corporate Obligations	$110,019.80	$2,019,152.50	$116,261.00		
05	9999	Corporate Asset and Mortgage Back Securities	$2,412.44				
05	9999	Repurchase Agreement	$43,150,857.04				
			AAAf	**AAf**	**Af**		**Unrated**
05	9999	Fixed Income Money Market and Bond Mutual Fund	$28,358,606.25				$128,711,081.67

Derivative Investing

The System holds collateralized mortgage obligations. These securities were purchased to provide an incremental yield above that available on corporate securities with similar terms. The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in the fair value. It is estimated these securities, along with other securities held by the System, will provide future cash inflows on a time schedule that approximately matches the outflows associated with the System's liabilities. These securities are rated AAA by the major rating agencies.

Note 4: Short-Term Debt

Texas Tech University System has no outstanding short-term debt as of August 31, 2008.

Texas Tech University System– Notes to the Financial Statements (continued)

Note 5: Summary of Long-Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2008, the following changes occurred in liabilities.

Long-Term Liability Category	Balance 09/01/07	Increases	Decreases	Balance 08/31/08	Current Portion
Claims Payable	$22,641,413.00	$0.00	$4,013,806.00	$18,627,607.00	$1,862,760.70
Notes and Loans	36,599,000.00	46,633,599.68	8,964,599.68	74,268,000.00	74,268,000.00
Revenue Bonds	407,785,000.00		18,740,000.00	389,045,000.00	19,600,000.01
U.S. Gov't Grants Refundable		583,604.02	52,533.51	531,070.51	0.00
Compensable Leave	33,657,966.02	5,818,027.95	1,317,756.39	38,158,237.58	8,214,221.12
Total	$500,683,379.02	$53,035,231.65	$33,088,695.58	$520,629,915.09	$103,944,981.83

Claims Payable

Claims payable includes estimates for both known medical malpractice claims and those that have not yet been made against the insured participants. The liability is actuarially estimated to reflect the anticipated future claims for past medical services. Some of these claims are in process, while others are expected to be filed in the future. The liability estimate does not consider the probability of payment on a claim-by-claim basis, and instead considers overall probability of payment for medical malpractice claims. Funding for future claim payments will be from a self-insurance reserve managed by the office of the General Counsel.

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. This obligation is paid from a central vacation pool account which collects the funding from the same funding source(s) from which the employee's salary or wage compensation was paid.

Bonds Payable

See Note 13 for detailed information on bond liability balances and transactions.

Notes and Loans Payable

Commercial paper was issued during the fiscal year to finance various construction projects. Debt service for the obligation is provided in general appropriation for tuition revenue bonds and revenue from various projects. All commercial paper outstanding at 8/31/08 will mature in fiscal year 2009.

Texas Tech University System – Notes to the Financial Statements (continued)

Commercial paper has short maturities up to 270 days with interest rates ranging from 1.10% to 3.95%.

Summary of Debt Service Requirements for Notes Payable

Fiscal Year	Principal	Interest	Total
2009	$74,268,000.00	$295,786.69	$74,563,786.69
2010			
2011			
2012			
2013			
All Other Years			
Total Requirements	$74,268,000.00	$295,786.69	$74,563,786.69

Note 6: Capital Leases

As of August 31, 2008, Texas Tech University System had no outstanding capital leases.

Note 7: Operating Leases

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

Fiscal Year	
2009	$4,328,837.36
2010	4,416,498.23
2011	4,548,993.18
2012	4,685,462.98
2013	4,826,026.87
Total Minimum Future Lease Rental Payments	$22,805,818.62

Note 8: Interfund Balances/Activities

As explained in Note 1 on interfund activities and transactions, there 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
Interagency Capital Asset Transfers
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.

Individual balances and activity at August 31, 2008, follows:

Current Interfund Payable	Amount	Purpose
Agency 907, D23 Fund 0515	$344,045.42	Lone Star
Total Interfund Payable	$344,045.42	

Texas Tech University System – Notes to the Financial Statements (continued)

Noncurrent Interfund Payable	Amount	Purpose
Agency 907, D23 Fund 0515	$259,700.40	Lone Star
Total Interfund Payable	$259,700.40	

Due from Other Agencies	Current Due from Other Agencies
Texas Education Agency (Agency 701)	$288,540.84
Texas School for the Blind (Agency 771)	55,867.73
Texas Water Development Board (Agency 580)	221,221.59
Texas State Energy Conservation Office (Agency 907)	21,904.56
Texas Commission on Environmental Quality (Agency 582)	17,937.01
Office of the Governor (Agency 300)	701,684.18
Texas Parks Wildlife (Agency 802)	21,047.29
Texas Workforce Commission (Agency 320)	162,493.79
Texas Department of Transportation (Agency 601)	62,112.07
Texas Higher Education Coordinating Board (Agency 781)	327,846.55
University of Texas System (Agency 720)	5,095,553.11
Total Due from Other Agencies	$6,976,208.72

Transfers In from Other State Agencies	Amount
Texas State University System (Agency 795)	$215,582,333.67
Total Transfers In from Other State Agencies	$215,582,333.67

Transfers Out to Other State Agencies	Amount
Texas Higher Education Coordinating Board (Agency 781)	$2,017,996.60
Texas State University System (Agency 758)	1,783,882.08
Texas Public Finance Authority (Agency 347)	344,982.40
Texas Department of State Health Services (Agency 529)	4,500,000.00
Total Transfers Out to Other State Agencies	$8,646,861.08

Increase Net Assets - Interagency Capital Asset Transfers	Amount
University of Texas at Austin (Agency 721)	$41,343.71
Total Interagency Capital Asset Transfers	$41,343.71

Legislative Transfers Out	Amount
Texas State University System (Agency 758)	4,125,474.93
Total Legislative Transfers Out	$4,125,474.93

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

Texas Tech University System – Notes to the Financial Statements (continued)

Note 9: Contingent Liabilities

At August 31, 2008, 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 10: Continuance Subject to Review

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

Note 11: Risk Financing and Related Insurance

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 pool for the fiscal year was funded by a .25 percent charge on non-educational and general gross payroll for paying its proportionate share of the SORM assessment.

The System has self-insured arrangements for Unemployment Compensation Fund coverage. The State of Texas pays 50% of claims for employees paid from state funds. The System pays the remainder for employees paid from state funds and 100% of the claims paid from non-state funds. The claims for employees paid from non-state funds are funded by interest earnings on the Unemployment Compensation Fund balance and utilization of fund balance.

Note 12: Segment Information

Texas Tech University System has no reportable segments.

Note 13: Bonded Indebtedness

Bonds Payable

Several bond issues were outstanding as of August 31, 2008 which are summarized in the paragraphs that follow.

Revenue Financing System Refunding and Improvement Bonds, Sixth 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. Also, financing for projects in Amarillo, Midland, and Lubbock.
Original Issue Amount:	$115,100,000
Issue Date:	May 4, 1999
Interest Rates:	4.00% to 5.25%
Maturity Date Range:	1999 through 2029
Type of Bond:	Revenue
Changes in Debt:	$0 issued; $5,810,000.00 retired

Texas Tech University System – Notes to the Financial Statements (continued)

Revenue Financing System Bonds, Seventh 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. Also, financing for projects in El Paso and Lubbock.
Original Issue Amount:	$126,865,000
Issue Date:	January 23, 2002
Interest Rates:	3.00% to 5.50%
Maturity Date Range:	2002 through 2031
Type of Bond:	Revenue
Changes in Debt:	$0 issued; $3,435,000.00 retired

Revenue Financing System Bonds, Eighth 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:	3.46% to 6.75%
Maturity Date Range:	2003 through 2031
Type of Bond:	Revenue
Changes in Debt:	$0 issued; $2,190,000.00 retired

Revenue Financing System Refunding and Improvement Bonds, Ninth Series 2003

Purpose:	Refunding of Series A Notes and Series 1993 bonds, construction of the Experimental Sciences Building and renovation of Horn/Knapp dormitory and other System construction of capital improvement projects and costs of issuance
Original Issue Amount:	$97,265,000
Issue Date:	September 23, 2003
Interest Rates:	2.00% to 5.25%
Maturity Date Range:	2003 through 2023
Type of Bond:	Revenue
Changes in Debt:	$0 issued; $4,145,000.00 retired

Revenue Financing System Refunding and Improvement Bonds, Tenth Series 2006

Purpose:	For advanced refunding of Series A Notes and Series 1999 and 2001 bonds, for construction of Murray Hall, renovation of the Student Union Building, Medical Education Building project in El Paso and various dormitories and other University construction of capital improvement projects
Original Issue Amount:	$220,915,000;
Issue Date:	February 2, 2006
Interest Rates:	4.00% to 5.00%
Maturity Date Range:	2006 through 2031
Type of Bond:	Revenue
Changes in Debt:	$0 issued; $3,160,000.00 retired

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 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 Texas Tech University 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.

Prior to September 1, 2007, all bonded indebtedness for Angelo State University was issued through the Texas State University System (TSUS) Revenue Financing System, of which the Texas State University System Administration and each of their components were members. The TSUS Board of Regents cross-pledged all lawfully available funds (revenues) and balances attributable to any TSUS RFS member against the bonded indebtedness of all other TSUS RFS members for payment on the Parity Debt. Effective September 1, 2007, House Bill 3564 (80^{th} Legislature, Regular Session) transferred governance of Angelo State University to the Texas Tech University System. For the debt issued by the TSUS, the bonds payable are reported by TSUS. ASU will repay the debt that was issued on its behalf; consequently, the following debt amortization schedule is presented below for informational purposes only.

Description	Year	Principal	Interest	Total
All Issues	2009	$3,267,072.71	$2,618,416.76	$5,885,489.47
	2010	3,466,050.25	2,463,353.72	5,929,403.97
	2011	3,662,035.10	2,297,639.18	5,959,674.28
	2012-2016	18,650,861.62	8,696,356.20	27,347,217.82
	2017-2021	12,280,990.15	4,459,016.56	16,740,006.71
	2022-2026	4,846,261.90	2,331,347.44	7,177,609.34
	2027-2031	4,640,000.00	1,266,750.00	5,906,750.00
	2032-2034	2,195,000.00	166,000.00	2,361,000.00
	Totals	$53,008,271.73	$24,298,879.86	$77,307,151.59

A portion of the ASU debt above represents Tuition Revenue Bonds historically funded by the Texas Legislature through General Revenue Appropriations. ASU was appropriated $4,105,744 during the current fiscal year for Tuition Revenue Bond debt service. ASU expects future Legislative appropriations to meet debt service requirements for Tuition Revenue bonds.

Note 14: Subsequent Events

The Texas Tech University System intends to issue revenue financing system bonds during fiscal year 2009 in the amount of approximately $140 million of which $39 million of this amount has already been issued as commercial paper as of August 31, 2008.

Note 15: Related Parties – Relationship with Texas Tech University System

The Texas Tech Alumni Association provided services on behalf of Texas Tech University for which the University paid $110,000 during the 2008 fiscal year. These services include public relations and general support of the University through various scholarships and awards.

The Angelo State University Alumni Association contributed $80,863.97 to ASU during the 2008 fiscal year for operation of the alumni office. ASU paid $65,768 above the contributed amount for maintaining the records of the students who have graduated from ASU.

The Angelo State University Foundation is a non-profit organization with the sole purpose of supporting educational and other activities of ASU. The Foundation solicits donations and acts as coordinator of gifts made by other parties. The Foundation expended $330,086.79 on behalf of ASU during the year ended August 31, 2008. During the year, ASU furnished limited staff assistance to the Foundation.

Note 16: 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 implementation of Governmental Accounting Standards Board statements 34 and 35. The Texas Tech University System has no other material stewardship, compliance, or accountability issues.

Note 17: 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. 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 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, Texas Tech University Health Sciences Center and Texas Tech University System Administration. The Texas Tech University Research Foundation was founded to support the research activities of Texas Tech University. Based on the application of the GASB Standard No. 14 criteria, the Texas Tech Foundation and the Texas Tech Research Foundation have been blended into these financial statements because of the significance of their financial relationship with the System.

Texas Tech Physician Associates (TTPA) 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 create for the purpose of entering into prepaid capitation agreements for physician and other medical services. TTPA is exempt from tax under Internal Revenue Service code section 501(c)(3). The TTPA board consists of nine directors appointed by TTUHSC.

The Robert G. Carr and Nona K. Carr Scholarship Foundation was established for the benefit of Angelo State University. The Foundation is included in the Texas Tech University System financial statements as a blended component unit.

Texas Tech University System – Notes to the Financial Statements (continued)

Note 18: Restatement of Fund Balances and Net Assets

Texas Tech University System has no restatement of Fund Balances/Net Assets as of August 31, 2008.

Note 19: Employee Retirement Plans

The State has established an Optional Retirement Program (ORP) for institutions of higher education. Participation in ORP is in lieu of participation in the Teacher's Retirement System and is available to certain eligible employees. The contributions made by plan members and the employer for the fiscal year ended August 31, 2008 are:

	Year Ended August 31, 2008
Member Contributions	$14,149,981.68
Employer Contributions	15,500,486.27
Total	$29,650,467.95

Note 20: Deferred Compensation (administering agencies only)

Not applicable

Note 21: Donor Restricted Endowments

Expenditure of endowed funds is not allowed without the express consent of the donor. Most of Texas Tech University System 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.

Endowment assets are invested predominantly in the Long Term Investment Fund (LTIF). The LTIF has experienced varying performance since its inception. The cumulative effect of valuation changes assignable to endowment fund assets are summarized in the following table:

Donor-Restricted Endowment	Amount of Net Appreciation	Reported in Net Assets
True Endowments	($33,285,372.61)	Restricted Nonexpendable
True Endowments	21,348,475.67	Restricted Expendable
Term Endowments	(61,669.12)	Restricted Nonexpendable
Total	($11,998,566.06)	

Note 22: Management Discussion and Analysis (MD&A)

The Texas Legislature (80th Regular Session) passed H.B. 3564 and pursuant to the statute, the governance, control, management and property of Angelo State University were transferred from Texas State University System, effective September 1, 2007 (FY 2008). Thus, the Texas Tech University System consolidated AFR for FY 2008 includes the financial information for Angelo State University for the first time. Angelo State University currently offers one associate, 40 undergraduate and 23 graduate degrees. Angelo State University provides a broad academic experience for undergraduates and a strong graduate program, particularly in the basic and health sciences.

The Texas Tech University System (TTUS), created in 1999, is composed of one health related and two general academic institutions. The components are Texas Tech University System Administration (TTUSA); Texas Tech University (TTU); Texas Tech University Health Sciences Center (TTUHSC) and Angelo State University (ASU).

Texas Tech University System – Notes to the Financial Statements (continued)

The System encompasses seven academic campuses and centers in Lubbock, Abilene, Amarillo, Fredericksburg, Highland Lakes, Junction, San Angelo and Seville, Spain; the seven locations of the health sciences campuses and centers are Lubbock, El Paso, Amarillo, Abilene, Permian Basin, Dallas and Marble Falls. The total enrollment across all components is more than 37,000 students. Headquartered in Lubbock, the System's control and direction is vested in a ten-member Board of Regents. The Chancellor, appointed by the Board of Regents, is the chief executive officer of the Texas Tech University System.

The Texas Tech University System and its components employ more than 18,000 faculty and staff. The annual combined budget of all components of the System totals more than $1.3 billion; approximately $423 million of these funds are provided by the State's General Revenue.

The Texas Tech University System is committed to providing the highest quality and most efficient resources and services to its components. Throughout all institutions and centers, the System strives to increase accessibility, enhance instruction and infrastructure formula funding, provide necessary financial aid, produce and commercialize new technologies, strengthen academic quality and reputation, advance research, improve productivity and efficiency, and further the quality and availability of health care for all Texans.

Note 23: Post Employment Health Care and Life Insurance Benefits (UT, A&M, TRS and ERS only)

Not applicable

Note 24: Special or Extraordinary Items

The Texas Tech University System has no special or extraordinary items to report for the fiscal year ended August 31, 2008.

Note 25: Disaggregation of Receivable and Payable Balances

Receivables

Components of receivables as of August 31, 2008 are summarized below.

Type	Net Amount
Federal Receivables	$9,233,672.28
Interest and Dividends Receivable	2,077,997.81
Patient Receivables	17,323,868.88
Student Receivables	8,081,482.82
Contract Receivables	14,271,189.85
Gift Receivables Current & Non-Current	76,011,305.28
Accounts Receivables	11,369,522.41
Loans & Notes Receivable Current & Non-Current	6,059,773.45
Other Receivables	5,687,531.21
Total Receivables	$150,116,343.99

Contractual Arrangements and Concentrations of Credit Risk

The TTU Health Sciences Center provides care to patients covered by various third party payers such as Medicare, Medicaid, and private insurance companies and health maintenance organizations (HMOs).

The TTU Health Sciences Center provides primary, secondary and tertiary health care services to counties in west Texas, eastern New Mexico, and the Oklahoma panhandle region, as well as border regions in southwest Texas. Patient care centers are located in the Texas cities of Amarillo, El Paso, Lubbock and Odessa.

Texas Tech University System – Notes to the Financial Statements (continued)

Concentrations of gross patient accounts receivables are depicted in the table below. Management does not believe there are significant credit risks associated with the listed payers, other than the self pay and medically indigent category. Further, management continually monitors and adjusts reserves and allowances associated with these receivables. Patient accounts receivables are reported in this Annual Financial Report net of allowances for bad debts, contractual adjustments, and charity care.

Type	Gross Amount
Medicare	$5,751,767.07
Medicaid	11,822,888.81
Managed Care, including Blue Cross	7,795,470.33
Commercial	5,038,296.75
Self Pay and Medically Indigent	17,523,412.07
Other	212,416.56
Total Gross Patient Accounts Receivable	$48,144,251.59

Payables
Components of payables as of August 31, 2008 are summarized below.

Type	Net Amount
Accounts Payable	$50,268,297.09
Payroll Payable	57,647,839.87
Total Payables	$107,916,136.96

Note 26: Termination Benefits

Texas Tech University System has no reportable voluntary or involuntary termination benefits as of August 31, 2008.

Note 27: Medical Patient Revenues
Patient charges for the medical practice plan are reported net of contractual adjustments and charity care. Components of gross medical patient charges for the year ended August 31, 2008 are summarized below.

Gross Medical Patient Charges	$284,458,715.42
Less Contractual Adjustments	(107,609,570.28)
Less Charity Care	(70,050,037.16)
Net Medical Patient Charges	$106,799,107.98

Certain charges processed through the medical patient accounting system (IDX) are not classified in this Annual Financial Report as professional fees and instead are reported as revenues from local and private grants and contracts. Also, some professional fees reported in this Annual Financial Report are not processed through the medical patient accounting system and include fees collected in the practice plans for allied health sciences, nursing and pharmacy.

TTU Health Sciences Center provides care to patients who meet defined criteria under the charity care policy at amounts less than established rates. A patient is classified as an eligible charity patient based on federal poverty guidelines. Because TTU Health Sciences Center does not pursue collection of amounts determined to qualify as charity care, such charges are included in gross patient charges but are not included in net patient charges.

Patient charges earned under third party contractual arrangements are primarily from fixed rate agreements which, for Medicare and Medicaid, are updated annually by the federal government and state government, respectively. Gross patient services charges under the Medicare and Medicaid programs for the year ended August 31, 2008 were $144,286,537.04. Compliance with these programs is complex and can be subject to future government interpretation as well as potential regulatory action. For the Medicaid program in Texas, and other government programs, contractual adjustments are reported as charity care as defined in Article III of the General Appropriations Act of the 79th Texas Legislature.

SCHEDULES

Texas Tech University System
Schedule 1A - Schedule of Expenditures of Federal Awards
For The Year Ended August 31, 2008

Note 1: Non-Monetary Assistance:
The "Donation Of Federal Surplus Personal Property" is presented at 23.3 percent of the original federal acquisition cost of $62,891. The surplus property is passed through from the Texas Building and Procurement Commission. The federal grantor is the General Services Administration (GSA) and the Federal CFDA number is 39.003. The estimated fair value for fiscal year 2008 is $14,653.60.

Note 2: Reconciliation:

Federal Grants and Contracts (SRECNA)	$ 58,558,053.61
Federal Grants and Contracts - Pledged (SRECNA)	2,483,120.15
Federal Grants and Contracts Pass Throughs (SRECNA)	6,222,125.23
Non-Operating Federal Grant and Contracts (SRECNA)	376,542.50
Total Federal Revenues	67,639,841.49
Reconciling Items:	
Non-Monetary Assistance:	
Donation of Federal Surplus Property	14,653.60
New Loans Processed	165,246,237.40
Pass Through from Texas A&M Research Foundation	(5,928.24)
Total Pass-Through and Expenditures Per Federal Schedule	$ 232,894,804.25

Note 3: Student Loans Processed and Administrative Costs Recovered:

Federal Grantor/CFDA Number/ Program Name	New Loans Processed	Administrative Costs Recovered	Total Loans Processed and Admin Costs Recovered	Ending Balance Previous Years' Loans
U.S. Department of Health and Human Services				
93.342 Health Professions Student Loans	$	$	$	$ 174,358.68
93.364 Nursing Student Loans	20,149.00		20,149.00	128,642.75
Total U.S. Department of Health and Human Services	$ 20,149.00	$	$ 20,149.00	$ 303,001.43
Department of Education				
84.032 Federal Family Education Loans	$ 164,374,467.40	$	$ 164,374,467.40	$
84.038 Federal Perkins Loan Program	851,621.00	43,680.02	895,301.02	4,208,662.13
Total Department of Education	$ 165,226,088.40	$ 43,680.02	$ 165,269,768.42	$ 4,208,662.13

Note 4: Government Publications
The University participates as a depository library in the government printing office's depository libraries for government publications program, CFDA #40.001. The University is the legal custodian of government publications, which remain the property of the federal government. The publications are not assigned a value by the government printing office.

Note 5: Unemployment Insurance Funds
Does not apply to Texas Tech University System

Note 6: (Agency 501 Only)

Note 7: Federal Deferred Revenue
The deferred revenue of $716,394.60 is federal grant prepayments that have not yet been earned.

	Balance 9/1/07	Net Change	Balance 8/31/08
10.200	$ 29,449.00	$ (9,084.00)	$ 20,365.00
10.206		2,098.26	2,098.26
10.903		1,975.55	1,975.55
11.000	19,750.00	(19,750.00)	
12.000	169,011.63	(134,184.47)	34,827.16
12.431	248,523.58	71,185.00	319,708.58
12.630		919.64	919.64
12.800	79,590.77	2,103.67	81,694.44
12.910		85,046.29	85,046.29
15.000	17,818.74	(17,818.74)	
15.808	3,102.60	(3,102.60)	
15.809	2,000.00	(2,000.00)	
15.812		3,325.39	3,325.39
20.761		10,264.00	10,264.00
45.168		5,032.16	5,032.16
47.041	6,713.00	3,895.94	10,608.94
66.513		6,503.28	6,503.28
66.514	72.95	(72.95)	
84.215		2,006.00	2,006.00
84.325		23,063.03	23,063.03
84.367	36,827.00	(3,856.00)	32,971.00
84.928	15,590.00	1,809.00	17,399.00
93.000		16,429.43	16,429.43
93.358	25,507.00	6,628.00	32,135.00
93.399		10,022.45	10,022.45
	$ 653,956.27	$ 62,438.33	$ 716,394.60

Texas Tech University System
Schedule 1B - Schedule of State Grant Pass-Throughs From/To State Agencies
For the Year Ended August 31, 2008

Pass-Throughs From:

Texas Emerging Technology Fund - Governor's Office (Agency 300)	
Texas Emerging Technology Grant	$ 799,134.18
Refund - Tigre Program	(4,988.23)
Texas Department of Agriculture (Agency 551)	
Texas Enology - Teaching Research and Extension Program	236,348.46
Texas Commission on Environmental Quality (Agency 582)	
Design and Operation of Land Application Systems	73,382.23
Texas Food and Fiber Commission (Agency 904)	
Evaluation of Fiber Properties for Texas State Cotton Breeders	449,478.64
Texas Water Development Board (Agency 580)	
An Integrated Approach to Water Conservation	655,479.33
Texas State Energy Conservation Office (Agency 907)	
Utilizing Agricultural BioMass in Energy Production	29,325.71
Texas Agrilife Research Station (Agency 556)	
Texas Cotton	10,000.00
Development of a Reference SSR Map of Tetraploid Peanut	15,693.28
Texas Cooperative Extension	67,800.00
Department of State Health Services (Agency 537)	
DSHS Program Funding	403,536.39
Employee Retirement System of Texas (Agency 327)	
State Kids Insurance Program	91,356.40
University of Texas - San Antonio (Agency 743)	
Small Business Development Center	102,701.53
Texas Higher Education Coordinating Board (Agency 781)	
Coll Rdinss Stand-P16 Spec Adv	15,000.00
Course Redsign Ref	(2,272.66)
P-20 Council - TTU	25,000.00
Course Redsign TTU	149,996.00
Texas Course Redesign Project	145,503.00
Amendment TTU	20,000.00
Coll Readiness Specl Advisors	15,000.00
Texas Grant Program	13,273,975.00
Advanced Research Program	1,008,216.98
Advanced Technology Program	(3,639.68)
College Work Study Program	136,995.48
5th Year Accounting Scholarship	20,454.25
Engineering Recruitment Program	19,230.00
Nursing Innovation Grant Hospital Partnerships	237,421.00
P-16 Special Advisors	30,000.00
Family Practice Residency	1,180,542.00
Family Practice Rural and Public Health Rotation	47,836.29
Financial Aid Professional Nursing	38,757.60
Prof Nursing Shortage Reduc	702,151.00
Primary Care Residency Program	390,000.00
Nursing and Allied Health	74,208.00
Minority Health Research/Education	102,858.33
Total Pass-Throughs from Other Agencies	$ 20,556,480.51

Pass-Through To:

Texas Agrilife Extension Service (Agency 555)	
Agricultural Water Demonstration Initiative FARM	$ 108,485.36
Total Pass-Through To Other Agencies	$ 108,485.36

Texas Tech University System
Schedule 2A - Miscellaneous Bond Information
For the Year Ended August 31, 2008

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 & Imp Bds 6th Ser '99	115,100,000.44	4.00%	5.25%	1999	2029	2/15/2009
Rev Fin Sys Bds 7th Ser '01	126,865,000.00	3.00%	5.50%	2002	2031	2/15/2012
Rev Fin Sys Bds Tax 8th Ser '01	42,810,000.00	3.46%	6.75%	2003	2031	8/15/2012
Rev Fin Sys Ref & Imp Bds 9th Ser '03	97,265,000.00	2.00%	5.25%	2004	2023	8/15/2013
Rev Fin Sys Ref & Imp Bds 10th Ser '06	220,915,000.01	4.00%	5.00%	2006	2031	2/15/2016
Total	$ 602,955,000.45					

Texas Tech University System
Schedule 2B - Changes in Bonded Indebtedness
For the Year Ended August 31, 2008

Description of Issue	Bonds Outstanding 9/1/07	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/08	Amounts Due Within One Year
Revenue Bonds						
Rev Fin Sys Ref & Imp Bds Ser '99	$ 51,125,000.00	$	$ 5,810,000.00	$	$ 45,315,000.00	$ 6,070,000.00
Rev Fin Sys Bds Ser '01	23,005,000.00		3,435,000.00		19,570,000.00	3,605,000.00
Rev Fin Sys Bds Tax Ser '01	34,805,000.00		2,190,000.00		32,615,000.00	2,315,000.00
Rev Fin Sys Ref & Imp Bds Ser '03	84,100,000.00		4,145,000.00		79,955,000.00	4,320,000.00
Rev Fin Sys Ref & Imp Bds Ser '06	214,750,000.00		3,160,000.00		211,590,000.00	3,290,000.01
Total	$ 407,785,000.00	$	$ 18,740,000.00	$	$ 389,045,000.00	$ 19,600,000.01

Texas Tech University System
Schedule 2C - Debt Service Requirements
For the Year Ended August 31, 2008

Description of Issue	Fiscal Year	Principal	Interest
Revenue Bonds			
Rev Fin Sys Ref & Imp Bds 6th Ser '99	2009	6,070,000.00	2,138,393.76
	2010	6,030,000.00	1,869,937.50
	2011	4,955,000.00	1,604,193.75
	2012	5,110,000.00	1,339,987.50
	2013	5,010,000.00	1,074,337.50
	2014 - 2018	18,140,000.00	1,711,762.50
Rev Fin Sys Bds 7th Ser '01	2009	3,605,000.00	1,047,950.00
	2010	3,795,000.00	858,687.50
	2011	3,960,000.00	659,450.00
	2012	3,995,000.00	451,550.00
	2013	4,215,000.00	231,825.00
Rev Fin Sys Bds Tax 8th Ser '01	2009	2,315,000.00	2,130,765.50
	2010	2,345,000.00	1,995,801.00
	2011	245,000.00	1,857,915.00
	2012	260,000.00	1,843,215.00
	2013	310,000.00	1,825,665.00
	2014 - 2018	3,760,000.00	8,559,975.00
	2019 - 2023	6,780,000.00	6,899,137.50
	2024 - 2028	9,365,000.00	4,321,020.00
	2029 - 2031	7,235,000.00	975,150.00
Rev Fin Sys Ref & Imp Bds 9th Ser '03	2009	4,320,000.00	3,900,025.00
	2010	4,500,000.00	3,723,625.00
	2011	4,700,000.00	3,516,125.00
	2012	4,495,000.00	3,286,250.00
	2013	4,735,000.00	3,055,500.00
	2014 - 2018	24,930,000.00	11,551,112.50
	2019 - 2023	32,275,000.00	4,203,650.00
Rev Fin Sys Ref & Imp Bds 10th Ser '06	2009	3,290,000.01	9,939,495.00
	2010	3,425,000.01	9,805,195.00
	2011	4,925,000.00	9,638,195.00
	2012	5,160,000.00	9,410,695.00
	2013	5,410,000.00	9,146,445.00
	2014 - 2018	58,525,000.00	38,271,819.97
	2019 - 2023	69,994,999.98	22,759,382.41
	2024 - 2028	50,230,000.00	7,848,375.02
	2029 - 2031	10,630,000.00	592,362.50
Total Principal and Interest		$ 389,045,000.00	$ 194,044,971.41

Texas Tech University System
Schedule 2D - Analysis of Funds Available for Debt Service
For the Year Ended August 31, 2008

	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
Revenue Bonds:				
RFS Ref & Imp Bds 6th Series 1999			$ 5,810,000.00	$ 2,394,637.51
RFS Bds 7th Series 2001			3,435,000.00	1,219,700.00
RFS Bds Tax 8th Series 2001			2,190,000.00	2,252,748.50
RFS Ref & Imp Bds 9th Series 2003			4,145,000.00	4,069,325.00
RFS Ref & Imp Bds 10th Series 2006			3,160,000.00	10,068,494.99
Total	$ 444,400,113.31	$ 348,768,573.40	$ 18,740,000.00	$ 20,004,906.00

Texas Tech University System
Schedule 2E - Defeased Bonds Outstanding
For the Year Ended August 31, 2008

Description of Issue	Year Refunded	Par Value Outstanding
Revenue Bonds		
Revenue Financing System Refunding & Improvement Bonds, 6th Series 1999	2006	$ 43,150,000.00
Revenue Financing System Bonds, 7th Series 2001	2006	81,985,000.00
		$ 125,135,000.00

Texas Tech University System
Schedule 2F - Early Extinguishment and Refunding
For the Year Ended August 31, 2008

Description of Issue	Category	Amount Extinguished or Refunded	Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
Revenue Bonds					
		$			
		$ 0	$ 0	$ 0	$ 0

Texas Tech University System
Schedule 3 - Reconciliation of Cash in State Treasury
For the Year Ended August 31, 2008

Cash in State Treasury	Unrestricted	Restricted	Total
Local Revenue (Fund 0227)	$ 3,296,815.76	$	$ 3,296,815.76
Local Revenue (Fund 0239)	4,023,818.32		4,023,818.32
Local Revenue (Fund 0255)	32,895,957.42		32,895,957.42
Permanent Health Fund - El Paso Campus (Fund 0820)	5,101,794.80		5,101,794.80
Permanent Health Fund - Other Campuses (Fund 0821)	2,906,354.29		2,906,354.29
Total Cash in State Treasury (Note 1)	$ 48,224,740.59	$	$ 48,224,740.59

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Appendix C

MANAGEMENT'S DISCUSSION AND ANALYSIS

Texas Tech University System

Unaudited

Introduction

Texas Tech University System is composed of Texas Tech University System Administration, Texas Tech University, Angelo State University, and Texas Tech University Health Sciences Center. Texas Tech Foundation, Inc. and Texas Tech Physician Associates are also included in this financial report as blended component units because of the significance of their relationship with the System.

Texas Tech University (TTU) is a comprehensive public university organized into eleven instructional schools and colleges offering bachelors degrees in 117 fields and graduate degrees in 167 fields of study. The main campus is located in Lubbock, Texas. In addition, TTU academic centers serve residents of the Texas Hill Country and West Texas. The centers are located in Junction, Fredericksburg, Marble Falls/Highland Lakes, Amarillo, Abilene, and Seville, Spain.

Texas Tech University Health Sciences Center (TTUHSC) operates five schools: the School of Allied Health Sciences, the School of Medicine, the School of Nursing, the School of Pharmacy, and the Graduate School of Biomedical Sciences. The Graduate School of Biomedical Sciences is closely related to the School of Medicine, with biomedical science offerings that lead to PhD degrees rather than MD degrees. TTUHSC operates its main campus in Lubbock, Texas along with regional campuses located in Amarillo, El Paso, Abilene, Marble Falls, Dallas, and Odessa.

Angelo State University is a comprehensive public university organized into five colleges offering bachelors in 40 academic programs and nearly 100 majors with 21 graduate programs. Angelo State is located in San Angelo, Texas and serves over 6,000 students annually. House Bill 3564 of the 80th Texas Legislature authorized the transfer of ASU to the System from the Texas State University System. The Governor signed HB 3564 into law on May 23, 2007. The effective date of the transfer was September 1, 2007. **THE FINANCIAL DATA INCLUDED IN OUR ANALYSIS ONLY INCLUDES FISCAL YEAR 2008 FOR ANGELO STATE AS THEY DID NOT BECOME A MEMBER OF THE TEXAS TECH UNIVERSITY SYSTEM UNTIL SEPTEMBER 1, 2007.**

The Texas Tech University System serves over 37,000 students and employs more than 12,000 people.

Using the Financial Statements and Financial Analysis

Texas Tech University System presents its financial statements for the fiscal year ended August 31, 2008 in accordance with Governmental Accounting Standards Board (GASB) pronouncements, the requirements of the Texas Comptroller of Public Accounts, and the National Association of College and University Business Officers guidelines.

The discussion and analysis of the Texas Tech University System financial statements provide an overview of the financial activities for the fiscal year ended August 31, 2008.

The following discussions will focus on the changes and trends in data. 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 system. This is a point in time financial presentation and is a snapshot of the financial status as of August 31. 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 Texas Tech 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.

The following table (Exhibit 1) summarizes the System's net assets as of August 31, 2008 and comparative information as of August 31, 2007.

Exhibit 1
Statement of Net Assets
(In Thousands)

	2008	2007
Assets		
Current Assets	$ 795,422	$ 537,982
Capital Assets, Net	1,074,389	925,861
Other Non-Current Assets	1,012,742	1,011,601
Total Assets	$ 2,882,553	$ 2,475,444
Liabilities		
Current Liabilities	384,051	304,010
Non-Current Liabilities	418,010	437,227
Total Liabilities	802,061	741,237
Net Assets		
Invested in Capital Assets, Net of Related Debt	612,776	499,576
Restricted		
Expendable	258,551	200,849
Non-Expendable	609,107	539,695
Unrestricted	600,058	494,087
Total Net Assets	2,080,492	1,734,207
Total Liabilities and Net Assets	$ 2,882,553	$ 2,475,444

Current Assets and Current Liabilities

Current Assets consist primarily of cash and cash equivalents, balances in the state treasury, and various student, patient, and contract receivables. Current Liabilities consist primarily of trade accounts payable, payroll payable, deferred revenues, commercial paper notes payable, the current portion of compensable leave payable, claims payable, and the current portion of bonds payable.

Capital Assets

Capital assets consist of non-depreciable 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 $1.074 billion (net of $834.8 million accumulated depreciation), as of August 31, 2008.

Other Non-Current Assets and Non-Current Liabilities

Non-current assets include long-term holdings. Non-current liabilities consist primarily of bonds and notes payable and any other liability that has a maturity exceeding one year.

Total assets increased by $346 million during the fiscal year. This increase was primarily due to the transfer of funds from the Texas State System for the transfer of Angelo State University into the Texas Tech University System that occurred on September 1, 2007.

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 System.

Operating Revenues and Expenses

Operating revenues are received for providing goods and services to the various customers and constituencies of the 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 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 by 17.5% for 2008, primarily resulting from overall increases in enrollment and tuition rates and the acquisition of Angelo State University. Professional fee revenues are principally generated within the practice plans from patients or through contractual arrangements with governmental payers and private insurers. As such, professional fees revenues are subject to fluctuation due to changes in standard reimbursement rates for medical services. 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 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 2008, 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 generally accepted accounting principles. The largest element of recurring non-operating revenue is legislative appropriations from the state. Gift contributions were received from private sources and used for 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 institution’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.

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.

The following table (Exhibit 2) summarizes the Systems' revenues, expenses, and changes in net assets for the year ending August 31, 2008 and comparative information as of August 31, 2007:

Exhibit 2
Revenues, Expenses, and Changes in Net Assets
(In Thousands)

	2008	2007
Operating Expenses	(1,175,788)	(1,020,044)
Operating Income(Loss)	(396,201)	(325,981)
Non-Operating Revenues and Expenses	479,054	539,358
Income(Loss) before Other Revenues, Expenses Gains, Losses and Transfers	82,853	213,377
Other Revenues, Expenses, Gains, Losses and Transfers	263,432	26,299
Total Changes in Net Assets	346,285	239,676
Beginning Net Assets (September 1)	1,734,207	1,494,531
Restatements of Beginning Net Assets		
Beginning Net Assets as Restated	1,734,207	1,494,531
Ending Net Assets (August 31)	$ 2,080,492	$ 1,734,207

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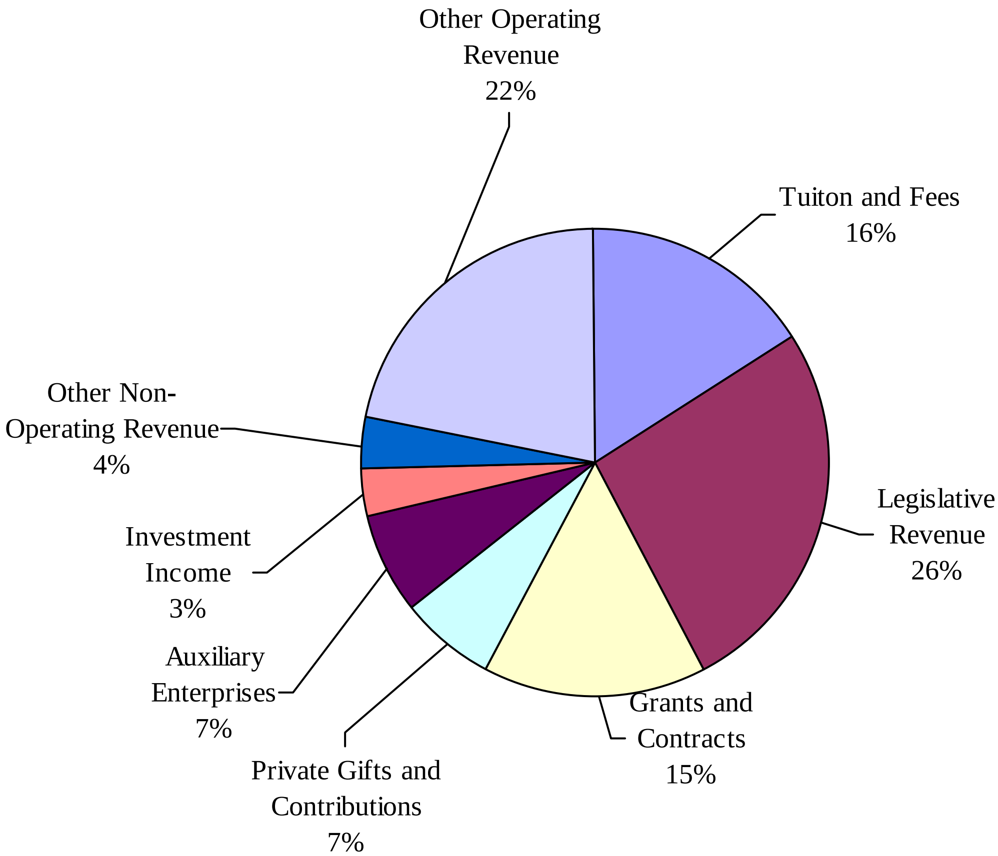
The following (Exhibit 3) is a graphic presentation of net revenues by source (both operating and non-operating) that are used to fund the System's activities:

Exhibit 3
Operating and Non-Operating Revenues



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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)

	2008	2007
Instruction	$ 439,666	$ 386,901
Research	62,128	59,768
Public Service	126,922	122,255
Academic Support	155,443	136,316
Student Services	39,421	32,081
Institutional Support	90,229	68,120
Operations and Maintenance of Plant	67,508	59,970
Scholarships and Fellowships	31,950	21,746
Auxiliary Enterprises	101,433	81,753
Depreciation and Amortization	61,086	51,134
Total Operating Expenses	$ 1,175,786	$ 1,020,044

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Exhibit 5
Operating Expenses by NACUBO Function
FY 2008

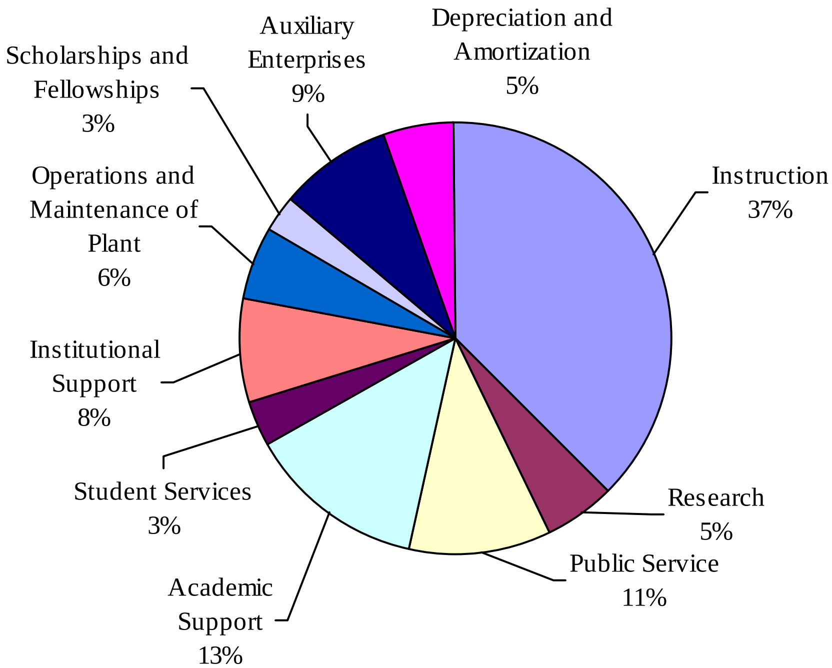
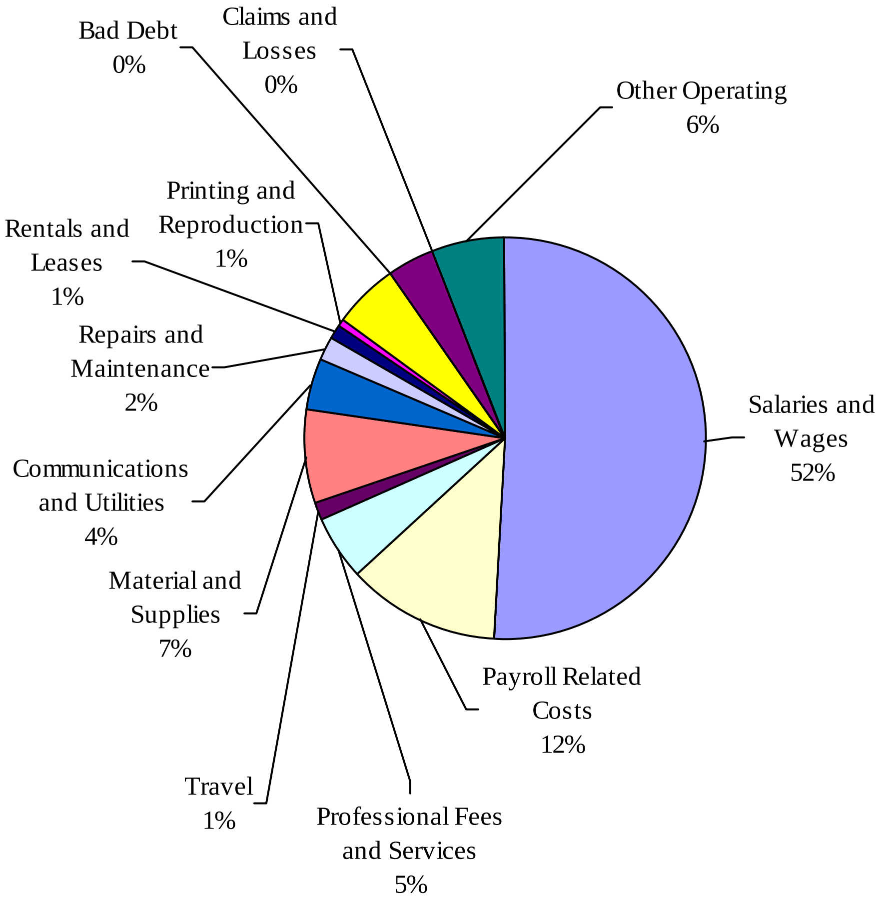


Exhibit 6
Summary of Operating Expenses
By Natural Category Classification
(In Thousands)

	2008	2007
Salaries and Wages	$ 597,981	$ 523,147
Payroll Related Costs	$ 141,855	$ 123,721
Federal Sub-Contracts	1,176	1,389
Professional Fees and Services	63,236	62,945
Travel	14,875	11,726
Material and Supplies	87,304	83,461
Communications and Utilities	48,944	39,528
Repairs and Maintenance	25,660	23,139
Rentals and Leases	11,248	9,636
Printing and Reproduction	7,801	6,930
Depreciation and Amortization	61,087	51,134
Bad Debt	36	(271)
Scholarships	46,754	36,218
Claims and Losses	566	14
Other Operating	67,265	47,327
Total Operating Expenses	$ 1,175,788	$ 1,020,044

Exhibit 7
Operating Expenses by Natural Classification



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 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 capital and related financing activities. This represents the cash used for the acquisition and construction of capital and related items. Section four details cash flows from investing activities. 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.

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 are 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.

The following table (Exhibit 8) summarizes the Systems' cash flows for the year ending August 31, 2008 and comparative information as of August 31, 2007:

Exhibit 8
Statement of Cash Flows
For the Year Ended August 31,
(In Thousands)

	2008	2007
Cash Provided/(Used) by:		
Operating Activities	$ (350,432)	$ (254,746)
Noncapital Financing Activities	484,166	422,159
Capital and Related Financing Activities	(78,017)	(83,382)
Investing Activities	102,370	(35,371)
Net Cash Flows	158,087	48,660
Beginning Cash and Cash Equivalents	405,196	356,535
Ending Cash and Cash Equivalents	$ 563,283	$ 405,195
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities		
Operating Loss	$ (396,201)	$ (325,981)
Adjustments:		
Depreciation Expense	61,086	51,134
Bad Debt Expense	36	(271)
(Increase) Decrease in Accounts Receivables	(11,799)	(2,785)
(Increase) Decrease in Loans and Notes Receivable	384	1,738
(Increase) Decrease in Inventory	(503)	(122)
Increase (Decrease) in Due From Other Agencies	(431)	(652)
(Increase) Decrease in Prepaid Expenses	(8,563)	(6,783)
(Increase) Decrease in Other Assets	1,002	698
Increase (Decrease) in Accounts Payables	1,948	14,637
Increase (Decrease) in Payroll Payables	1,975	937
Increase (Decrease) in Deferred Revenue	957	10,541
Increase (Decrease) in Compensable Leave	3,089	2,144
Increase (Decrease) in Claims Payable	(4,013)	(903)
Increase (Decrease) in Due To Other Agencies	(41)	
Increase (Decrease) in Other Liabilities	642	922
Net Cash Provided/(Used) by Operating Activities	$ (350,432)	$ (254,746)

Capital Asset and Debt Administration

The 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 System continues to implement a long-range plan to modernize its older teaching and research facilities along with new construction.

Capital additions totaled $113 million in 2008. The amount of fiscal year 2008 additions is based on capitalization thresholds of $5,000 for furniture and equipment, $100,000 for buildings, and $500,000 for infrastructure.

Pledged Revenues

Exhibit 9
Pledged Revenues

	FY 2007	FY 2008
Available Pledged Revenues Not Including Fund Balances	415,240,935	494,884,615
Pledgeable Unappropriated Funds and Reserve Balances	169,417,039	220,780,807
Total Pledged Revenues	**584,657,974**	**715,665,422**

Economic Outlook

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 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 System from corporate and individual giving. The 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 McCall, Parkhurst & Horton L.L.P., 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.

"*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

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Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by Fulbright & Jaworski L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

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[Closing Date]

We have acted as bond counsel in connection with the issuance by the Board of Regents (the "Board") of the Texas Tech University System (the "Issuer") of its Revenue Financing System Refunding and Improvement Bonds, Twelfth Series (2009), dated February 1, 2009 (the "Bonds"), in the aggregate principal amount of $170,825,000.

In rendering the opinions herein we have examined and relied upon an executed Bond; original or certified copies of the proceedings had in connection with issuance of the Bonds, including the Twelfth Supplemental Resolution, adopted by the Issuer, supplementing the Board's Master Resolution Establishing a Revenue Financing System (jointly, the "Resolutions"), authorizing the Issuer to issue, sell, and deliver the Bonds; certificates of officers of the Issuer related to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the Issuer, which are within its sole knowledge and control; and such other material and such matters of law as we deem relevant to the matters discussed below. 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 accuracy of the statements contained in such certificates.

Based upon such examination, we are of the opinion that under applicable law of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds are valid and legally binding special obligations of the Issuer payable from the sources, and enforceable in accordance with the terms and conditions, described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity.

2. The Bonds constitute "Parity Obligations" under the Resolutions and, together with Outstanding Parity Obligations and any Parity Obligations hereafter issued, assumed or incurred, are payable from and secured by a lien on and pledge of the "Pledged Revenues", as defined and provided in the Resolutions, and subject to the prior lien of any Prior Encumbered Obligations, as provided in the Resolutions.

3. Pursuant to the Internal Revenue Code of 1986, as amended and in force on the date hereof (the "Code"), and existing regulations, published rulings and court decisions thereunder, assuming continuing compliance with the provisions of the Resolutions relating to sections 141 through 150 of the Code, interest on the Bonds is excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes pursuant to section 103 of the Code, and such interest will not be included for federal income tax purposes in computing the alternative minimum taxable income of the owners thereof who are individuals.

We call to your attention that interest on all tax-exempt obligations, such as the Bonds, owned by a corporation (other than an "S" corporation or a qualified mutual fund, real estate mortgage investment conduit, financial asset securitization investment trust ("FASIT") or real estate investment trust) is includable in its adjusted current earnings for purposes of calculating its alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code is computed.

We express no other opinion with respect to any other federal, state or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. 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, "S" corporations with "subchapter C" earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise qualifying 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.

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

Very truly yours,

Financial Advisory Services
Provided By

First Southwest Company