

*Subject to compliance by The Board of Trustees of the University of Illinois (the "Board") with certain covenants, in the opinion of Pugh, Jones, Johnson & Quandt, P.C., Chicago, Illinois, Bond Counsel, under present law interest on the Series 2009A Bonds will not be includible in the gross income of the owners thereof for Federal income tax purposes, except to the extent that such interest will be taken into account in computing the corporate alternative minimum tax and the branch profits tax. Interest on the Series 2009A Bonds will not be treated as an item of tax preference in computing the alternative minimum tax for individuals and corporations. See the heading "TAX EXEMPTION" herein for a more detailed discussion of some of the Federal tax consequences of owning the Series 2009A Bonds. The interest on the Series 2009A Bonds is not exempt from present Illinois income taxes.*

\$ \_\_\_\_\_  
**The Board of Trustees of the University of Illinois**  
**University of Illinois**  
**Variable Rate Demand Auxiliary Facilities System Revenue Bonds, Series 2009A**

CUSIP 914353 \_\_\_\_\_

Dated: Date of Delivery

Price: 100%

Due: April 1, 2038

This Official Statement has been prepared by The Board of Trustees of the University of Illinois (the "Board") to provide information with respect to the University of Illinois Variable Rate Demand Auxiliary Facilities System Revenue Bonds, Series 2009A (the "Series 2009A Bonds"). Selected information is presented on this cover page for the convenience of the user. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision. Holders and prospective purchasers of the Series 2009A Bonds after the date hereof should be aware that certain information contained in this Official Statement may no longer be accurate and should refer to the revisions, supplements and additions to this Official Statement, if any, or any new offering materials for current information after such date. *This Official Statement does not provide any information regarding the Series 2009A Bonds after the date, if any, on which the Series 2009A Bonds are converted to bear interest at interest rates other than the Weekly Interest Rate.*

THE SERIES 2009A BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, BY VIRTUE OF THE EXEMPTION FROM REGISTRATION PROVIDED IN SECTION 3(a)(2) THEREOF.

**Issued Pursuant to:**

The Series 2009A Bonds are being issued pursuant to a Bond Resolution adopted by the Board on September 20, 1984, as amended (the "Bond Resolution") and a Modal Agreement dated as of February 1, 2009 (the "Modal Agreement") between the Board and The Bank of New York Mellon Trust Company, N.A., as bond registrar (the "Bond Registrar").

**Purpose:**

The proceeds of the Bonds will be used to (i) pay a part of the costs of various improvements and additions to the Auxiliary Facilities System of the University of Illinois (the "System"), (ii) refund the outstanding Variable Rate Demand Auxiliary Facilities System Revenue Bonds, Series 2005B (the "Series 2005B Bonds") of the Board, (iii) pay a portion of the interest on the Series 2009A Bonds and fees (other than initial fees) related to the Initial Liquidity Facility, and (iv) pay costs of issuing the Series 2009A Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

**Security:**

The Series 2009A Bonds and any Parity Bonds (as described herein) are secured by a pledge of and lien on (i) the Net Revenues of the Auxiliary Facilities System (the "System"), (ii) Student Tuition and Fees (subject to prior payment of operating and maintenance expenses of the System, but only to the extent necessary), and (iii) the Bond and Interest Sinking Fund Account.

**Initial Interest Rate:**

The Series 2009A Bonds will initially bear interest at the Weekly Interest Rate (as described herein) and continue to bear interest at the Weekly Interest Rate to, but not including, the date upon which the interest rate borne by the Series 2009A Bonds is converted, if ever, to a Daily Interest Rate, a Short-Term Interest Term Rate or a Long-Term Interest Rate in accordance with the terms of the Bond Resolution and Modal Agreement as described herein.

**Redemption and Mandatory Tender:**

The Series 2009A Bonds are subject to optional and mandatory redemption, including redemption at par, and optional and mandatory tender for purchase prior to maturity in the manner and at the times described herein.

**Liquidity:**

Purchases of Series 2009A Bonds that are not remarketed by the Remarketing Agent initially will be funded, subject to certain conditions described herein, under the Standby Bond Purchase Agreement (the "Initial Liquidity Facility") among the Board, the Bond Registrar, the Tender Agent and State Street Bank and Trust Company (the "Initial Liquidity Facility Provider").

The Initial Liquidity Facility expires on February \_\_, 20\_\_, subject to renewal or extension, unless terminated sooner in accordance with the terms thereof. Under certain circumstances described herein, the Initial Liquidity Facility may terminate immediately without notice to the holders of the Series 2009A Bonds. See "INITIAL LIQUIDITY FACILITY – Remedies."

**Denomination:**

\$100,000 or any integral multiple of \$5,000 in excess thereof.

**Closing/Issuance Date:**

On or about February \_\_, 2009.

**Registration:**

Full book-entry only; The Depository Trust Company.

**Remarketing Agent:**

Citigroup Global Markets Inc., Chicago, Illinois.

**Bond Registrar and Tender Agent:**

The Bank of New York Mellon Trust Company, N.A., Chicago, Illinois.

**Bond Counsel:**

Pugh, Jones, Johnson & Quandt, P.C., Chicago, Illinois.

**University Counsel:**

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**Liquidity Provider's Counsel:**

Winston & Strawn LLP, Chicago, Illinois.

**Financial Advisor:**

Public Financial Management, Inc., Boston Massachusetts.

**CITIGROUP**

## **REGARDING USE OF THIS OFFICIAL STATEMENT**

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

This Official Statement, which includes the cover page and the appendices hereto, does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of any of the Series 2009A Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. No broker, dealer, salesperson, or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Series 2009A Bonds, and, if given or made, such information or representation must not be relied upon as having been authorized by the Board, the Bond Registrar, the Financial Advisor, the Remarketing Agent, the Initial Liquidity Facility Provider or the Underwriter.

The information set forth herein has been obtained from the Board and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness by, and is not to be construed as the promise or guarantee of the Bond Registrar, the Financial Advisor, the Remarketing Agent, the Initial Liquidity Facility Provider or the Underwriter. This Official Statement contains, in part, estimates and matters of opinion, which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. The information and expressions of opinion contained 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 or in the information or opinions set forth herein, since the date of this Official Statement.

This Official Statement contains "forward-looking statements" within the meaning of the Federal securities laws. These forward-looking statements include, among others, statements concerning expectations, beliefs, opinions, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements.

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.**

THE SERIES 2009A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND NEITHER THE BOND RESOLUTION NOR THE MODAL AGREEMENT HAS BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2009A BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAW OF THE STATES IN WHICH THE SERIES 2009A BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

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**The Board of Trustees of the University of Illinois**  
**University of Illinois**  
**Variable Rate Demand Auxiliary Facilities System Revenue Bonds, Series 2009A**

**INTRODUCTION**

This Official Statement, including the cover page, the inside cover page and the appendices hereto, is provided in connection with the offering by The Board of Trustees of the University of Illinois (the "Board") of \$ \_\_\_\_\_ principal amount of its University of Illinois Variable Rate Demand Auxiliary Facilities System Revenue Bonds, Series 2009A (the "Series 2009A Bonds").

The Board is authorized by the University of Illinois Revenue Bond Financing Act for Auxiliary Facilities, 110 ILCS 405/1 *et seq.* (the "Act") to borrow money and issue and sell bonds to acquire by purchase or otherwise, construct, enlarge, improve, equip, complete, operate, control and manage student residence halls, apartments, staff housing facilities, health facilities, physical education buildings, union buildings, auditoriums, gymnasiums, or any other revenue producing buildings or facilities for student services, and educational facilities leased to the Federal government, and the Nuclear Physics Laboratory, or any combination thereof, of the type and character as the Board deems necessary and required for the good and benefit of the University of Illinois (the "University"). The Board also is authorized to refund or refinance, from time to time as often as it shall be advantageous and in the public interest to do so, separately or in combination, any and all bonds issued and sold by the Board pursuant to the Act.

Under the Act, the Board is authorized to hold in the treasury of the University all revenues derived from the operation of any such buildings or facilities and to supplement such revenues from University income authorized by law to be retained in the University treasury for such purpose, constituting Student Tuition and Fees, and to pledge such revenues and income for the payment of operation and maintenance costs and for the retirement of such bonds.

The Series 2009A Bonds are being issued pursuant to the Act and the resolution adopted by The Board of Trustees of the University of Illinois on September 20, 1984 (the "Original Resolution") as amended by bond resolutions adopted on June 20, 1985, May 8, 1986, May 9, 1991, June 11, 1993, January 18, 1996, October 15, 1999, June 1, 2000, March 8, 2001, May 23, 2001, May 15, 2003, March 10, 2005, July 14, 2005, September 7, 2006, May 22, 2008 and January 15, 2009 (together with the Original Resolution, the "Bond Resolution"). Initially capitalized terms used but not otherwise defined in this Official Statement have the same meanings given them under the caption "DEFINITIONS OF CERTAIN TERMS" in APPENDIX D.

The Series 2009A Bonds will initially bear interest at a Weekly Interest Rate as described herein under "DESCRIPTION OF THE SERIES 2009A BONDS," although the interest rate on the Series 2009A Bonds may be converted from the Weekly Interest Rate to other interest rates following mandatory purchase upon 30 days' written notice to the registered Owners of the Series 2009A Bonds by the Bond Registrar. THIS OFFICIAL STATEMENT DOES NOT PROVIDE ANY INFORMATION REGARDING THE SERIES 2009A BONDS AFTER THE DATE, IF ANY, ON WHICH THE SERIES 2009A BONDS ARE CONVERTED TO BEAR INTEREST AT INTEREST RATES OTHER THAN THE WEEKLY INTEREST RATE.

The proceeds of the Series 2009A Bonds will be used to (i) pay a part of the costs of various improvements and additions to the System (as hereinafter defined) described under "PLAN OF FINANCE – The Series 2009A Projects" herein, (ii) refund the outstanding Variable Rate Demand

Auxiliary Facilities System Revenue Bonds, Series 2005B of the Board, (iii) pay a portion of the interest on the Series 2009A Bonds and fees (other than initial fees) related to the Initial Liquidity Facility, and (iv) pay costs of issuing the Series 2009A Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS."

As further described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," the Series 2009A Bonds, together with the Series 1991 Bonds, the Series 1993 Bonds, the Series 1996 Bonds, the Series 1999A Bonds, the Series 1999B Bonds, the Series 2000 Bonds, the Series 2001A Bonds, the Series 2001B Bonds, the Series 2001C Bonds, the Series 2003A Bonds, the Series 2005A Bonds, the Series 2005B Bonds (being refunded by the Series 2009A Bonds), the Series 2006 Bonds and the Series 2008 Bonds (collectively, the "Prior Parity Bonds"), and any Parity Bonds (hereinafter defined) issued in the future, are secured, subject to the prior pledge to and lien of the Refunded Bonds (hereinafter defined in APPENDIX D) pending their retirement from the irrevocable escrow accounts established for that purpose, by a pledge of and lien on (i) the Net Revenues of the Auxiliary Facilities System (the "System"), (ii) Student Tuition and Fees (subject to prior payment of operating and maintenance expenses of the System, but only to the extent necessary), and (iii) the Bond and Interest Sinking Fund Account.

The Series 1991 Bonds, the Series 1993 Bonds and the Series 1996 Bonds are further secured by income received from, and funds on deposit in, the Debt Service Reserve Account established under the Original Resolution. The Series 2009A Bonds will not be secured by the Debt Service Reserve Account.

Additional bonds secured on a parity with the Series 2009A Bonds and the Prior Parity Bonds (together, the "Parity Bonds") may be issued by the Board for the purposes set forth in the Bond Resolution and subject to the condition, among others, that for each of the two completed Fiscal Years immediately preceding the issuance of any Parity Bonds, the average of the sum of annual Net Revenues plus Student Tuition and Fees must be at least equal to two times Maximum Annual Net Debt Service for the then Outstanding Bonds and the proposed Parity Bonds; and, so long as any UIC South Campus Development Project Revenue Bonds, Series 1999 and Series 2000 (Taxable) are outstanding, after applying such test, that the remaining amount of Student Tuition and Fees (but excluding fees assessed for the use and operation of the System and fees assessed for the use and operation of the Health Services Facilities System of the Board) in each such Fiscal Year, after providing for the related additional parity bonds tests for each year for: (i) the University of Illinois Revenue Bonds, Series 1985A relating to the Construction Engineering Research Laboratory or bonds issued to refund such bonds; (ii) the University of Illinois Willard Airport Project Revenue Refunding Bonds, Series 1997; and (iii) the University of Illinois Health Services Facilities Revenue Bonds, is at least equal to 1.10 times maximum annual debt service on the then outstanding UIC South Campus Development Project Revenue Bonds, Series 1999 and Series 2000 (Taxable). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Parity Bonds" and "THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS – Outstanding Bonds and Leasehold Obligations" in APPENDIX A. The Series 2009A Bonds and the Prior Parity Bonds are collectively referred to herein as the "Bonds" or the "Outstanding Bonds."

The Board covenants in the Bond Resolution to establish rents, fees, charges and admissions for the use of the System and Student Tuition and Fees at such a level that the amount of Net Revenues plus Student Tuition and Fees in each Fiscal Year is at least equal to 2.0 times Maximum Annual Net Debt Service. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Rate Covenant."

The Board will execute and deliver a Modal Agreement dated as of February 1, 2009 with the Bond Registrar (the "Modal Agreement"), a Tender Agent Agreement dated as of February 1, 2009 with the Bond Registrar, the Tender Agent and the Remarketing Agent (the "Tender Agent Agreement") and a Remarketing Agreement dated as of February 1, 2009 with the Remarketing Agent (the "Remarketing Agreement") in order to set forth certain terms with respect to the Series 2009A Bonds.

The Liquidity Facility will provide funds, subject to certain conditions precedent, for the purchase of Series 2009A Bonds which are not remarketed by the Remarketing Agent upon optional or mandatory tender. The Liquidity Facility will not secure the scheduled payment of the principal of and interest on the Series 2009A Bonds when due.

THE SERIES 2009A BONDS WILL BE SPECIAL, LIMITED OBLIGATIONS OF THE BOARD AND WILL BE PAYABLE ONLY FROM THE SOURCES DESCRIBED HEREIN. THE SERIES 2009A BONDS ARE NOT OBLIGATIONS, GENERAL, SPECIAL OR OTHERWISE, OF THE STATE OF ILLINOIS. THE SERIES 2009A BONDS SHALL NOT CONSTITUTE A DEBT, LEGAL OR MORAL, OF THE STATE OF ILLINOIS, AND SHALL NOT BE ENFORCEABLE OUT OF ANY FUNDS OF THE BOARD, OR OF THE UNIVERSITY, OTHER THAN THE REVENUES AND INCOME PLEDGED FOR PAYMENT THEREOF. THE BOARD HAS NO TAXING POWER.

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document.

## **DESCRIPTION OF THE SERIES 2009A BONDS**

*Reference is made to the Modal Agreement, the Tender Agent Agreement and the form of Series 2009A Bonds included in the Modal Agreement for the detailed provisions of the Series 2009A Bonds.*

### **GENERAL**

The Series 2009A Bonds will be issued as fully registered bonds, as shown on the cover page hereof. Initially, the Series 2009A Bonds will be registered under the book-entry system described under the caption "BOOK-ENTRY ONLY SYSTEM" (the "Book-Entry System") and the method of payment of the Series 2009A Bonds and matters pertaining to transfers and exchanges while the Series 2009A Bonds are held in the Book-Entry System are described under that caption.

During the Weekly Interest Rate Period, the Series 2009A Bonds are issuable in denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000. The Series 2009A Bonds initially will be dated their date of delivery, will mature on April 1, 2038 (the "Maturity Date") and will bear interest at a Weekly Interest Rate. Each Series 2009A Bond shall bear interest (computed on the basis of a 365-day or 366-day year, as applicable, for the actual number of days in the period) at the Weekly Interest Rate from the Original Issue Date to the Maturity Date, unless earlier redeemed or paid.

## INTEREST

Interest shall be paid on the Series 2009A Bonds on the first Wednesday of each calendar month or, if any Wednesday is not a Business Day, on the next succeeding Business Day, and on each Conversion Date (an "Interest Payment Date"). Each Series 2009A Bond will bear interest from and including the first day of the Weekly Interest Rate Period and thereafter from and including the first Wednesday of each calendar month (an "Interest Accrual Date") immediately preceding the date of authentication thereof or, if such date of authentication is an Interest Accrual Date to which interest on such Series 2009A Bond has been paid in full or duly provided for, from such date of authentication or, if it is the first payment of interest on such Series 2009A Bond, the date thereof. However, if, as shown by the records of the Bond Registrar, interest on the Series 2009A Bonds is in default, Series 2009A Bonds issued in exchange for Series 2009A Bonds surrendered for registration of transfer or exchange shall bear interest from the date to which interest has been paid in full on the Series 2009A Bonds so surrendered or, if no interest has been paid on such Series 2009A Bonds, from the date thereof.

For any Weekly Interest Rate Period, interest on the Series 2009A Bonds will be payable on each Interest Payment Date for the period commencing on the immediately preceding Interest Accrual Date (or, if any Interest Payment Date is not a Wednesday, commencing on and including the second preceding Interest Accrual Date) and ending on and including the Tuesday immediately preceding the Interest Payment Date (or, if sooner, the last day of the Weekly Interest Rate Period).

The interest rate on the Series 2009A Bonds may be converted from the Weekly Interest Rate to other interest rates following mandatory purchase upon 30 days' written notice to the registered Owners of the Series 2009A Bonds by the Bond Registrar as described under "CONVERSION FROM WEEKLY INTEREST RATE."

THIS OFFICIAL STATEMENT DOES NOT PROVIDE ANY INFORMATION REGARDING THE SERIES 2009A BONDS AFTER THE DATE, IF ANY, ON WHICH THE SERIES 2009A BONDS CONVERT TO BEAR INTEREST AT INTEREST RATES OTHER THAN THE WEEKLY INTEREST RATE.

## WEEKLY INTEREST RATE

At no time will the Series 2009A Bonds bear interest at a Weekly Interest Rate in excess of 12% per annum and the maximum rate of interest permitted by applicable law, unless the Series 2009A Bond is a Liquidity Facility Bond in which case it shall not, at any time, bear interest in excess of the lesser of 20% per annum and the maximum rate of interest permitted by applicable law.

During each Weekly Interest Rate Period, the Series 2009A Bonds shall bear interest at the Weekly Interest Rate, which shall be determined by the Remarketing Agent by 9:00 a.m. Chicago time on Wednesday of each week during the Weekly Interest Rate Period, or if such Wednesday is not a Business Day, then on the next succeeding Business Day. The first Weekly Interest Rate for each Weekly Interest Rate Period shall be determined on or prior to the Closing Date or the Conversion Date, as the case may be, which will be the first day of such Weekly Interest Rate Period and shall apply to the period commencing on the first day of such Weekly Interest Rate Period and ending on and including the next succeeding Tuesday. Thereafter, each Weekly Interest Rate shall apply to the period commencing on and including Wednesday and ending on and including the next succeeding Tuesday, unless such Weekly Interest Rate Period ends on a day other than Tuesday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period shall apply to the period commencing on and including the Wednesday preceding the last day of such Weekly Interest Rate Period and ending on and including the last day of such Weekly Interest Rate Period.

Each Weekly Interest Rate with respect to the Series 2009A Bonds shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax-exempt obligations comparable, in the judgment of the Remarketing Agent, to the Series 2009A Bonds and known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) to be the minimum interest rate which, if borne by the Series 2009A Bonds, would enable the Remarketing Agent to sell all of the Series 2009A Bonds on the effective date of that rate at a price (without regard to accrued interest) equal to the principal amount thereof.

If the Remarketing Agent fails to establish a Weekly Interest Rate for any week with respect to the Series 2009A Bonds bearing interest at such rate, then the Weekly Interest Rate for such week with respect to such Series 2009A Bonds shall be the same as the immediately preceding Weekly Interest Rate if such Weekly Interest Rate was determined by the Remarketing Agent. If the immediately preceding Weekly Interest Rate was not determined by the Remarketing Agent, or if the Weekly Interest Rate determined by the Remarketing Agent is held to be invalid or unenforceable by a court of law, then the Weekly Interest Rate for such week shall be equal to 110% of the SIFMA Municipal Swap Index, or if such index is no longer available, 85% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day such Weekly Interest Rate would otherwise be determined as provided herein for such Weekly Interest Rate Period.

The determination of interest rates on the Series 2009A Bonds by the Remarketing Agent, as provided in the Modal Agreement, shall be conclusive and binding on the Board, the Bond Registrar, the Tender Agent, the Liquidity Facility Provider, the Remarketing Agent and the Owners of Series 2009A Bonds.

#### CONVERSION FROM WEEKLY INTEREST RATE

At the direction of the Board, from time to time, the Series 2009A Bonds may be converted, in whole, from the Weekly Interest Rate Period to another Interest Rate Period as provided in the Modal Agreement, upon written notice from the Board to the Bond Registrar, the Tender Agent, the Liquidity Facility Provider and the Remarketing Agent and not less than 30 days' notice to the Bond Owners. No Conversion from the Weekly Interest Rate Period shall take effect unless the Bond Registrar shall have received a Favorable Opinion of Bond Counsel with respect to such Conversion dated the effective date of such Conversion, and in the case of any Conversion with respect to which there shall be no Liquidity Facility in effect to provide funds for the purchase of Series 2009A Bonds on the Conversion Date, the remarketing proceeds available on the Conversion Date shall not be less than the amount required to purchase all of the Series 2009A Bonds.

In connection with any such Conversion, the Board has the right to deliver to the Bond Registrar, the Remarketing Agent, the Tender Agent and the Liquidity Facility Provider on or prior to 9:00 a.m. Chicago time on the second Business Day preceding the effective date of any such Conversion a notice to the effect that the Board elects to rescind its election to make such Conversion. If the Board rescinds its election to make such Conversion or if any condition to the Conversion is not satisfied, then the Series 2009A Bonds shall continue to bear interest at a Weekly Interest Rate. If notice of a Conversion has been mailed to the Owners and the Board rescinds its election to make such Conversion, or if a condition to the Conversion has not been met, then the Series 2009A Bonds shall continue to be subject to mandatory tender for purchase on the date that would have been the effective date of the Conversion as described below under "*Mandatory Tender – Mandatory Tender for Purchase on First Day of Each Interest Rate Period.*"

## OPTIONAL TENDER

During any Weekly Interest Rate Period for which the Book-Entry System is in effect, any Series 2009A Bonds bearing interest at the Weekly Interest Rate or portion thereof (provided that the principal amount of such Series 2009A Bonds to be purchased and the principal amount to be retained shall each be an Authorized Denomination) shall be purchased on the date specified in the notice referred to below at the Tender Price. The irrevocable written notice, executed by the Participant, shall be delivered on any Business Day by the Participant for such Series 2009A Bonds to the Tender Agent at its Principal Office for the delivery of such Series 2009A Bonds, to the Bond Registrar at its Principal Office and to the Remarketing Agent. That notice shall state the principal amount of such Series 2009A Bonds (or interest therein), the portion thereof to be purchased and the date on which the same shall be purchased, which date shall be a Business Day at least seven days after the date of delivery of such notice to the Bond Registrar. Upon confirmation by the Securities Depository to the Bond Registrar that such Participant has an ownership interest in the Series 2009A Bonds at least equal to the amount of Series 2009A Bonds specified in such irrevocable written notice, payment of the Tender Price of such Series 2009A Bonds shall be made by 3:00 p.m. Chicago time, or as soon as practicably possible thereafter, upon the receipt by the Bond Registrar of the Tender Price on the Business Day specified in the notice upon the transfer on the registration books of the Securities Depository of the beneficial ownership interest in such Series 2009A Bonds tendered for purchase to the account of the Tender Agent, or a Participant acting on behalf of such Tender Agent, at or prior to 9:00 a.m. Chicago time, on the date specified in such notice.

## MANDATORY TENDER

*Mandatory Tender for Purchase on First Day of Each Interest Rate Period.* The Series 2009A Bonds shall be subject to mandatory tender for purchase on the first day of each Interest Rate Period (or on the day which would have been the first day of an Interest Rate Period had one of the events not occurred which resulted in the interest rate on such Series 2009A Bonds not being converted) at the Tender Price, payable in immediately available funds. For payment of the Tender Price on the Tender Date, a Series 2009A Bond must be delivered at or prior to 9:00 a.m. Chicago time on the Tender Date. If delivered after that time, the Tender Price shall be paid on the next succeeding Business Day.

*Mandatory Tender for Purchase upon Termination, Replacement or Expiration of Liquidity Facility; Mandatory Standby Tender.* If at any time the Bond Registrar gives notice that the Tender Price on the Series 2009A Bonds tendered for purchase shall, on the date specified in such notice, cease to be subject to purchase pursuant to the Liquidity Facility then in effect as a result of (i) the termination, replacement or expiration of the term, as extended, of that Liquidity Facility, including but not limited to termination at the option of the Board in accordance with the terms of such Liquidity Facility, or (ii) the occurrence of a Mandatory Standby Tender, then each such Series 2009A Bond shall be purchased or deemed purchased at the Tender Price. Any such purchase of Series 2009A Bonds shall occur: (1) on the fifth Business Day preceding any such expiration or termination of such Liquidity Facility without replacement by an Alternate Liquidity Facility or upon any termination thereof as a result of a Mandatory Standby Tender, and (2) on the date of the replacement of a Liquidity Facility, in any case where an Alternate Liquidity Facility has been delivered to the Tender Agent pursuant to the Modal Agreement. In the case of any replacement, the existing Liquidity Facility will be drawn to pay the Tender Price, if necessary, rather than the Alternate Liquidity Facility.

*Irrevocable Notice Deemed to be Tender of Series 2009A Bonds; Undelivered Bonds.* The giving of notice by a Owner of Series 2009A Bonds as provided in the Modal Agreement shall constitute the irrevocable tender for purchase of each Series 2009A Bond with respect to which such notice is given.

If any Owner of a Series 2009A Bond who has given notice of tender of purchase or any Owner of a Series 2009A Bond subject to mandatory tender for purchase shall fail to deliver that Series 2009A Bond to the Tender Agent at the place and on the Tender Date and at the time specified, or shall fail to deliver that Series 2009A Bond properly endorsed, that Series 2009A Bond shall constitute an Undelivered Bond. If funds in the amount of the purchase price of the Undelivered Bond are available for payment to the Owner thereof on the Tender Date and at the time specified, then from and after the Tender Date and time of that required delivery (A) the Undelivered Bond shall be deemed to be purchased and shall no longer be deemed to be Outstanding under the Bond Resolution and the Series 2009A Bonds deemed to have been purchased shall be delivered as provided in the Modal Agreement; (B) interest shall no longer accrue on the Undelivered Bond; and (C) funds in the amount of the Tender Price of the Undelivered Bond shall be held uninvested by the Tender Agent for the benefit of the Owner thereof (provided that the Owner shall have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of the Undelivered Bond to the Tender Agent at its Principal Office for delivery of Series 2009A Bonds.

#### REMARKETING OF SERIES 2009A BONDS; UNDELIVERED SERIES 2009A BONDS

Upon a mandatory tender (other than a Mandatory Standby Tender) or notice of tender for purchase of Series 2009A Bonds, the Remarketing Agent shall offer for sale and use its best efforts to sell such Series 2009A Bonds (including Liquidity Facility Bonds) on the same date designated for purchase thereof and, if not remarketed on such date, thereafter until sold, at a price equal to par plus accrued interest. Any Series 2009A Bond which has been tendered and not remarketed for more than 30 days may not be remarketed until the Bond Registrar and the Remarketing Agent have received a Favorable Opinion of Bond Counsel with respect to such remarketing.

The proceeds of the sale by the Remarketing Agent of any Series 2009A Bonds shall be delivered to the Tender Agent for deposit into the Remarketing Account of the Bond Purchase Fund as provided in the Remarketing Agreement.

*Purchase of Series 2009A Bonds; Sources and Deposits of Tender Price.* Series 2009A Bonds required to be purchased in accordance with the Modal Agreement shall be purchased from the Owners thereof, on the Tender Date and at the Tender Price. Funds for the payment of the Tender Price shall be received by the Tender Agent from the following sources and used in the order of priority indicated, provided that, if a Liquidity Facility is in effect, payment of the Tender Price shall be made only using Eligible Moneys:

- (i) proceeds of the sale of remarketed Series 2009A Bonds furnished to the Tender Agent by the Remarketing Agent for deposit into the Remarketing Account of the Bond Purchase Fund;
- (ii) money furnished by the Liquidity Facility Provider to the Tender Agent for deposit into the Liquidity Facility Purchase Account of the Bond Purchase Fund from Requests on the Liquidity Facility, if any (provided that moneys from Requests on the

Liquidity Facility shall not be used to purchase Liquidity Facility Bonds or Series 2009A Bonds from the Board); and

(iii) money, if any, furnished by the Board at its option to the Tender Agent for deposit into the Board Purchase Account of the Bond Purchase Fund for the purchase of Series 2009A Bonds by the Board.

Money held in the Bond Purchase Fund shall be held uninvested by the Tender Agent.

*Inadequate Funds for Tenders.* If sufficient funds are not available for the purchase of all Series 2009A Bonds tendered or deemed tendered and required to be purchased on any Tender Date, all Series 2009A Bonds shall bear interest at the lesser of the SIFMA Municipal Swap Index plus one percent and the Maximum Bond Interest Rate from the date of such failed purchase until all such Series 2009A Bonds are purchased as required in accordance with the Modal Agreement, and all tendered Series 2009A Bonds shall be returned to their respective Owners. Notwithstanding any other provision of the Modal Agreement, such failed purchase and return shall not constitute an Event of Default. Thereafter, the Bond Registrar shall continue to take all such action available to it to obtain remarketing proceeds from the Remarketing Agent and sufficient other funds from the Liquidity Facility Provider.

*Undelivered Bonds; Tender Price.* If a purchased Series 2009A Bonds is not presented to the Tender Agent, the Tender Agent shall segregate and hold uninvested the money for the Tender Price of such Tender Bond in trust for the benefit of the former Owner of such Series 2009A Bonds, who shall, except as provided in the following sentences of this paragraph, thereafter be restricted exclusively to such money for the satisfaction of any claim for the Tender Price. Any money which the Tender Agent segregates and holds in trust for the payment of the Tender Price of any Series 2009A Bonds which remains unclaimed for five years after the date of purchase shall be paid to the Board. After the payment of such unclaimed money to the Board, the former Owner of such Series 2009A Bonds shall look only to the Board for the payment thereof. The Board shall not be liable for any interest on unclaimed money and shall not be regarded as a trustee of such money.

#### LIQUIDITY FACILITY

A Liquidity Facility, in an amount equal to the sum of outstanding principal and interest calculated at the Maximum Bond Interest Rate for 35 days, or such other amount as may be approved by the Rating Agencies, shall be maintained by the Board for Series 2009A Bonds bearing interest at the Weekly Interest Rate.

If there is not a sufficient amount of remarketing proceeds available to pay the Tender Price on a Tender Date on which Series 2009A Bonds are required to be purchased, the Tender Agent shall make a Request or Requests under the Liquidity Facility in accordance with its terms, at the times and in the manner required by the Tender Agent Agreement to receive immediately available funds on the Tender Date sufficient to pay the balance of the Tender Price.

The Bond Registrar shall give notice by mail to the Owners of the Series 2009A Bonds secured by a Liquidity Facility (i) on or before the 30th day preceding the replacement, termination or expiration of such Liquidity Facility (except in the case of a termination resulting from an event referred to in the following paragraph) in accordance with its terms, or (ii) in the case of any Mandatory Standby Tender under such Liquidity Facility, as soon as reasonably possible, but no later than the Business Day following the receipt by the Bond Registrar of notice of the Mandatory Standby Tender. The notice shall be accompanied by directions for the purchase of the Series

2009A Bonds as described in "*—Mandatory Tender – Mandatory Tender for Purchase upon Termination, Replacement or Expiration of Liquidity Facility; Mandatory Standby Tender.*"

If there should occur any event resulting in the immediate termination or suspension of the obligation of the Liquidity Facility Provider to purchase Bonds under the terms of any Liquidity Facility, then the Bond Registrar shall as soon as practicably possible thereafter notify the Owners of all the Series 2009A Bonds then outstanding that: (i) the Liquidity Facility has been terminated or suspended, as the case may be; (ii) the Tender Agent will no longer be able to purchase Series 2009A Bonds with moneys available under the Liquidity Facility; and (iii) the Liquidity Facility Provider is under no obligation to purchase Series 2009A Bonds or to otherwise advance moneys to fund the purchase of Series 2009A Bonds. A description of the circumstances under which the Initial Liquidity Facility is subject to immediate termination or suspension is under "INITIAL LIQUIDITY FACILITY – Remedies."

#### ALTERNATE LIQUIDITY FACILITY

Prior to the expiration or termination of a Liquidity Facility relating to the Series 2009A Bonds, in accordance with the terms of that Liquidity Facility, the Board may provide for the delivery to the Tender Agent of an Alternate Liquidity Facility which has a term of at least 364 days. Any Alternate Liquidity Facility delivered to the Tender Agent pursuant to the Modal Agreement shall be delivered and become effective on or prior to the date on which the former Liquidity Facility terminates or expires and shall contain administrative provisions reasonably acceptable to the Tender Agent and the Remarketing Agent. On or prior to the date of the delivery of the Alternate Liquidity Facility to the Tender Agent, the Board shall furnish to the Tender Agent (A) if the Alternate Liquidity Facility is issued by a Liquidity Facility Provider other than a domestic commercial bank, an opinion of Counsel reasonably satisfactory to the Board, the Tender Agent and the Remarketing Agent that no registration of the Alternate Liquidity Facility is required under the Securities Act, and no qualification of the Modal Agreement is required under the Trust Indenture Act, or that all applicable registration or qualification requirements have been fulfilled; (B) an opinion of Counsel satisfactory to the Board, the Tender Agent and the Remarketing Agent to the effect that such Alternate Liquidity Facility is a valid and enforceable obligation of the issuer thereof; and (C) a Favorable Opinion of Bond Counsel with respect to the Alternate Liquidity Facility.

In lieu of the opinion of Counsel required by clause (A) above, there may be delivered an opinion of Counsel reasonably satisfactory to the Board, the Remarketing Agent and the Tender Agent to the effect that either (A) at all times during the term of the Alternate Liquidity Facility, the Series 2009A Bonds will be offered, sold and held by Owners in transactions not constituting a public offering of the Series 2009A Bonds or the Alternate Liquidity Facility under the Securities Act, and accordingly no registration under the Securities Act, nor qualification of the Modal Agreement under the Trust Indenture Act, will be required in connection with the issuance and delivery of the Alternate Liquidity Facility or the remarketing of the Series 2009A Bonds with the benefits thereof, or (B) the offering and sale of the Series 2009A Bonds, to the extent evidencing the Alternate Liquidity Facility, has been registered under the Securities Act and any Modal Agreement required to be qualified with respect thereto under the Trust Indenture Act has been so qualified. If the opinion described in clause (A) is given, the Series 2009A Bonds and any transfer records relating to the Series 2009A Bonds shall be noted indicating the restrictions on sale and transferability described in clause (A).

As described under the heading "DESCRIPTION OF THE SERIES 2009A BONDS – Mandatory Tender – Mandatory Tender for Purchase upon Termination, Replacement or Expiration of Liquidity Facility; Mandatory Standby Tender," the Series 2009A Bonds are subject to mandatory tender if an Alternate Liquidity Facility is to be provided.

In the event that the Liquidity Facility Provider is downgraded below "A-1" by S&P or "P-1" by Moody's (to the extent such rating agency is then rating the Liquidity Facility Provider), the Board may provide for delivery of an Alternate Liquidity Facility.

#### OPTIONAL REDEMPTION

If there is no continuing Event of Default under the terms of the Modal Agreement, the Series 2009A Bonds bearing interest at a Weekly Interest Rate are subject to redemption prior to their maturity at the written direction of the Board, in whole or in part, at a redemption price of 100% of the principal amount thereof at any time.

## MANDATORY REDEMPTION OF SERIES 2009A BONDS

The Series 2009A Bonds are subject to mandatory redemption prior to maturity through the application of sinking fund payments, in Authorized Denominations selected by the Bond Registrar, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption, in the following principal amounts on April 1 in each of the years set forth below:

<u>Date</u>	<u>Amount</u>
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\* Final Maturity

The principal amounts of Series 2009A Bonds to be redeemed or paid on each date through mandatory sinking fund redemptions, as set forth in the preceding table, may be reduced through the earlier optional redemption thereof, with any partial optional redemption of Series 2009A Bonds being credited against such future mandatory sinking fund requirements as determined by the Board, with written notice of such determination to be given to the Bond Registrar.

## PURCHASE BY THE BOARD IN LIEU OF REDEMPTION

When Series 2009A Bonds are called for redemption and if the Board gives notice to the Tender Agent on or before the Business Day prior to the redemption date, that the Board elects to

have the Series 2009A Bonds purchased in lieu of redemption, all or any portion of the Series 2009A Bonds that the Board elects to purchase shall be subject to a mandatory tender on such redemption date at a purchase price equal to 100% of the principal amount thereof plus accrued interest. Payment of such purchase price shall be paid using money furnished by the Board. No such purchase shall act to extinguish the obligation of the Board represented by the Series 2009A Bonds.

#### PROCEDURE FOR REDEMPTION OF SERIES 2009A BONDS

In the event any of the Series 2009A Bonds are called for redemption, the Bond Registrar shall give notice, in the name of the Board, of the redemption of such Series 2009A Bonds, which notice shall (i) specify the Series 2009A Bonds to be redeemed, the redemption date, the redemption price, and the place or places where amounts due upon such redemption will be payable (which shall be the principal corporate trust office of the Bond Registrar) and, if less than all of the Series 2009A Bonds are to be redeemed, the numbers of the Series 2009A Bonds, and the portions of the Series 2009A Bonds, so to be redeemed, (ii) with respect to any optional redemption of the Series 2009A Bonds, unless moneys sufficient to pay the principal of and interest and premium, if any, on the Series 2009A Bonds to be redeemed shall have been received by the Bond Registrar prior to the giving of such notice of redemption, state that said redemption is conditional upon the receipt of such moneys by the Bond Registrar on or prior to the date fixed for redemption, (iii) state any other condition to such redemption, and (iv) state that on the redemption date, and upon the satisfaction of any such condition, the Series 2009A Bonds to be redeemed shall cease to bear interest. Such notice shall be given by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption to each Owner of Series 2009A Bonds to be redeemed at its address shown on the registration books kept by the Bond Registrar; *provided, however*, that failure to give such notice to any Bondholder or any defect in such notice shall not affect the validity of the proceedings for the redemption of any of the other Series 2009A Bonds. The Bond Registrar shall send a second notice of redemption by certified mail return receipt requested to any registered Owner who has not submitted Series 2009A Bonds called for redemption 30 days after the redemption date, *provided, however*, that the failure to give any second notice by mailing, or any defect in such notice, shall not affect the validity of any proceedings for the redemption of any of the Series 2009A Bonds and the Bond Registrar shall not be liable for any failure by the Bond Registrar to send any second notice.

Any Series 2009A Bonds and portions of Series 2009A Bonds which have been duly selected for redemption and which are paid in accordance with their terms shall cease to bear interest on the specified redemption date.

#### PARTIAL REDEMPTION OF SERIES 2009A BONDS

If less than all the Series 2009A Bonds shall be called for redemption under any provision of the Modal Agreement permitting such partial redemption, the particular Series 2009A Bonds to be redeemed shall be selected by the Board; *provided, however*, (a) that the portion of any Series 2009A Bond to be redeemed under any provision of the Modal Agreement shall be in the principal amount of \$5,000 or any multiple thereof, (b) that, in selecting Series 2009A Bonds for redemption, the Bond Registrar shall treat each Series 2009A Bond as representing that number of Series 2009A Bonds which is obtained by dividing the principal amount of such Series 2009A Bond by \$5,000, (c) that, to the extent practicable, the Bond Registrar will not select any Series 2009A Bond for partial redemption if the amount of such Series 2009A Bond remaining Outstanding would be reduced by such partial redemption to less than the Authorized Denomination and (d) Liquidity

Facility Bonds shall be redeemed prior to any Series 2009A Bonds which are not Liquidity Facility Bonds.

Notwithstanding the foregoing, if the Series 2009A Bonds are held under a Book-Entry System at the time of a partial redemption of the Series 2009A Bonds, beneficial ownership interests in the Series 2009A Bonds shall be selected for redemption in accordance with the rules and procedures established by the Securities Depository.

## **SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

### **GENERAL**

Subject to the prior pledge to and lien of the Refunded Bonds pending their retirement from the irrevocable escrow accounts established for that purpose, the Bonds are payable from and secured by a pledge of and lien on (i) the Net Revenues of the System, (ii) Student Tuition and Fees (subject to prior payment of operating and maintenance expenses of the System, but only to the extent necessary), and (iii) the Bond and Interest Sinking Fund Account. All such income and revenues are irrevocably pledged for the prompt and punctual payment of the principal of, premium, if any, and interest on the Bonds according to their terms, and all shall be equally and ratably secured by the pledge and lien without priority or preference one over the other (except for the prior pledge to and lien of the Refunded Bonds) by reason of series designation, denomination, number, maturity date, terms of redemption prior to maturity, date of sale or delivery or otherwise. All the Bonds (other than the Refunded Bonds) are co-equal as to the pledge of and lien on all of the Net Revenues of the System, Student Tuition and Fees and Bond and Interest Sinking Fund Account, as described above, securing the payment of the Bonds and share ratably, without preference, priority or distinction as to the source or method of payment and security for the Bonds.

The Prior Parity Bonds, except for the Series 1999A and B Bonds, the Series 2000 Bonds, the Series 2001A, B and C Bonds, the Series 2003A Bonds, the Series 2005A and B Bonds, the Series 2006 Bonds and the Series 2008 Bonds, are further secured by income received from, and funds deposited in, the Debt Service Reserve Account. None of the Series 2009A Bonds, the Series 2008 Bonds, the Series 2006 Bonds, the Series 2005A and B Bonds, the Series 2003A Bonds, the Series 2001A, B and C Bonds, the Series 2000 Bonds or the Series 1999A and B Bonds have any claim upon the Debt Service Reserve Account.

### **STUDENT TUITION AND FEES**

The Board is authorized by law to retain all Student Tuition and Fees in its treasury and to credit such amounts to an account known as the University Income Fund. The Bond Resolution requires the Comptroller of the Board to deposit annually the Student Tuition and Fees into the Revenue Fund established by the Bond Resolution, as shall be necessary, together with Operating Revenues, to meet (i) operating and maintenance expenses of the System and (ii) together with transfers, if any, of investment income from the Debt Service Reserve Account to the Bond and Interest Sinking Fund Account (which investment income shall be applied to debt service only on those Bonds secured by the Debt Service Reserve Account), annual debt service and required deposits to the Debt Service Reserve Account and Repair and Replacement Reserve Account.

### **REPAIR AND REPLACEMENT RESERVE ACCOUNT**

Pursuant to the Bond Resolution, the Board is required to establish and maintain a Repair and Replacement Reserve Account. On or before the close of each Fiscal Year, the Comptroller shall deposit

in the Repair and Replacement Reserve Account from the funds remaining in the Revenue Fund, an amount not less than ten percent (10%) of the Maximum Annual Net Debt Service. The maximum amount which may be accumulated in such Account shall not exceed five percent (5%) of the replacement cost of the facilities constituting the System, as determined by the then current Engineering News Record Building Cost Index (or comparable index). All money and investments so held in such Account shall be used and held for use to pay the cost of unusual or extraordinary maintenance or repairs, renewals and replacements, and renovating or replacement of fixed equipment not paid as part of the ordinary maintenance and operation of the System. Moneys on deposit in the Repair and Replacement Reserve Account are not pledged as security for the payment of the Bonds. See "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – Flow of Funds – *Repair and Replacement Reserve Account*" in APPENDIX D.

#### RATE COVENANT

The Board covenants and agrees that it will adopt such rules and regulations as are necessary to assure reasonable occupancy and use of the System; and that the rents, fees, charges and admissions (including charges for utility and janitor services) chargeable to the occupants of, and students, faculty members and others using or being served by, or having the right to use or having the right to be served by, the System and Student Tuition and Fees shall be so fixed and revised from time to time and shall be so collected that the amount of Net Revenues plus Student Tuition and Fees in each Fiscal Year is at least equal to 2.0 times Maximum Annual Net Debt Service.

#### PARITY BONDS

Parity Bonds may be issued under the terms of the Bond Resolution only upon compliance with all of the following conditions:

1. The Comptroller must sign a written certificate to the effect that the Board is not in default as to any covenant, condition or obligation in connection with all Outstanding Bonds, and the resolutions authorizing the same.
2. All transfers and deposits to the Bond and Interest Sinking Fund Account, the Debt Service Reserve Account (if any) and the Repair and Replacement Reserve Account, as provided in the Bond Resolution, must be current.
3. Parity Bonds must be issued for the purpose of repairing, improving or adding to the System, or for the purpose of refunding Bonds, or for any combination of such purposes.
4. For each of the two completed Fiscal Years immediately preceding the issuance of any Parity Bonds:
  - (a) the average of the sum of annual Net Revenues plus Student Tuition and Fees must be at least equal to 200 percent (2.0 times) Maximum Annual Net Debt Service for the then Outstanding Bonds and the proposed Parity Bonds; and
  - (b) so long as any University of Illinois, UIC South Campus Development Project Revenue Bonds, Series 2000 (Taxable) (the "UIC South Campus Bonds") are outstanding, after applying the test in (a) above, the remaining amount of Student Tuition and Fees (but excluding fees assessed for the use and operation of the System and fees assessed for the use and operation of the Health Services Facilities System of the Board), in each such Fiscal Year, after providing for the

related additional parity bonds tests for each year for each of the following bond issues:

- (i) the University of Illinois Revenue Bonds, Series 1985A relating to the Construction Engineering Research Laboratory or bonds issued to refund such bonds;
- (ii) the University of Illinois Willard Airport Project Revenue Refunding Bonds, Series 1997; and
- (iii) the University of Illinois Health Services Facilities Revenue Bonds

is at least equal to 110 percent (1.10 times) of maximum annual debt service for the then outstanding UIC South Campus Bonds.

5. At the time of delivery of the proposed Parity Bonds, a determination must be made in the resolution authorizing such Parity Bonds whether such Parity Bonds shall be secured by or payable from any funds on deposit in the Debt Service Reserve Account. **[The Board has provided in the authorizing resolution for the Series 2009A Bonds that the Series 2009A Bonds will not be secured by or payable from the Debt Service Reserve Account.]**
6. Such Parity Bonds shall be authorized by a resolution adopted by the Board which shall conform in all respects to the terms and provisions of the Bond Resolution.

#### OUTSTANDING PARITY BONDS

As of February 1, 2009, the Board had outstanding fourteen series of Bonds, including the Series 1991 Bonds, the Series 1993 Bonds, the Series 1996 Bonds, the Series 1999A Bonds, the Series 1999B Bonds, the Series 2000 Bonds, the Series 2001A Bonds, the Series 2001B Bonds, the Series 2001C Bonds, the Series 2003A Bonds, the Series 2005A Bonds, the Series 2005B Bonds (being refunded by the Series 2009A Bonds), the Series 2006 Bonds and the Series 2008 Bonds aggregating \$939,845,000 (including the accreted value of outstanding capital appreciation Bonds as of June 30, 2008), which are secured, subject to the prior pledge to and lien of the Refunded Bonds pending their retirement from the irrevocable escrow accounts established for the purpose, by a pledge of and lien on (i) the Net Revenues of the System, (ii) Student Tuition and Fees (subject to prior payment of operating and maintenance expenses of the System, but only to the extent necessary), and (iii) the Bond and Interest Sinking Fund Account. The Series 1991 Bonds, the Series 1993 Bonds and the Series 1996 Bonds are further secured by income received from, and funds on deposit in, the Debt Service Reserve Account.

### **BOOK-ENTRY ONLY SYSTEM**

#### GENERAL PROVISIONS

*The following information concerning The Depository Trust Company, New York, New York ("DTC") and its book-entry is based solely on information provided by DTC. Accordingly, no representation is made by the Board, the University, the Bond Registrar or the Underwriter as to the accuracy or completeness of such information, or as to the absence of changes in such information subsequent to the date hereof.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2009A Bonds. The Series 2009A 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 Series 2009A Bond will be issued for each maturity of the Series 2009A Bonds, in the aggregate principal amount of each such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Series 2009A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2009A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2009A 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 Series 2009A Bonds, except in the event that use of the book-entry system for the Series 2009A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009A 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 Series 2009A Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee, does not

effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2009A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2009A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2009A Bonds, such as redemptions, tenders, defaults and proposed amendments to the documents. For example, Beneficial Owners of Series 2009A Bonds may wish to ascertain that the nominee holding the Series 2009A 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 Bond Registrar and request that copies of notices be provided directly to them.

While the Series 2009A Bonds are in the book-entry system, redemption notices shall be sent to Cede & Co. If less than all of the Series 2009A Bonds of 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 such other DTC nominee) will consent or vote with respect to the Series 2009A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2009A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, and interest payments on the Series 2009A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Board or the Bond Registrar, on each payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Registrar, or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2009A Bonds at any time by giving reasonable notice to the Board or the Bond Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, certificates for the Series 2009A Bonds are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Series 2009A Bonds will be printed and delivered to DTC.

#### SUCCESSOR SECURITIES DEPOSITORY; DISCONTINUATION OF BOOK-ENTRY SYSTEM

In the event that (i) the Board determines that DTC is incapable of discharging its responsibilities described in the Bond Resolution and in the blanket letter of representations from the Board and accepted by DTC (the "Representation Letter"), (ii) the Representation Letter shall be terminated for any reason, or (iii) the Board determines that it is in the best interest of the Beneficial Owners of the Series 2009A Bonds that they be able to obtain certificated Series 2009A Bonds, the Board will notify DTC and the Direct Participants of the availability through DTC of certificated Series 2009A Bonds and the Series 2009A Bonds will no longer be restricted to being registered in the registry maintained by the Bond Registrar in the name of Cede & Co., as nominee of DTC. At that time, the Board may determine that the Series 2009A Bonds shall be registered in the name of and deposited with a successor depository operating a universal book-entry system, as may be acceptable to the Board, or such depository's agent or designee, or if the Board does not select such an alternate universal book-entry system, then the Series 2009A Bonds may be registered in whatever name or names registered owners of Series 2009A Bonds transferring or exchanging Series 2009A Bonds shall designate, in accordance with the provisions of the Bond Resolution.

#### REMARKETING AGENT

Citigroup Global Markets Inc. has been appointed the initial Remarketing Agent under the Bond Resolution and the Remarketing Agreement. The Remarketing Agent will agree particularly to use its best efforts to remarket any Series 2009A Bonds at a price not less than 100% of the principal amount thereof plus accrued interest subject in all respects to the terms and conditions of the Bond Resolution and the Modal Agreement.

*The Remarketing Agent is Paid by the Board.* The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Series 2009A Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case to the terms of the Remarketing Agreement), all as further described in this Official Statement. The Remarketing Agent is appointed by the Board and is paid by the Board for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Series 2009A Bonds.

*The Remarketing Agent Routinely Purchases Bonds for its Own Account.* The Remarketing Agent is permitted, but not obligated, to purchase tendered Series 2009A Bonds for its own account. The Remarketing Agent, in its sole discretion, routinely acquires tendered bonds for its own inventory in order to achieve a successful remarketing of the bonds (i.e., because there otherwise are not enough buyers to purchase the bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase bonds including the Series 2009A Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Series 2009A Bonds by routinely purchasing and selling Series 2009A Bonds other than in connection with an optional tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Series 2009A Bonds. If the Remarketing Agent purchases Series 2009A Bonds for its own account, it may offer those Series 2009A Bonds at a discount to par to some investors. The Remarketing Agent may also sell any Series 2009A Bonds

it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Series 2009A Bonds. The purchase of Series 2009A Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Series 2009A Bonds in the market than is actually the case. The practices described above also may reduce the supply of Series 2009A Bonds that may be tendered in a remarketing.

*Series 2009A Bonds May be Offered at Different Prices on any Date.* The Remarketing Agent is required to determine on each rate determination date the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Series 2009A Bonds at par plus accrued interest, if any, on the date the rate becomes effective (the "Effective Date"). The interest rate will reflect, among other factors, the level of market demand for the Series 2009A Bonds (including whether the Remarketing Agent is willing to purchase Series 2009A Bonds for its own account). The Remarketing Agreement requires that the Remarketing Agent use its best efforts to sell tendered bonds at par, plus accrued interest. There may or may not be Series 2009A Bonds tendered and remarketed on a rate determination date. As an owner of Series 2009A Bonds the Remarketing Agent may sell Series 2009A Bonds at varying prices, including at a discount to par, to different investors on a rate determination date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Series 2009A Bonds at the remarketing price.

*The Ability to Sell the Series 2009A Bonds other than through Tender Process May Be Limited.* While the Remarketing Agent may buy and sell Series 2009A Bonds, it is not obligated to do so and may cease doing so at any time without notice. Thus, investors who purchase the Series 2009A Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Series 2009A Bonds other than by tendering through the Tender Agent, the Series 2009A Bonds in accordance with the tender process.

*Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the Series 2009A Bonds, Without a Successor Being Named.* Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement. In the event there is no Remarketing Agent, the Bond Registrar may assume such duties as described in the Modal Agreement.

## **INITIAL LIQUIDITY FACILITY**

*This summary of the Initial Liquidity Facility does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Initial Liquidity Facility to which reference is made hereby. Investors are urged to obtain and review a copy of the Initial Liquidity Facility in order to understand all of the terms of that document. Copies of the Initial Liquidity Facility may be obtained from the Bond Registrar upon request. See Appendix E attached hereto for certain information regarding the Initial Liquidity Facility Provider.*

*The Initial Liquidity Facility contains various provisions, covenants and conditions, certain of which are summarized below. Various words or terms used in the following summary are defined in this Official Statement, the Initial Liquidity Facility, the Bond Resolution or Modal Agreement, and reference thereto is made for full understanding of their import.*

**[to come]**

## PLAN OF FINANCE

### PURPOSE OF THE SERIES 2009A BONDS

The proceeds of the Series 2009A Bonds will be used to (i) pay a part of the costs of various improvements and additions to the System described under "—The Series 2009A Projects" below, (ii) refund the outstanding Variable Rate Demand Auxiliary Facilities System Revenue Bonds, Series 2005B of the Board, (iii) a portion of the interest on the Series 2009A Bonds and fees (other than initial fees) related to the Initial Liquidity Facility, and (iv) pay costs of issuing the Series 2009A Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS."

### THE SERIES 2009A PROJECTS

Illini Union provides a multitude of services for all students on the Urbana-Champaign Campus. The South and North Buildings, built over 40 to 60 years ago respectively, are in need of a systems upgrade. The \$10 million project includes mechanical and electrical system repairs and replacements as well as life safety/fire alarm upgrades in several locations throughout the buildings. Additionally, this project will address life safety concerns and aid in energy reduction and improved systems reliability.

### REFUNDING OF SERIES 2005 BONDS

**[The Board has elected to currently refund and redeem all of the \$\_\_\_\_\_ outstanding principal amount of the Series 2005B Bonds. The Series 2005B Bonds will be redeemed on the date of issuance of the Series 2009A Bonds at the redemption price of par plus accrued interest to the redemption date.]**

ESTIMATED PRO FORMA MAXIMUM ANNUAL NET DEBT SERVICE COVERAGE

The following table compares the Net Revenues of the System and Student Tuition and Fees with the estimated Maximum Annual Net Debt Service for the Series 2009A Bonds and the Outstanding Bonds, in order to determine a pro forma debt service coverage as if such debt service had been applied during the periods shown. For purposes of estimating debt service on the Series 2009A Bonds, interest is estimated at \_\_\_\_%.

	<b><u>Fiscal Year Ended June 30</u></b>				
	<b><u>(in 000's)</u></b>				
	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>
Net Revenues	\$ 45,593	\$ 40,759	\$ 46,075	\$ 77,885	
Student Tuition and Fees <sup>(1)</sup>	<u>448,476</u>	<u>507,137</u>	<u>554,856</u>	<u>608,780</u>	
Total Available for Debt Service	\$494,069	\$547,896	\$600,931	\$686,665	
Coverage of Maximum Annual Net Debt Service for the Series 2009A Bonds and Outstanding Bonds (\$ _____) Net MADS <sup>(2)</sup>	7.0x	7.7x	8.5x	9.7x	

<sup>(1)</sup> Student Tuition and Fees is shown net of scholarships and fellowships.

<sup>(2)</sup> Estimated Maximum Annual Debt Service for the Series 2009A Bonds and all Outstanding Bonds is \$ \_\_\_\_\_ in Fiscal Year 2022. For purposes of calculating Maximum Annual Net Debt Service in accordance with the Bond Resolution, this amount has been reduced by estimated investment earnings on the Debt Service Reserve Account in the amount of \$ \_\_\_\_\_.

Source: Compiled by the Office of the Comptroller of the University of Illinois from audited Annual Financial Reports of the University for Fiscal Years 2004-2008.

## ANNUAL DEBT SERVICE REQUIREMENTS ON THE BONDS

The table below shows assumed annual debt service on the variable rate Series 2009A Bonds, with interest estimated at \_\_%, and all Outstanding Bonds as of each Fiscal Year, commencing with June 30, 2009.

Fiscal Year (Ending 6/30)	Series 2009A Bonds			Outstanding Bonds**	Total System Debt Service*
	Principal	Interest*	Total		
2009	\$-	\$-	\$-	\$-	\$-
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					

\* Net of capitalized interest.

\*\* Net of capitalized interest. Includes variable rate Series 2008 Bonds with an assumed interest rate of \_\_\_\_%. All other Series are fixed rate.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds for the Series 2009A are as follows:

**SOURCES OF FUNDS**

Principal Amount of Series 2009A Bonds..... \$

**USES OF FUNDS**

Series 2009A Project Costs <sup>(1)</sup> ..... \$

Refunding of Series 2005B Bonds ..... \$

Capitalized Interest<sup>(2)</sup> ..... \$

Underwriter's Discount ..... \$

Costs of Issuance ..... \$

Total Uses of Funds..... \$

<sup>(1)</sup> Deposit to the Project Fund at Closing. Additional Series 2009A Project costs are to be paid from investment earnings on Series 2009A proceeds.

<sup>(2)</sup> Deposit to the Capitalized Interest sub-account of the Project Fund to pay, together with investment earnings thereon, a portion of the interest on the Series 2009A Bonds and fees (other than initial fees) related to the Initial Liquidity Facility through \_\_\_\_\_, 20\_\_.

**AUXILIARY FACILITIES SYSTEM**

**BACKGROUND**

The University of Illinois Auxiliary Facilities System was created in June of 1978 pursuant to the provisions of the Act which authorized the Board to combine and consolidate into a single System certain housing, parking, union, recreation/athletic, student-oriented health and miscellaneous facilities, the net revenues of which were then pledged to secure outstanding indebtedness of the Board. As described below, certain facilities of the Springfield campus of the University were transferred to and became part of the System during Fiscal Year 1996.

At the time of formation of the System, the Board refinanced, through advance refunding or exchange, all then outstanding indebtedness secured by the various buildings and facilities initially intended to form the System.

Since the creation of the System, the Board, in addition to providing for routine maintenance, has assessed one-half of one percent of the Replacement Value of its facilities annually for renewals and replacements, unusual or extraordinary maintenance or repairs, and renovation or replacement of fixed equipment to sustain the physical and operating integrity of the System. Approved mandatory transfers for such purposes approximate \$9 million each year.

**DESCRIPTION OF FACILITIES**

The facilities comprising the System service various aspects of student campus life and include student residence halls, parking structures, student unions and recreation and athletic facilities. The University currently has residence hall and apartment facilities for about 14,045 single students and apartments for about 1,150 students and ten parking structures with a total capacity for approximately 10,330 cars. The University has three student union buildings, one at the

Urbana-Champaign campus and two at the Chicago campus, which include lounges, food service, bowling and billiards facilities, meeting rooms, bookstores and other recreational facilities.

The development of recreation and athletic facilities dates back to 1925 on the Urbana-Champaign campus with the construction of Memorial Stadium, which seats approximately 62,870 persons after its recent renovations, and the Ice Arena, which was originally constructed in 1930. The multi-purpose 16,000 seat Assembly Hall, which provides a venue for entertainment and sporting events, was constructed in 1963 at Urbana-Champaign. The multi-purpose 9,500 seat Pavilion, which serves a similar function in Chicago, was constructed in 1982. The University's McKinley Health Center, originally constructed in 1925-26, provides clinical treatment for students and staff at the Urbana-Champaign campus.

Student Services buildings in Chicago and in Urbana-Champaign provide centralized locations for comprehensive programs of student services, including career development and placement, student financial aid, student activities and student counseling and assistance. UIS facilities added to the System include a 56 unit on-campus housing complex known as University Court, food service operations, parking operations, bookstore operations, the 2,000 seat Sangamon Auditorium, a 10,000 square foot multi-purpose gymnasium and a child care center.

Recent additions to the Auxiliary Facilities System include: (1) renovation and expansion of a recreational facility in Urbana, (2) renovation of Memorial Stadium in Urbana and (3) construction of Founders Residence Hall in Springfield.

#### HOUSING OCCUPANCY RATES

For the past five Fiscal Years, ended June 30, 2008, the average occupancy of existing housing facilities of the Board, included within the System, has exceeded 90%.

#### FINANCIAL CONDITION OF THE AUXILIARY FACILITIES SYSTEM

The financial statements of the System are presented in accordance with accounting principles generally accepted in the United States of America.

During Fiscal Year 2002, the University 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 public college and university financial statements that focus on aggregate operations, versus the previous standards that focused on the accountability of individual fund groups. See "ANNUAL FINANCIAL REPORT FOR THE UNIVERSITY OF ILLINOIS AUXILIARY FACILITIES SYSTEM FOR THE YEAR ENDED JUNE 30, 2008" in APPENDIX B.

Following is a list of significant changes to the University's financial statements with respect to the Auxiliary Facilities System mandated by the New Financial Reporting Model:

- Resources are classified for accounting and reporting purposes into the following four net asset categories: invested in capital assets – net of related debt; restricted nonexpendable; restricted expendable; and unrestricted.
- Revenues and expenses are categorized as operating or nonoperating. Previously, a measure of operations was not presented. Significant recurring sources of the

University's revenues, including state appropriations, gift contributions and investment income (loss), are considered nonoperating.

- Depreciation of capital assets is now recognized. Previously, the historical costs of capital assets were not systematically reduced to reflect use of these assets over time. Accumulated depreciation for prior periods is reflected as a restatement to net assets and current year's depreciation expense is shown as an operating expense on the Statement of Revenues, Expenses and Changes in Net Assets.
- Receivables, cash advances and unearned revenues for sponsored programs and student tuition and fees are now recorded as deferred revenue. Previously, only unearned cash receipts were recognized as deferred revenue.
- Scholarships and fellowships applied to student accounts are now shown as a reduction of student tuition and residence fee revenues, while stipends and other payments made directly to students continue to be presented as scholarship and fellowship expenses. Previously, all scholarships and fellowships were presented as expenditures.

Included in APPENDIX B are the most recent Audited Financial Statements of the Auxiliary Facilities System for Fiscal Year 2008. The Audited Financial Statements of the Auxiliary Facilities System set forth as APPENDIX B consist of the Statement of Net Assets as of June 30, 2008, the Statement of Revenues, Expenses and Changes in Net Assets for the Year Ended June 30, 2008 and the Statement of Cash Flows for the Year Ended June 30, 2008.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET  
ASSETS OF THE AUXILIARY FACILITIES SYSTEM

The following table summarizes the Statement of Revenues, Expenses and Changes in Net Assets of the System for the years ended June 30, 2006, 2007 and 2008.

	Fiscal Year Ended June 30,		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Operating revenues:</b>			
Room and board, net of waivers	\$ 106,275,425	\$ 99,578,997	\$ 89,328,103
Merchandise and food sales	29,945,184	26,720,962	30,495,719
Student service fees	77,228,815	72,757,970	65,422,911
Public events and recreation fees	6,638,567	6,965,832	6,823,780
Parking charges	21,340,660	20,757,225	18,510,838
Rental and lease income	12,525,003	8,160,478	5,922,765
Vending income	1,561,831	1,391,168	1,486,412
Other operating revenue	10,700,266	9,685,578	9,045,308
<b>Total operating revenues</b>	<b>266,215,751</b>	<b>246,018,210</b>	<b>227,035,836</b>
<b>Operating expenses:</b>			
Salaries and wages	73,269,995	69,115,347	63,552,923
Merchandise and food for resale	30,782,260	29,562,597	28,554,600
Repair and maintenance	3,100,882	2,966,493	2,174,619
Professional and other contractual services	39,142,432	35,707,418	40,196,469
Utilities	24,319,605	19,957,870	23,886,593
Supplies	13,138,583	11,856,831	11,819,662
Equipment rental	2,800,503	2,282,931	1,998,963
Administrative services	13,888,621	12,730,093	11,769,218
Other operating expense	10,307,623	3,774,639	5,299,814
Depreciation and amortization	20,055,790	16,583,382	16,601,204
Payments on behalf of the Facility	18,287,684	15,636,889	13,974,097
<b>Total operating expenses</b>	<b>249,093,978</b>	<b>220,174,490</b>	<b>219,828,162</b>
<b>Operating income</b>	<b>17,121,773</b>	<b>25,843,720</b>	<b>7,207,674</b>
<b>Non-operating revenues (expenses):</b>			
Payments on behalf of the Facility	18,287,684	15,636,889	13,974,097
Investment income (net of related expenses)	12,229,399	19,820,602	8,292,467
Interest on capital asset-related debt	(41,446,495)	(45,707,369)	(38,116,746)
Amortization of issuance costs	(269,698)	(252,524)	(199,192)
Loss on disposal of capital assets	(82,461)	(1,428,249)	(286,951)
Other non-operating revenues	735,879	735,879	5,036,663
Other non-operating expenses	(1,221,336)	(2,932,353)	(1,718,251)
<b>Net non-operating revenues (expenses)</b>	<b>(12,502,907)</b>	<b>(14,127,125)</b>	<b>(13,017,913)</b>
<b>Increase (decrease) in net assets</b>	<b>4,618,866</b>	<b>11,716,595</b>	<b>(5,810,239)</b>
<b>Net assets, beginning of year</b>	<b>103,266,009</b>	<b>91,549,414</b>	<b>97,359,653</b>
<b>Net assets, end of year</b>	<b>\$ 107,884,875</b>	<b>\$103,266,009</b>	<b>\$91,549,414</b>

For more detailed information, see "REPORT FOR THE UNIVERSITY OF ILLINOIS AUXILIARY FACILITIES SYSTEM FOR THE YEAR ENDED JUNE 30, 2008" in APPENDIX B.

## TAX EXEMPTION

### GENERAL

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the Series 2009A Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of Series 2009A Bond proceeds and the facilities financed therewith, and certain other matters. The Board has covenanted to comply with all requirements of the Code that must be satisfied in order for the interest on the Series 2009A Bonds to be excludible from gross income. Failure to comply with certain of such covenants could cause interest on the Series 2009A Bonds to become includible in gross income retroactive to the date of issuance of the Series 2009A Bonds.

Subject to the condition that the Board comply with the above-referenced covenants, under present law, in the opinion of Bond Counsel the Series 2009A Bonds are not "private activity bonds" under Section 141 of the Code, and interest on the Series 2009A Bonds will not be includible in the gross income of the owners thereof for Federal income tax purposes and will not be treated as an item of tax preference in computing the alternative minimum tax for individuals and corporations. Interest on the Series 2009A Bonds will be taken into account, however, in computing an adjustment used in determining the alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon a certificate of the Board with respect to certain material facts solely within the Board's knowledge relating to the property financed or refinanced with the proceeds of the Series 2009A Bonds and the application of the proceeds of the Series 2009A Bonds.

The Code includes provisions for an alternative minimum tax ("AMT") for corporations. The AMT is levied in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (excluding S corporations, regulated investment companies, real estate investment trusts, REMICs or FASITs) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment items and the alternative tax net operating loss deduction). "Adjusted current earnings" would include all tax-exempt interest, including interest on the Series 2009A Bonds.

Under the provisions of Section 884 of the Code, a branch profits tax may be levied on the "effectively connected earnings and profits" of certain foreign corporations, which include tax-exempt interest such as interest on the Series 2009A Bonds.

Ownership of the Series 2009A Bonds may result in collateral Federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to carry tax-exempt obligations. Prospective purchasers of the Series 2009A Bonds should consult their tax advisors as to applicability of any such collateral consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or

circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in law that may thereafter occur or become effective. The opinions of Bond Counsel express the professional judgment of Bond Counsel regarding the legal issues expressly addressed therein. By rendering its legal opinion, Bond Counsel does not become an insurer or guarantor of the result indicated by that expression of professional judgment, of the transaction on which the opinion is rendered or of the future performance of the parties to the transaction. Nor does the rendering of the opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Interest on the Series 2009A Bonds is not exempt from present State of Illinois income taxes.

#### ORIGINAL ISSUE DISCOUNT

Series 2009A Bonds with an initial public offering price that is less than the principal amount thereof will be treated as "Discount Bonds." The difference between the principal amount payable at maturity of the Discount Bonds and the initial public offering price of such Discount Bonds, assuming that a substantial amount of such maturity is first sold at such price (the "Offering Price"), will be treated as "original issue discount." With respect to a taxpayer who purchases a Discount Bond in the initial public offering at the Offering Price and who holds such Discount Bond to maturity, the full amount of original issue discount will constitute interest which is not includible in the gross income of the owner of such Discount Bond for Federal income tax purposes to the same extent as current interest and will not be treated as taxable capital gain upon payment of such Discount Bond upon maturity.

The original issue discount on each of the Discount Bonds is treated as accruing daily over the term of such Discount Bond on the basis of a constant yield computed at the end of each six month period (or shorter period from the date of original issue). The amount of original issue discount accruing during such period will be added to the owner's tax basis for the Discount Bonds. Such adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Bonds (including sale, redemption or payment at maturity). An owner of a Discount Bond who disposes of it prior to maturity should consult such owner's tax advisor as to the amount of original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discount Bond prior to maturity.

Owners who purchase Discount Bonds in the initial public offering but at a price different from the Offering Price or who do not purchase Discount Bonds in the initial public offering should consult their tax advisors with respect to the tax consequences of the ownership of such Discount Bonds.

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

#### MARKET DISCOUNT

If a Series 2009A Bond is purchased at any time for a price that is less than the Series 2009A Bond's Offering Price plus accrued original issue discount, if any, the purchaser may be treated as having purchased the Series 2009A Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Series 2009A Bond is disposed of (to the extent

such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Series 2009A Bond. Purchasers should consult their own tax advisors regarding the potential implications of the market discount rules with respect to the Series 2009A Bonds.

#### **BOND PREMIUM**

An amount equal to the excess of the purchase price of a Series 2009A Bond over the principal amount payable at maturity of such Series 2009A Bond constitutes amortizable bond premium that may not be deducted for Federal income tax purposes. For purposes of determining gain or loss on the sale or other disposition of such Series 2009A Bond, the tax basis of each Series 2009A Bond is decreased by the amount of the bond premium that has been amortized. Bond premium is amortized by offsetting the interest on the Series 2009A Bond allocable to an accrual period with the bond premium allocable to the accrual period. The bond premium allocable to an accrual period is the excess of the interest on the Series 2009A Bond allocable to the accrual period over the product of the owner's adjusted acquisition price at the beginning of the accrual period and the owner's yield (determined on the basis of a constant yield over the term of the Series 2009A Bond). If the bond premium allocable to an accrual period exceeds the interest on the Series 2009A Bond allocable to the accrual period, the excess is a nondeductible loss for Federal income tax purposes that reduces the owner's basis in such Series 2009A Bond.

Purchasers of any Series 2009A Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the Federal, state and local consequences of owning such Series 2009A Bonds.

#### **LITIGATION**

There is no litigation pending against the Board or the University, or to the knowledge of the Board threatened, which in any way questions or affects the validity of the Series 2009A Bonds or any proceedings or transactions relating to their issuance, sale and delivery. The Board is not aware of any litigation, the resolution of which would have a material adverse impact on the Board's ability to meet debt service on the Series 2009A Bonds.

#### **LEGAL MATTERS**

Certain legal matters incidental to the authorization, issuance and sale of the Series 2009A Bonds by the Board are subject to the approving legal opinion of Pugh, Jones, Johnson & Quandt, P.C., Chicago, Illinois, as Bond Counsel ("Bond Counsel") who has been retained by, and acts as, Bond Counsel to the Board. Bond Counsel has not been retained or consulted on disclosure matters and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Series 2009A Bonds and assumes no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that in its capacity as Bond Counsel, Pugh, Jones, Johnson & Quandt, P.C. has, at the request of the Underwriter, reviewed the statements describing its approving opinion and the statements under the captions "DESCRIPTION OF THE SERIES 2009A BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – General," "– Student Tuition and Fees," "– Repair and Replacement Reserve Account," "– Rate Covenant," and "– Parity Bonds," "TAX EXEMPTION," and "APPENDIX D – DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION AND THE MODAL AGREEMENT" solely to determine whether such descriptions are accurate summaries in all material

respects. This review was undertaken solely at the request and for the benefit of the Underwriter. The proposed form of the opinion of Bond Counsel is included hereto as APPENDIX E.

Certain legal matters in connection with the Series 2009A Bonds will be passed upon for the Board by University Counsel, Thomas R. Bearrows, Esq. and its special issuer's counsel, Katten Muchin Rosenman LLP, Chicago, Illinois. Certain legal matters will be passed upon for the Initial Liquidity Facility Provider by Winston & Strawn LLP, Chicago, Illinois. Certain legal matters will be passed upon for the Underwriter by Ungaretti & Harris LLP, Chicago, Illinois.

## **UNDERWRITING**

The Underwriter has agreed, subject to certain customary conditions precedent to closing, to purchase the Series 2009A Bonds from the Board at a purchase price of \$\_\_\_\_\_ (which is equal to the original principal amount of the Series 2009A Bonds, less an underwriting discount of \$\_\_\_\_\_). The Underwriter will be obligated to purchase all of the Series 2009A Bonds if any Series 2009A Bonds are purchased.

## **FINANCIAL ADVISOR**

Public Financial Management, Inc. is serving as Financial Advisor to the Board on debt and capital related issues, including the issuance of the Series 2009A Bonds.

All of the summaries of the opinions, contracts, agreements, financial and statistical data, and other related documents described in this Official Statement are made subject to the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are publicly available for inspection at the offices of the Board's Financial Advisor, Public Financial Management, Inc., or at the University's Office of the Vice President for Administration.

## **FINANCIAL STATEMENTS**

The financial statements of the Auxiliary Facilities System and of the University for the year ended June 30, 2008, are set forth in APPENDIX B and APPENDIX C, respectively. These financial statements have been audited by Clifton Gunderson LLP, independent accountants, as set forth in their reports in APPENDIX B and APPENDIX C hereto.

## **DESCRIPTION OF RATINGS**

Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies ("S&P"), has assigned, and Moody's Investors Service ("Moody's") is expected to assign, the respective ratings set forth on the cover page of this Official Statement to the Series 2009A Bonds. The short-term ratings assigned to the Series 2009A Bonds are contingent upon the execution and delivery of the Initial Liquidity Facility. The ratings and an explanation of their significance may be obtained from the rating agency furnishing such rating. Such ratings reflect only the respective views of the rating agencies. The ratings are not recommendations to buy, sell or hold the Series 2009A Bonds. The ratings are subject to revision or withdrawal at any time, and any such revision or withdrawal may affect the market price or marketability of the Series 2009A Bonds.

The Board and the University furnished to the above rating agencies certain information and materials, some of which have not been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and investigations, studies and assumptions furnished to and obtained and made by the rating agencies. There is no assurance that any rating will remain for any given period of time or that any rating will not be revised downward or withdrawn entirely if, in the judgment of the appropriate rating agency, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price or marketability of the Series 2009A Bonds.

### **CONTINUING DISCLOSURE**

The initial offering and reoffering of the Series 2009A Bonds is exempt from the requirements of Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission, including the continuing disclosure requirements of paragraph (b)(5) of the Rule under the Securities Exchange Act of 1934, as amended, so long as the interest rate determination method is a Weekly Interest Rate. If the Series 2009A Bonds are converted to another interest rate mode, the Series 2009A Bonds may become subject to the continuing disclosure requirements of the Rule and, in such event, the Board has agreed in the Remarketing Agreement to comply with the applicable requirements of the Rule which include, among other things, entering into an undertaking to provide, for the benefit of the Beneficial Owners of the Series 2009A Bonds, certain continuing information as required by the Rule.

## CERTIFICATION

As of the date hereof, this Official Statement is, to the best of my knowledge, complete and correct in all material respects and does not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. The preparation of this Official Statement and its distribution has been authorized by The Board of Trustees of the University of Illinois.

THE BOARD OF TRUSTEES OF THE UNIVERSITY OF  
ILLINOIS

By:           /s/ Walter K. Knorr            
Vice President, Chief Financial Officer  
and Comptroller

**APPENDIX A**

**THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS**

**APPENDIX B**

**ANNUAL FINANCIAL REPORT FOR THE  
UNIVERSITY OF ILLINOIS AUXILIARY FACILITIES SYSTEM  
FOR THE YEAR ENDED JUNE 30, 2008**

**APPENDIX C**

**FINANCIAL INFORMATION FOR THE UNIVERSITY  
FOR THE YEAR ENDED JUNE 30, 2008, INCLUDING  
MANAGEMENT'S DISCUSSION AND ANALYSIS AND AUDITED FINANCIAL STATEMENTS**

[TO BE UPDATED BY BOND COUNSEL]

**APPENDIX D**

**DEFINITIONS OF CERTAIN TERMS AND  
SUMMARY OF CERTAIN PROVISIONS OF THE  
BOND RESOLUTION AND THE MODAL AGREEMENT**

**DEFINITIONS OF CERTAIN TERMS**

The following are definitions of certain terms used in this Official Statement

"Act" means the University of Illinois Revenue Bond Financing Act for Auxiliary Facilities, as amended, 110 ILCS 405/1 *et seq.*

"Alternate Liquidity Facility" means a Liquidity Facility issued to replace a Liquidity Facility pursuant to the Modal Agreement. Any amendments or extensions to an Alternate Liquidity Facility in accordance with its terms are not considered a New Alternate Liquidity Facility.

"Annual Net Debt Service" means an amount equal to the principal of and interest on all Bonds coming due in such Fiscal Year; provided, however that:

i. in the case of any Bonds for which a sinking fund has been established, the principal due thereon shall be deemed to mature in each year in which a payment is required to be made into such sinking fund in the amount of such payment;

ii. payments on Bonds which have been refunded or which are to be made from funds escrowed or deposited with a third party shall be excluded;

iii. in the event Commercial Paper shall have been issued, at the option of the Comptroller as specified on the date of each issue of Commercial Paper, any computation of Annual Net Debt Service shall exclude such Commercial Paper and shall instead be calculated as if the Commercial Paper were Projected Long Term Debt;

iv. in the event any Bonds (other than Commercial Paper) are being issued which bear, or are to bear, interest at a variable rate, Annual Net Debt Service on such variable rate Bonds for any such Fiscal Year shall be computed by assuming that the rate of interest applicable to such Fiscal Year or Fiscal Years is the highest of (A) the actual rate at the date of calculation, or if the Bonds are not yet Outstanding, the initial rate, (B) if the Bonds have been Outstanding for at least 12 months, the average rate over the 12 months immediately preceding the date of calculation, and (C)(1) If interest on the Bonds is issued as excludable from gross income under the applicable provisions of the Code, the rate of interest shown in the most recently published Revenue Bond Index or (2) if interest on the Bonds is not intended

to be so excludable, the interest rate on Government Obligations with comparable maturities, but in each case not in excess of the rate authorized by law; and

v. in the event the Board enters into a Hedging Transaction in connection with the issuance of any Bonds, the computation of the Annual Net Debt Service for such Bonds may, at the option of the Comptroller, include payments made and received by the Board or to be made and received by the Board under the related Hedging Transaction, provided that at the time such option is initially exercised the Comptroller delivers a certificate to the effect that (1) the institution other than Board that is party to such Hedging Transaction (the "Counterparty") is obligated under such Hedging Transaction to make payments thereunder for the period for which the computation of the Annual Net Debt Service on such Bonds is being determined, and (2) as of the date the Board and the Counterparty entered into such Hedging Transaction, the long-term debt obligations of the Counterparty or of any guarantor of the Counterparty's obligations under such Hedging Transaction were rated "A" or better by Moody's or S&P.

"Authorized Denomination" means \$100,000 or any integral multiple of \$5,000 in excess of \$100,000 during the Weekly Interest Rate Period.

"Auxiliary Facilities System" or "System" means the Existing Facilities and such additional facility or facilities as the same, or any part or portion of such facilities, are hereafter from time to time acquired and included in the System by the Board pursuant to the Bond Resolution, and excepting those parts of the System which from time to time may be disposed of or abandoned as provided in the Bond Resolution.

"Beneficial Owner" means any Person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2009A Bond (including any Person holding a Series 2009A Bond through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2009A Bond for federal income tax purposes.

"Board" means The Board of Trustees of the University of Illinois and its successors and assigns.

"Board Bonds" means the Series 2009A Bonds held by the Tender Agent for and on behalf of the Board or any nominee for (or any Person who owns such Series 2009A Bonds for the sole benefit of) the Board pursuant to the Modal Agreement and the Tender Agent Agreement.

"Board Purchase Account" means the account with that name established within the Bond Purchase Fund.

"Board Representative" means the Comptroller of the Board, or each other person or alternate designated to act for the Board by written certificate furnished to the Bond Registrar, containing the specimen signature of such person and signed on behalf of the Board by the Comptroller of the Board.

"Bond Counsel" means Pugh, Jones, Johnson & Quandt, P. C. or any other attorney at law or firm of attorneys selected by the Board of nationally recognized standing in matters pertaining to the validity of and the tax-exempt nature of interest on bonds issued by states and their political

subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America or in the District of Columbia.

"Bond Fund" means the Bond and Interest Sinking Fund Account created by the Bond Resolution.

"Bondholder" or "Holder" or "Owner" means, as of any time, the registered owner of any Series 2009A Bond as shown in the register kept by the Bond Registrar.

"Bond" or "Bonds" means the University of Illinois Auxiliary Facilities System Revenue Bonds, including the Series 2009A Bonds, issued under the provisions of the Bond Resolution.

"Bondholder" or "Owner" or "Holder" means, as of any time, the registered owner of any Series 2009A Bond as shown in the register kept by the Bond Registrar.

"Bond Purchase Fund" means the trust fund by that name established by and held by the Tender Agent pursuant to the Modal Agreement.

"Bond Registrar" means The Bank of New York Mellon Trust Company, N.A., Chicago, Illinois, and its successors and assigns.

"Bond Resolution" means the resolution adopted by the Board on September 20, 1984, providing for the issuance of revenue bonds by the Board under the Act, as such resolution has been supplemented and amended (including but not limited to the Fifteenth Supplemental Resolution), and as it may be supplemented and amended in the future in accordance with its terms.

"Business Day" means any day on which interbank wire transfers can be made on the Fedwire System, other than a Saturday, Sunday or other day on which the New York Stock Exchange is closed or on which banks are authorized or required to be closed in any of the City of Chicago, Illinois, the City of New York, New York, the cities where the Liquidity Facility Provider and the Remarketing Agent are located or any other municipalities in which the designated corporate trust offices of the Bond Registrar or the Tender Agent are located.

"Closing Date" means the date of delivery of the Series 2009A Bonds to the Underwriter against payment therefor.

"Code" means the Internal Revenue Code of 1986, as from time to time amended, and any regulations promulgated thereunder which are applicable to the Series 2009A Bonds, including without limitation any Treasury Regulations or temporary or proposed regulations, as the same shall from time to time be amended.

"Commercial Paper" means Bonds issued for any purpose in connection with a program of commercial paper, as such term is generally understood, maturing not later than 270 days from the date of issuance thereof.

"Conversion" means a conversion of the Series 2009A Bonds from one Interest Rate Period to another Interest Rate Period as provided in the Modal Agreement.

"Conversion Date" means the effective date of a Conversion of the Series 2009A Bonds.

"Debt Service Reserve Account" means the Debt Service Reserve Account established pursuant to the requirements of the Bond Resolution. The Series 2009A Bonds will not be secured by the Debt Service Reserve Account.

"Default" means any Event of Default or any event or condition which, with the passage of time or giving of notice or both, would constitute an Event of Default.

"Eligible Moneys" means: (a) during any period a Liquidity Facility is in effect, any of the following moneys that, until applied, are held in a separate and segregated account under the Bond Resolution or the Modal Agreement in which only Eligible Moneys are held:

(1) proceeds of the Series 2009A Bonds received from the original issuance and sale of the Series 2009A Bonds;

(2) proceeds from the remarketing of any Series 2009A Bonds tendered for purchase and purchased by any Person other than the Board (or any "insider," as defined in the United States Bankruptcy Code, of the Board);

(3) moneys paid under the Liquidity Facility that are applied directly to the payment of the Tender Price of the Series 2009A Bonds;

(4) moneys deposited in an escrow account that have been continuously on deposit with the Bond Registrar for a period of at least 367 days during which no petition in bankruptcy (or other bankruptcy or similar proceedings) is pending or has been filed by or against the Board (or any "insider," as defined in the United States Bankruptcy Code, of the Board) under the United States Bankruptcy Code, as now or hereafter in effect, or other applicable state or federal bankruptcy, insolvency, reorganization or similar law for the relief of debtors, as now or hereafter in effect;

(5) proceeds of refunding bonds received from the original issuance and sale of such bonds;

(6) any other moneys or securities, if there is delivered to the Bond Registrar an opinion of Counsel from legal counsel nationally recognized for having expertise in bankruptcy matters (who, for purposes of such opinion, may assume that no Series 2009A Bondholder is an "insider," as defined in the United States Bankruptcy Code) to the effect that the use of such moneys or securities to pay the Tender Price of the Series 2009A Bonds would not constitute a voidable preferential payment in the event of the occurrence of the filing of a petition in bankruptcy (or other commencement of bankruptcy or similar proceedings) by or against the Board (or any "insider," as defined in the United States Bankruptcy Code, of the Board) under the United States Bankruptcy Code, or other applicable state or federal bankruptcy, insolvency, reorganization or similar law for the relief of debtors, as now or hereafter in effect; and

(7) earnings derived from the investment of any of the foregoing; provided that such proceeds, moneys or income shall not be deemed to be Eligible Moneys or available for

payment of the Series 2009A Bonds if, among other things, an injunction, restraining order or stay is in effect preventing such proceeds, moneys or income from being applied to make such payment; and

(b) during any period a Liquidity Facility is not in effect, any moneys in any fund or account under the Bond Resolution or the Modal Agreement and available, pursuant to the provisions thereof, to be used to pay Tender Price of the Series 2009A Bonds.

"Existing Facilities" means the existing housing, parking, union, athletic, recreational, student-oriented health and other revenue producing buildings and facilities (including equipment) of the University described in the Bond Resolution, together with all improvements, repairs, extensions or replacements as may be constructed or acquired from time to time, that have not been abandoned for economic nonfeasibility.

"Expiration Date" means the termination date of the Liquidity Facility or an Alternate Liquidity Facility, in each case as extended from time to time.

"Favorable Opinion of Bond Counsel" means, with respect to any action relating to the Bonds, the occurrence of which requires such an opinion to be delivered after the Closing Date, a written legal opinion of Bond Counsel addressed to the Board, the Remarketing Agent, and the Liquidity Facility Provider to the effect that such action is permitted under the Modal Agreement and will not impair the exclusion of interest on the Series 2009A Bonds from gross income for purposes of federal income taxation (subject to customary exceptions). See also "SUMMARY OF CERTAIN PROVISIONS OF THE MODAL AGREEMENT - Opinion of Bond Counsel" in this APPENDIX D.

"Fiscal Year" means the period commencing July 1 and ending June 30 of each succeeding calendar year.

"Government Obligations" means securities which are direct obligations of the United States of America (including trust receipts evidencing an interest therein) and securities for which the United States of America has fully guaranteed the payment of principal and interest.

"Hedging Transaction" means an agreement, expressly identified in a certificate of the Comptroller as being entered into in order to hedge the interest payable on all or a portion of any Bonds, which agreement may include, without limitation, an interest rate swap, a forward or futures contract or an option (e.g., a call, put, cap, floor or collar) and which agreement does not constitute an obligation to repay money borrowed, credit extended or the equivalent thereof.

"Interest Accrual Date" means, for any Weekly Interest Rate Period, the first day thereof and, thereafter, the first Wednesday of each calendar month during such Weekly Interest Rate Period.

"Interest Payment Date" means, for any Weekly Interest Rate Period, the first Wednesday of each calendar month, or, if the first Wednesday is not a Business Day, the next succeeding Business Day and each Conversion Date, and for Liquidity Facility Bonds, as set forth in the Liquidity Facility.

"Initial Liquidity Facility" means the Standby Bond Purchase Agreement among the Board, the Initial Liquidity Facility Provider and the Bond Registrar and Tender Agent, as amended and extended.

"Initial Liquidity Facility Provider" means State Street Bank and Trust Company, its successors and assigns.

"Interest Rate Period" means each Weekly Interest Rate Period and the Interest Rate Periods for each of the other modes.

"Liquidity Facility" means initially the Initial Liquidity Facility as it may be amended or extended in accordance with its terms, and thereafter a letter of credit, standby bond purchase agreement, line of credit, loan, guaranty or similar agreement by a Liquidity Facility Provider to provide liquidity support to pay the Tender Price of the Series 2009A Bonds tendered for purchase in accordance with the provisions of the Modal Agreement and any Alternate Liquidity Facility delivered pursuant to the Modal Agreement and with terms that are not inconsistent with the terms of the Modal Agreement, as such agreement may be amended or extended in accordance with its terms.

"Liquidity Facility Bonds" means Series 2009A Bonds purchased by the Liquidity Facility Provider or its assignee pursuant to the Liquidity Facility.

"Liquidity Facility Bond Rate" means the rate of interest to be borne by Liquidity Facility Bonds as set forth in, and as calculated pursuant to, the Liquidity Facility.

"Liquidity Facility Provider" means initially the Initial Liquidity Facility Provider and thereafter the provider of a Liquidity Facility, and its successors and permitted assigns, and, upon the effective date of an Alternate Liquidity Facility, the bank or banks or other financial institution or financial institutions or other Person or Persons issuing such Alternate Liquidity Facility, their successors and assigns. If any Alternate Liquidity Facility is issued by more than one bank, financial institution or other Person, notices required to be given to the Liquidity Facility Provider may be given to the bank, financial institution or other Person under such Alternate Liquidity Facility appointed to act as agent for all such banks, financial institutions or other Persons.

"Liquidity Facility Purchase Account" means the account with that name established within the Bond Purchase Fund.

"Majority of the Bondholders" means the Owners of more than 50 percent of the aggregate principal amount of Outstanding Series 2009A Bonds.

"Mandatory Standby Tender" means the mandatory tender of the Series 2009A Bonds upon receipt by the Bond Registrar of written notice from the Liquidity Facility Provider that an event with respect to the Liquidity Facility has occurred which requires or gives the Liquidity Facility Provider the option to terminate such Liquidity Facility upon notice. "Mandatory Standby Tender" shall not include circumstances where the Liquidity Facility Provider may suspend or terminate its obligations to purchase securities without notice, in which case there will be no mandatory tender.

"Maximum Annual Net Debt Service" means the Maximum Annual Net Debt Service payable in any future Fiscal Year. For purposes of determining Maximum Annual Net Debt Service for Bonds secured by the Debt Service Reserve Account, the income to be earned on the Debt Service Reserve Account shall be estimated at no more than [9.0%] per annum.

"Maximum Bond Interest Rate" means 12% per annum, but in no event to exceed the Maximum Lawful Rate.

"Maximum Lawful Rate" means the maximum rate of interest on the relevant obligation permitted by applicable law.

"Maximum Liquidity Facility Bond Interest Rate" means the lesser of (a) the rate of 20% per annum and (b) the Maximum Lawful Rate.

"Net Revenues" means that portion of the Operating Revenues remaining after providing sufficient funds for the reasonable and necessary cost of currently maintaining, repairing, insuring and operating the System.

"Operating Revenues" means all rentals, student service fees, charges, income and other revenues received from the continued use and operation of the System, but does not include Student Tuition and Fees or transfers from the Debt Service Reserve Account, Repair and Replacement Reserve Account, Equipment Reserve Account, or Non-Instructional Facilities (Development) Reserve Account.

"Parity Bonds" means any additional Bonds authorized to be issued under the Bond Resolution and ranking *pari passu* with the outstanding Bonds.

"Participant" means, with respect to DTC or another Securities Depository, a member of or participant in DTC or other such Securities Depository, respectively.

"Pledged Revenues" shall mean the revenues of the Board pledged to the payment of the Series 2009A Bonds (including Liquidity Facility Bonds) and the revenues pledged for other payments under the Initial Liquidity Facility pursuant to Section 13 of the Bond Resolution.

"Projected Long-Term Debt" means, as of the date of any determination thereof, Bonds maturing in substantially equal annual payments of principal and interest over a period of 30 years from the date of original issuance thereof and an average annual rate of interest equal to the then current rate of interest shown in the most recently published Revenue Bond Index, if interest on the Projected Long-Term Debt is issued as excludable from gross income under the applicable provisions of the Code, or, if the interest on any Projected Long-Term Debt is not intended to be so excludable, the interest rate on direct U.S. Treasury Obligations with a 30-year maturity.

"Record Date" means, with respect to any Weekly Interest Rate Period, the Business Day immediately preceding the related Interest Payment Date.

"Refunded Bonds" means the Series M and N Bonds and the Board's outstanding revenue bonds which were advance refunded in 1978 with proceeds from the sale of the Series M Bonds.

"Remarketing Account" means the account with that name established within the Bond Purchase Fund.

"Remarketing Agent" means initially Citigroup Global Markets Inc., and each other Person qualified under the Modal Agreement to act as Remarketing Agent for the Series 2009A Bonds and appointed by the Board from time to time.

"Remarketing Agreement" means the Remarketing Agreement, dated as of February 1, 2009, between the Board and the Remarketing Agent, whereby the Remarketing Agent undertakes to perform the duties of the Remarketing Agent under the Modal Agreement, as amended from time to time.

"Reserve Account Credit Instrument" means, for Bonds secured by the Debt Service Reserve Account, an insurance policy, surety bond or irrevocable letter of credit which may be delivered to the Bond Registrar in lieu of or in partial substitution for cash or securities required to be on deposit in the Debt Service Reserve Account. In the case of an insurance policy or surety bond, the company providing the same shall be an insurer which, at the time of issuance of the policy, has been assigned the highest rating accorded insurers by Moody's and S&P, and the policy or bond shall be subject to the irrevocable right of the Bond Registrar to draw thereon in a timely fashion upon satisfaction of any conditions set forth in the Bond Resolution. In the case of a letter of credit, the letter of credit shall be irrevocable and shall be payable to the Bond Registrar and shall be issued by a banking institution having a credit rating on its long-term unsecured debt within one of the two highest rating categories from Moody's and S&P.

"Revenue Bond Index" means the weekly index of interest rates on revenue bonds known as the "25-Bond Revenue Index" published by *The Bond Buyer* or, if such index is no longer being published, any other index of interest rates borne by revenue bonds, the interest of which is exempt from federal income taxation, having a maturity of 30 years.

"Securities Act" means the Securities Act of 1933, as amended, and any successor thereto.

"Series M and N Bonds" means the \$\_\_\_\_\_ principal amount of the Board's Auxiliary Facilities System Revenue Bonds, Series M and N, which were advance refunded from proceeds of the sale of the Series 1984 Bonds.

"Series 1991 Bonds" means that series of presently outstanding Bonds authorized by the Board in the Bond Resolution.

"Series 1993 Bonds" means that series of presently outstanding Bonds authorized by the Board in the Bond Resolution.

"Series 1996 Bonds" means that series of presently outstanding Bonds authorized by the Board in the Bond Resolution.

"Series 1999A Bonds" and "Series 1999B Bonds" (collectively, the "Series 1999 Bonds") means those series of presently outstanding Bonds authorized by the Board in the Bond Resolution.

"Series 2000 Bonds" means that series of presently outstanding Bonds authorized by the Board in the Bond Resolution.

"Series 2001A Bonds," "Series 2001B Bonds" and "Series 2001C Bonds" (collectively, the "Series 2001 Bonds") means those series of presently outstanding Bonds authorized by the Board in the Bond Resolution.

"Series 2003A Bonds" means that series of presently outstanding Bonds authorized by the Board in the Bond Resolution.

"Series 2005A Bonds" means that series of presently outstanding Bonds authorized by the Board in the Bond Resolution.

"Series 2005B Bonds" means that series of presently outstanding Bonds authorized by the Bond Resolution.

"Series 2006 Bonds" means that series of presently outstanding Bonds authorized by the Bond Resolution.

"Series 2008 Bonds" means that series of presently outstanding Bonds authorized by the Bond Resolution.

"Series 2009A Bonds" means the Board's University of Illinois Variable Rate Demand Auxiliary Facilities System Revenue Bonds, Series 2009A, issued under the Bond Resolution in the aggregate principal amount of \$\_\_\_\_\_.

"SIFMA Municipal Swap Index" means the Securities Industry and Financial Markets Association Municipal Swap Index as disseminated by Municipal Market Data, a Thomson Financial Services Company, or its successors, for the most recently preceding Business Day.

"Student Tuition and Fees" means the moneys collected from students matriculated, registered or otherwise enrolled at or attending the University for tuition, application, extension, registration, matriculation, admission, student activities and student services, excluding those fees assessed for the use and operation of the System.

"Tender Agent" means initially The Bank of New York Mellon Trust Company, N.A., and its successors and assigns, or such other Person qualified under the Modal Agreement to act as Tender Agent with respect to the Series 2009A Bonds and so appointed by the Board and so acting from time to time, and its successors.

"Tender Agent Agreement" means an agreement among the Board, the Bond Registrar, the Remarketing Agent and the Tender Agent whereby such Tender Agent undertakes to perform the duties of the Tender Agent under the Modal Agreement with respect to the Series 2009A Bonds, as amended from time to time.

"Tender Date" means the date on which Series 2009A Bonds are required to be purchased pursuant to the Modal Agreement.

"Tender Price" means the purchase price to be paid to the Owners of Series 2009A Bonds purchased pursuant to the Modal Agreement, which shall be equal to the principal amount thereof tendered for purchase, without premium, plus accrued interest, from the immediately preceding Interest Accrual Date to the Tender Date (if the Tender Date is not an Interest Payment Date).

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended, and any successor thereto.

"Underwriter" means Citigroup Global Markets Inc.

"University" means the University of Illinois.

"Weekly Interest Rate" means a variable interest rate for the Series 2009A Bonds established in accordance with the Modal Agreement.

"Weekly Interest Rate Period" means each period during which a Weekly Interest Rate is in effect for the Series 2009A Bonds.

#### **SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION**

The Series 2009A Bonds will be issued under the Bond Resolution adopted by the Board on September 20, 1984, as supplemented. Reference is made to the Bond Resolution for complete details of the terms of the Series 2009A Bonds and the security for the Series 2009A Bonds. Certain provisions of the Bond Resolution are summarized under the heading "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." The following is a summary of certain additional provisions of the Bond Resolution and should not be considered as a full statement of the Bond Resolution.

#### **BOND PROCEEDS**

The proceeds of the Series 2009A Bonds will be used to (i) pay a part of the costs of various improvements and additions to the System; (ii) refund the outstanding Variable Rate Demand Auxiliary Facilities System Revenue Bonds, Series 2005B of the Board; (iii) pay a portion of the interest on the Series 2009A Bonds and fees (other than initial fees) related to the Initial Liquidity Facility; and (iv) pay costs of issuing the Series 2009A Bonds.

The moneys in the Project Fund shall be applied toward (i) the costs of the Series 2009A Projects, (ii) the costs of issuance of the Series 2009A Bonds, (iii) funding a portion of the interest costs on the Series 2009A Bonds, or (iv) as provided below, but in such a manner as to assure completion of the Series 2009A Projects, free and clear of mechanic's liens and substantially in accordance with the plans and specifications therefor. The description of the Series 2009A Projects set forth in Exhibit A to the Bond Resolution (the "Project Description") may be supplemented or amended at *any* time by the Board, without the consent of any Bondholder or the Initial Liquidity Provider or the provider of any Alternate Liquidity Facility, as long as the facilities to be added to Exhibit A are authorized by the Act and upon receipt of a Favorable Opinion of Bond Counsel with

respect to such supplement or amendment. Prior to the application of money in the Project Fund for the cost of facilities to be included in the amended Project Description and if the facilities to be so included are not already a part of the System, the Board shall adopt a resolution which describes such new facilities in sufficient detail to allow such facilities to be included in the System and which includes such facilities in the System. The Board shall also adopt a resolution which amends the Project Description; provided that, if the Board has previously delegated authority to make expenditures consistent with such changes to the Project Description, such delegation shall control.

Pending disbursement for the purpose aforesaid, the Comptroller may from time to time invest all or any part of the moneys in the Project Fund in any investment permitted by the laws of the State of Illinois for the investment of public funds having a maturity date, or becoming due at the option of the holder, not more than three years subsequent to the date of investment having due regard to the estimates of the supervising architects in charge of the Series 2009A Projects as to the times such moneys will be needed. Interest accruing as a result of any such investments when received shall be credited to the Project Fund or, at the option of the Comptroller, may be deposited in the Series 2009A Bond and Interest Subaccount of the Bond and Interest Sinking Fund Account and used only to pay debt service on the Series 2009A Bonds.

Prior to completion of the Series 2009A Projects, the Comptroller of the Board, upon determining that the amount on deposit in the Project Fund, together with anticipated interest earnings thereon, is sufficient to complete the Series 2009A Projects, free and clear of mechanics' liens and substantially in accordance with the plans and specifications therefor, may withdraw such amount as may be determined in his or her discretion to be unnecessary for the completion of the Series 2009A Projects from the Project Fund and deposit the same in the Series 2009A Bond and Interest Subaccount of the Bond and Interest Sinking Fund Account, to be used only to pay debt service on the Series 2009A Bonds, or for use as otherwise permitted by a Favorable Opinion of Bond Counsel with respect to such deposit, subject to the further provisions of the Tax Agreements hereinafter described.

After completion of all or that portion of the Series 2009A Projects to be paid from proceeds of the Series 2009A Bonds, the Comptroller of the Board shall execute a certificate to the effect that (all or such portion of) the Series 2009A Projects has been fully completed according to the Project Description and the plans and specifications and the same shall be filed in the office of the Secretary of the Board. If funds remain in the Project Fund at the time of the filing of such certificate with the Secretary, said funds shall be withdrawn by the Comptroller and deposited in the Series 2009A Bond and Interest Subaccount of the Bond and Interest Sinking Fund Account, to be used only to pay debt service on the Series 2009A Bonds, or for use as otherwise permitted by a Favorable Opinion of Bond Counsel, subject to the further provisions of the Tax Agreements hereinafter described.

#### FLOW OF FUNDS

The Operating Revenues of the System shall be deposited as collected by the Comptroller of the Board in a general banking account of the University to the credit of a special fund created and designated as the Auxiliary Facilities System Revenue Fund (the "Revenue Fund") which fund will be maintained by the Bond Registrar. The Comptroller shall also deposit in the Revenue Fund such Student Tuition and Fees as shall be necessary together with Operating Revenues to meet (i) operating and maintenance expenses of the System and (ii) together with transfers, if any, of

investment income from the Debt Service Reserve Account to the Bond and Interest Sinking Fund Account (which investment income shall be applied to debt service only on those Bonds secured by the Debt Service Reserve Account), annual debt service on the Bonds and required deposits to the Debt Service Reserve Account and Repair and Replacement Reserve Account, all as required by the Bond Resolution.

**The Bond and Interest Sinking Fund Account shall be held in trust by the Bond Registrar for the benefit of the Owners of the Bonds. All moneys credited to such Account shall be irrevocably pledged to and used solely for payment of interest on the Bonds and for payment, redemption, and retirement of principal of the Bonds; *provided* that moneys credited to the Debt Service Reserve Account are not pledged to, and will not be used to pay debt service on, the Series 1999 Bonds, the Series 2000 Bonds, the Series 2001 Bonds, the Series 2003A Bonds, the Series 2005A Bonds, the Series 2005B Bonds (being refunded by the Series 2009A Bonds), the Series 2006 Bonds, the Series 2008 Bonds or the Series 2009A Bonds.**

All moneys in the funds and accounts established pursuant to the Bond Resolution shall be used and held for use only in the manner and in the order designated below.

*Operation and Maintenance.* Current expenses of the System shall be payable from the Revenue Fund as the same become due and payable and shall include all necessary operating expenses, current maintenance charges, expenses of reasonable upkeep and repairs, fees due the paying agents on the Refunded Bonds and the Bond Registrar on the Bonds, a properly allocated share of charges for insurance and all other expenses incident to the operation of the System. At the end of each Fiscal Year, the Board may retain in the Revenue Fund moneys sufficient for operation and maintenance expenses for the next 30 days as an operating reserve.

*Bond and Interest Sinking Fund Account.* The Comptroller, after providing for the payment of current operating and maintenance expenses, shall transfer from the Revenue Fund, and deposit to the credit of the Bond and Interest Sinking Fund Account such amounts, together with any investment income transferred from the Debt Service Reserve Account and deposited to the Bond and Interest Sinking Fund Account for the purpose of paying maturing principal and interest (which investment income shall be applied to debt service only on those Bonds secured by the Debt Service Reserve Account and not to any other Bonds), as will be sufficient to pay the principal and interest on the Bonds as they become due, and payments to the Liquidity Facility Provider.

For Parity Bonds, the supplemental resolution creating the issue shall amend the provisions of the Bond Resolution summarized in the preceding paragraph, as necessary, to provide for the deposit of moneys in the Bond and Interest Sinking Fund in sufficient amounts to pay or redeem such Parity Bonds in accordance with the terms thereof.

*Debt Service Reserve Account.* The Prior Parity Bonds, except for the Series 1999 Bonds, the Series 2000 Bonds, the Series 2001 Bonds, the Series 2003A Bonds, the Series 2005A Bonds, the Series 2005B Bonds (being refunded by the Series 2009A Bonds), the Series 2006 Bonds, the Series 2008 Bonds and the Series 2009A Bonds are secured by income received from, and funds deposited in, the Debt Service Reserve Account. None of the Series 1999 Bonds, the Series 2000 Bonds, the Series 2001 Bonds, the Series 2003A Bonds, the Series 2005A Bonds, the Series 2005B Bonds (being refunded by the Series 2009A Bonds), the Series 2006 Bonds, the Series 2008 Bonds, the Series

2009A Bonds nor the Liquidity Facility Provider have any claim upon the Debt Service Reserve Account.

With respect to the issuance of future Parity Bonds, the Board may create subaccounts in the Debt Service Reserve Account securing a particular series of Parity Bonds, or the Board may provide that a particular series of Parity Bonds to be issued (i) shall not be secured by the Debt Service Reserve Account, (ii) shall be secured by a separate subaccount in the Debt Service Reserve Account in an amount equal to or less than the Maximum Annual Net Debt Service on such Parity Bonds, or (iii) shall be secured by a Reserve Account Credit Instrument.

Any subaccount securing any future issue of Parity Bonds shall be maintained in an amount equal to the requirement provided in the supplemental Resolution authorizing the issuance of such Parity Bonds (the "Reserve Requirement") for the Parity Bonds secured by such subaccount. Funds on deposit in such subaccount shall be transferred by the Bond Registrar to the Bond and Interest Sinking Fund Account and used to pay debt service on the Parity Bonds secured by such subaccount in the event funds on deposit in the Bond and Interest Sinking Fund Account are insufficient therefor. If at any time the amount on deposit in the subaccount exceeds the Reserve Requirement for the Parity Bonds secured thereby, the excess may be withdrawn and used to pay debt service on such Parity Bonds or to purchase or redeem such Parity Bonds.

The Debt Service Reserve Account shall be held in trust by the Bond Registrar. All moneys credited to the Debt Service Reserve Account shall be irrevocably pledged to and solely used as described in the Bond Resolution.

If at the end of any Fiscal Year the amount on deposit in a subaccount of the Debt Service Reserve Account (valued on the basis of market) is less than the Reserve Requirement for the Bonds secured thereby, the Comptroller shall transfer funds from the Revenue Fund and deposit into the subaccount not later than the end of the next succeeding Fiscal Year an amount not less than that necessary to restore the subaccount to the Reserve Requirement for the Bonds secured thereby.

The Board may provide for the deposit of a Reserve Account Credit Instrument in lieu of cash to satisfy the Reserve Requirement in the Debt Service Reserve Account for any future Parity Bonds; provided that in such event the Board shall create a separate subaccount in the Debt Service Reserve Account to secure such Parity Bonds, and such Parity Bonds shall have no claim on any other cash or assets in the Debt Service Reserve Account.

*Repair and Replacement Reserve Account.* The Comptroller shall transfer from the funds remaining in the Revenue Fund and deposit in the Repair and Replacement Reserve Account on or before the close of each Fiscal Year, an amount not less than ten percent (10%) of Maximum Annual Net Debt Service for a repair and replacement reserve. The maximum amount which may be accumulated in such Account shall not exceed five percent (5%) of the replacement cost of the facilities constituting the System, as determined by the then current Engineering News Record Building Cost Index (or comparable index). All money and investments so held in said Account shall be used and held for use to pay the cost of unusual or extraordinary maintenance or repairs, renewals and replacements, and renovating or replacement of fixed equipment not paid as part of the ordinary maintenance and operation of the System. Moneys on deposit in the Repair and Replacement Reserve Account are not pledged as security for the payment of the Bonds.

*Non-Instructional Facilities (Development) Reserve Account.* The Comptroller shall transfer from funds remaining in the Revenue Fund and deposit into the Non-Instructional Facilities (Development) Reserve Account such funds as have been approved by the Board for expenditure or planned for expenditure for new space or construction in, or an addition to, a facility constituting a part of the System consistent with the purpose and mission of that facility. Moneys on deposit in the Non-Instructional Facilities (Development) Reserve Account are not pledged as security for the payment of the Bonds.

*Equipment Reserve Account.* Prior to the close of each Fiscal Year, the Comptroller shall transfer from the funds remaining in the Revenue Fund and deposit to the Equipment Reserve Account such funds as have been approved by the Board for expenditure in connection with the acquisition of movable equipment to be installed in the facilities constituting the System. The maximum amount which may be accumulated in such Account shall not exceed 20% of the book value of the movable equipment of the System. Moneys on deposit in the Equipment Reserve Account are not pledged as security for the payment of the Bonds.

*Surplus Revenues.* At the close of each Fiscal Year and after all transfers and maximum deposits shall have been made, and after any deficiencies in any such transfers and deposits which may exist from any previous Fiscal Year shall have been remedied, the balance of any excess funds in the Revenue Fund then remaining may be used by the Board: (i) to redeem, on the next interest payment date, the Bonds of any series then outstanding which are subject to redemption prior to maturity; (ii) to purchase Bonds of any series then outstanding for cancellation by the Bond Registrar; (iii) to advance refund any series of Bonds then outstanding or (iv) for any other System purpose permitted by law and applicable regulations.

*Investment of Revenue Fund Accounts.* Any moneys in the Debt Service Reserve Account may be invested or reinvested in Government Obligations having a maturity not exceeding ten years from the date of each such investment. Moneys held in the Bond and Interest Sinking Fund Account may be invested in Government Obligations. All such securities so purchased shall mature or be redeemable on a date or dates prior to the time when such moneys so invested will be required for expenditure.

All other moneys held in the other accounts in the Revenue Fund may be invested or reinvested in any investments permitted by the Bond Resolution and the laws of the State of Illinois for the investment of public funds. All such securities so purchased shall mature or be redeemable on a date or dates prior to the time when such moneys so invested will be required for expenditure.

Interest on each subaccount of the Debt Service Reserve Account will be deposited in the Bond and Interest Sinking Fund Account and used to pay the principal of and interest on the Bonds secured by the respective subaccount.

## GENERAL COVENANTS

Under the provisions of the Bond Resolution, the Board covenants and agrees with the holders of the Bonds, as long as any of said Bonds remain outstanding, as follows:

*Student Tuition and Fees.* The Board will deposit annually to the Revenue Fund an amount of Student Tuition and Fees sufficient, together with Operating Revenues, to meet (i) operating and maintenance expenses of the System and (ii) together with transfers, if any, of investment income from the Debt Service Reserve Account to the Bond and Interest Sinking Fund Account (which investment income shall be applied to debt service only on those Bonds secured by the Debt Service Reserve Account), annual debt service and required deposits to the Debt Service Reserve Account and Repair and Replacement Reserve Account, as provided in the Bond Resolution.

*Insurance.* The Board will keep the System continuously insured against loss or damage by fire and lightning, the perils covered by fire and extended coverage insurance, vandalism or malicious mischief, and boiler explosion on boilers in a facility within the System in an amount not less than \$100,000, but with a deductible amount per occurrence not exceeding \$25,000, by a responsible insurance company or companies authorized and qualified under the laws of the State to assume such risks. Coverage by such insurance, other than the boiler insurance hereinabove referred to, shall be in amounts sufficient to provide for, at a minimum, the lesser of (i) full recovery whenever the loss from causes covered by such insurance does not exceed 80% of the full insurable value of the part of the System so damaged or (ii) the redemption price, plus accrued interest to the next available call date, of all outstanding Bonds after deducting therefrom any cash or investments held in the Debt Service Reserve Account (if the Debt Service Reserve Account secures such Bonds) but any such policy may have a deductible amount per occurrence not exceeding one-tenth of one percent of the full insurable value of the System. The Board may, upon (i) resolution adopted in good faith, (ii) the recommendation of an independent insurance consultant and (iii) the approval of an appropriate agency, if any, of the State, adopt reasonable equivalent alternative risk management programs. The Board shall (i) use the proceeds from any insurance to reconstruct, repair or rehabilitate the part of the System damaged or destroyed or (ii) pay such proceeds into the Bond and Interest Sinking Fund Account, which funds may be used to redeem outstanding Bonds but shall not offset or be counted as funds which are otherwise required to be deposited in such account.

*Business Interruption Insurance.* The Board will maintain in effect business interruption insurance on the System in an amount sufficient for the Board to deposit in the Bond and Interest Sinking Fund Account, out of the proceeds of such insurance, an amount equal to the sum that would normally be available for deposit in such account from the revenues of the damaged part of the System during the time the damaged part of the System is non-revenue producing as a result of loss of use caused by fire and lightning, the perils covered by fire and extended coverage insurance, vandalism or malicious mischief, and boiler explosion on boilers in a facility within the System.

*Title-Disposition-Encumbrance.* The Board has indefeasible title in fee simple to the sites of the System, except for certain leased parking spaces, subject to Permitted Encumbrances, and the Board will not sell, mortgage, pledge or otherwise dispose of or encumber the System, or its sites, or any part of the System, except for equipment, including any facility necessary to the operation and use of the System (unless the service provided by such facility will be provided by the same or an alternative source at reasonably equivalent costs), provided that any property, when determined by

the Board not to be income producing because of being destroyed, worn out, obsolete, or otherwise physically or structurally unfit for the use and occupancy of such property for which the same was initially acquired, may be abandoned for economic nonfeasibility; or, when otherwise determined by the Board not to be suitable for the use and occupancy for which the same was initially acquired, may be converted for academic or administrative purposes.

"Permitted Encumbrances" means with respect to the sites of the System (i) liens for taxes and special assessments which are not then delinquent, or if then delinquent, are being contested in good faith; (ii) utility, access and other easements and rights-of-way, restrictions and exceptions that will not interfere in any substantial way with or impair the operation of the System; (iii) any mechanic's, laborer's, materialman's, supplier's or vendor's lien or right in respect thereof if payment is not due under the contract in question or if such lien or payment is being contested in good faith; (iv) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the property included in the System and do not materially impair the property affected thereby for the purpose for which it was acquired or is held; (v) zoning laws and similar restrictions and liens arising in connection with workmen's compensation, unemployment insurance, taxes, assessments, statutory obligations or liens, social security legislation, undetermined liens and charges incidental to construction, or other similar charges arising in the ordinary course of operations and not overdue, or if overdue, being contested in good faith; (vi) such other liens and charges at the time required by law as a condition precedent to the transaction of the activities of the Board or the exercise of any privileges or licenses necessary to the Board or the University; and (vii) existing leasehold and similar interests in connection with athletic and recreation facilities constituting a part of the System.

*Operation of Facilities.* The Board will at all times continuously operate and manage the System in an efficient and economical manner and on a revenue-producing basis; and it will at all times, from income made available for such purpose, maintain, preserve and keep the System in good repair, working order and condition so that it will at all times be available for reasonable use and occupancy.

*Records and Audit.* The Board will keep proper books of records and accounts (separate from all other records and accounts of the Board) in which complete and correct entries shall be made of all transactions relating to all income and revenues from and all expenditures for maintaining, operating and repairing the System. There shall be furnished to any owner of the Bonds, upon written request to the Board not more than 120 days after the close of each Fiscal Year, copies of the audit reports prepared by an independent public accountant or by the Auditor General of the State of Illinois, reflecting in reasonable detail the financial condition of the Board with the operation of the System in accordance with the covenants of the Bond Resolution. Such audit reports shall particularly include a schedule of all insurance then in force, the enrollment at the University, the occupancy of and the rates charged for the use of the System and the status of each account described in the Bond Resolution.

*Pledge of Performance.* The Board pledges punctually to perform all its duties and obligations with reference to the System as required by the Bond Resolution and the statutes under which the Bonds are issued; including the operation and maintenance of the System, the making and collecting of sufficient rates, fees, rentals and charges for the use and occupancy of the System and the making and collecting of reasonable and sufficient Student Tuition and Fees, the maintenance of the

accounts as provided in the Bond Resolution, the segregation of all revenues and income and transfer to said accounts and the proper application of all moneys in said accounts and investments of such revenues and income.

*Defeasance.* The Bond Resolution provides that the Board may pay or provide for the payment of the entire indebtedness of all outstanding Bonds, or Bonds of a particular series or of any portion of a series of outstanding Bonds, by depositing with the Bond Registrar, in trust, moneys and/or Government Obligations in an amount as the Bond Registrar shall determine will, together with the income or increment to accrue on such Government Obligations, without consideration of any reinvestment thereof, be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on such Bonds. In such case, if the Board shall also pay or cause to be paid all other sums payable by the Board under the Bond Resolution with respect to such Bonds and, if such Bonds are to be redeemed prior to the maturity thereof or if provision for the payment of only a portion of the Bonds of a particular series is being made, notice of such redemption or of such provision, as the case may be, shall have been given or provided for, the liability of the Board in respect of such Bonds shall continue, but the owners of such Bonds shall thereafter be entitled to payment only out of the moneys or Government Obligations so deposited with the Bond Registrar.

In addition, see "SUMMARY OF CERTAIN PROVISIONS OF THE MODAL AGREEMENT - Provision for Payment of the Series 2009A Bonds."

*Modification of the Bond Resolution.* The Board may, from time to time and at anytime, without the consent of or notice to the owners of the Bonds, amend the Bond Resolution as follows:

- a. to cure any formal defect, omission, inconsistency or ambiguity in the Bond Resolution;
- b. to add to the covenants and agreements of, and limitations and restrictions upon, the Board under the Bond Resolution other covenants, agreements, limitations and restrictions to be observed by the Board which are not contrary to or inconsistent with the Bond Resolution as previously in effect;
- c. to confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by, the Bond Resolution, or of any moneys, securities or funds held under the Bond Resolution; or
- d. to provide for the issuance of any Parity Bonds.

The owners of a majority in aggregate original principal amount of the Bonds at any time outstanding (not including any Bonds which may then be held or owned by or for the account of the Board or the University), shall have the right from time to time to consent to and approve the adoption by the Board of a resolution or resolutions modifying or amending any of the terms or provisions contained in the Bond Resolution, provided however, that the Bond Resolution may not be so modified or amended in such manner as to:

- a. Make any change in the maturity of any of the Bonds.

- b. Make any change in the rate of interest borne by any of the Bonds.
- c. Reduce the amount of the principal of, or redemption premium payable on, any of the Bonds.
- d. Modify the terms of payment of the principal of, or the interest or redemption premiums on, the Bonds or any of them, or impose any conditions with respect to such payment.
- e. Create any lien on or pledge of the income and revenues securing the Bonds ranking prior to the lien thereon and pledge thereof created by the Bond Resolution.
- f. Create any preference or priority of any Bond or Bonds of the same or different series, over any other Bond or Bonds of the same or different series, authorized under the Bond Resolution.
- g. Reduce the percentage of Bonds, the owners of which are required by the terms of the Bond Resolution for the approval of any amendatory resolution.
- h. Affect the rights of the owners of less than all of the Bonds then outstanding.

Any provision of the Bond Resolution expressly recognizing or granting rights in or to any bond insurer may not be amended in any manner that affects the rights of such Bond Insurer without its prior written consent.

The consent of each bond insurer is generally required, in addition to the consent of the Bondholders, when required, for the following purposes: (i) execution and delivery of the amendment, supplement or change to or modification of the Bond Resolution, (ii) removal of the Bond Registrar or selection and appointment of *any* successor bond registrar, and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Bondholder consent.

*Remedies.* Any Owner of any Bond may by civil action compel the Board to perform all duties imposed upon it under the provisions of the Bond Resolution and under the provisions of the Act, including the making and collecting of sufficient rates, fees, rentals and charges for the use and occupancy of the System and Student Tuition and Fees and the performance of any and all covenants made by the Board in the Bond Resolution.

Upon the occurrence and continuance of an event of default under the Bond Resolution, the bond insurer is entitled to control and direct the enforcement of all rights and remedies granted to the owners of the Bonds insured by such bond insurer under the Bond Resolution.

#### **SUMMARY OF CERTAIN PROVISIONS OF THE MODAL AGREEMENT**

Reference is made to the Modal Agreement and the form of Series 2009A Bonds contained therein for a more complete summary of the Modal Agreement and the terms of the Series 2009A Bonds. Certain provisions of the Modal Agreement are summarized under "DESCRIPTION OF

THE SERIES 2009A BONDS." The following is a summary of certain additional provisions of the Modal Agreement and should not be considered as a full statement of the Modal Agreement.

#### SUPPLEMENTS AND AMENDMENTS TO THE MODAL AGREEMENT

*Supplemental Modal Agreements Not Requiring Consent of Bondholders.* The Board and the Bond Registrar may without consent of, or notice to, any of the Bondholders, enter into a Modal Agreement or Modal Agreements supplemental to the Modal Agreement for any one or more of the following purposes:

- a. to cure any ambiguity or formal defect or omission in the Modal Agreement;
- b. to grant to or confer upon the Bond Registrar for the benefit of the Bondholders any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Bond Registrar;
- c. to modify, amend or supplement the Modal Agreement or any Modal Agreement supplemental thereof in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the Series 2009A Bonds for sale under the securities laws of any of the states of the United States of America;
- d. to evidence the appointment of a separate or co-bond registrar or the succession of a new Bond Registrar thereunder;
- e. to make any revisions of the Modal Agreement that shall be required by a Rating Agency in order to obtain or maintain an investment grade rating on the Series 2009A Bonds;
- f. to make any revisions of the Modal Agreement that shall be necessary in connection with the Board furnishing a Liquidity Facility, including but not limited to revising the Interest Payment Dates for Liquidity Facility Bonds;
- g. to make any revisions of the Modal Agreement that might be necessary in connection with the Board furnishing a bond insurance policy, letter of credit or other financial instrument on agreement securing the payment of the principal of and interest on the Series 2009A Bonds when due, including, without limitation, provision for the creation of additional subaccounts within the Series 2009A Bond and Interest Subaccount, covenants and agreements with the provider of such an agreement, the terms and conditions upon which the Board may replace or terminate such an agreement, and the rights of the Bondholders with respect to such agreement;
- h. to provide for an uncertificated system of registering the Series 2009A Bonds or to provide for changes to or from the book-entry system;
- i. to effect any other change therein which, in the judgment of the Bond Registrar, is not to the prejudice of the Bond Registrar or the Bondholders; or

j. to make revisions to the Modal Agreement that shall become effective only upon, and in connection with, the remarketing of all of the Series 2009A Bonds then Outstanding.

*Supplemental Modal Agreements Requiring Consent of Bondholders.* Exclusive of supplemental Modal Agreements permitted as described under the previous caption, and *subject* to the terms and provisions contained in this paragraph, and not otherwise, the Owners of not less than a majority in aggregate principal amount of the Outstanding Series 2009A Bonds shall have the right, from time to time, anything contained in the Modal Agreement to the contrary notwithstanding, to consent to and approve the execution by the Board and the Bond Registrar of such other supplemental Modal Agreement or Modal Agreements as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Modal Agreement or in any supplemental Modal Agreement; *provided, however,* that nothing shall permit, or be construed as permitting, without the consent of the Owners of all Series 2009A Bonds Outstanding, (a) an extension of the maturity of the principal of, or the interest on, any Series 2009A Bonds, or (b) a reduction in the principal amount of, or redemption premium on, any Series 2009A Bonds or the rate of interest thereon, or (c) a privilege or priority of any Series 2009A Bonds or Series 2009A Bonds over any other Series 2009A Bonds or Series 2009A Bonds, or (d) a reduction in the aggregate principal amount of the Series 2009A Bonds required for consent to such supplemental Modal Agreements or any modifications or waivers of the provisions of the Modal Agreement.

If at any time the Board shall request the Bond Registrar to enter into any such supplemental Modal Agreement described under this caption, the Bond Registrar shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental Modal Agreement to be given to the Bondholders in the same manner as provided in the Modal Agreement for the giving of notices of redemption; provided, that prior to the delivery of such notice, the Bond Registrar may require a Favorable Opinion of Bond Counsel with respect to the Supplemental Modal Agreement. Such notice shall briefly set forth the nature of the proposed supplemental Modal Agreement and shall state that copies thereof are on file at the Principal Office of the Bond Registrar for inspection by all Series 2009A Bondholders. If, within 60 days or such longer period as shall be prescribed by the Board following such notice, the Owners of not less than a majority in aggregate principal amount of the Series 2009A Bonds Outstanding at the time of the execution of any such supplemental Modal Agreement shall have consented to and approved the execution thereof, no Series 2009A Bondholder shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Bond Registrar or the Board from executing the same or from taking any action pursuant to the provisions thereof.

*Modification by Unanimous Consent.* Notwithstanding anything contained elsewhere in the Modal Agreement, the rights and obligations of the Board, the Bond Registrar and the Owners of the Series 2009A Bonds, and the terms and provisions of the Series 2009A Bonds and the Modal Agreement or any supplemental agreement may be modified or altered in any respect with the consent of the Board, the Bond Registrar, and the Owners of all of the Series 2009A Bonds then Outstanding; provided, however, that such modification or alteration is permitted by the Bond Resolution.

## EVENTS OF DEFAULT; DEFAULTS

The occurrence of any one or more of the following events shall constitute an "Event of Default" under the Modal Agreement:

- a. failure to pay interest on any Series 2009A Bond when due and payable;
- b. failure to pay any principal of or premium on any Series 2009A Bond when due and payable, whether at stated maturity or pursuant to any redemption requirement under the Modal Agreement; or
- c. failure by the Board to observe or perform any other covenant, condition or agreement on its part to be observed or performed in the Bond Resolution, the Modal Agreement or the Series 2009A Bonds, for a period of 30 days after written notice of such failure shall have been given to the Board by the Bond Registrar; *provided, however*, that if such observance or performance requires work to be done, actions to be taken or conditions to be remedied which by its or their nature cannot reasonably be done, taken or remedied, as the case may be, within such 30-day period, no Event of Default under this paragraph (c) shall be deemed to have occurred or to exist if and so long as the Board shall have commenced such work, action or remediation within such 30-day period and provided written notice thereof to the Bond Registrar and shall diligently and continuously prosecute the same to completion.

*Remedies; Rights of Bondholders.* Upon the continuance of an Event of Default, if so requested by Majority of the Bondholders, and if satisfactory indemnity has been furnished to it, the Bond Registrar shall exercise such of the rights and powers conferred by the Bond Resolution or the Modal Agreement as the Bond Registrar, being advised by counsel, shall deem most effective to enforce and protect the interests of the Bondholders.

No remedy under the Modal Agreement is intended to be exclusive, and to the extent permitted by law each remedy shall be cumulative and in addition to any other remedy under the Modal Agreement or under the Bond Resolution or now or hereafter existing. No delay or omission to exercise any right or power shall impair such right or power or constitute a waiver of any Default or Event of Default or acquiescence therein; and each such right and power may be exercised as often as deemed expedient. No waiver by the Bond Registrar or the Bondholders of any Default or Event of Default shall extend to any subsequent Default or Event of Default.

Anything else in the Bond Resolution or the Modal Agreement to the contrary notwithstanding, a Majority of the Bondholders shall have the right at any time, by an instrument or instruments in writing executed and delivered to the Bond Registrar, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Bond Resolution or the Modal Agreement or for the appointment of a receiver or any other proceedings under such documents; *provided* that such direction shall be in accordance with applicable law, the Bond Resolution and the Modal Agreement and *provided* that the Bond Registrar shall be indemnified to its satisfaction.

All moneys received by the Bond Registrar pursuant to any right given or action taken under the provisions of the Modal Agreement shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances owing to or incurred or made by the Bond Registrar, be deposited in the Bond Fund and applied as provided in the Bond Resolution.

#### OPINION OF BOND COUNSEL

In situations where a Favorable Opinion of Bond Counsel or an opinion of Bond Counsel is required or requested to be delivered under the Modal Agreement or under the Bond Resolution after the date of delivery of the Series 2009A Bonds, the Bond Registrar shall accept (unless otherwise directed by the Board) an opinion in such form and with such disclosures as may be required so that such opinion will not be treated as a "covered opinion" for purposes of the United States Treasury Department regulations governing practice before the Internal Revenue Service (Circular 230), 31 CFR Part 10.

#### PROVISION FOR PAYMENT OF SERIES 2009A BONDS

If any Series 2009A Bond is deemed paid through a deposit with the Bond Registrar as described in "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – General Covenants – Defeasance," such deposit must assume a maximum interest rate of 12% per annum on such Series 2009A Bond and must provide for payment of such Series 2009A Bond on the first date on which it is subject to redemption or mandatory or optional tender for purchase. Any Governmental Obligations deposited with the Bond Registrar pursuant to Section 29(b) or (d) of the Bond Resolution shall (a) be non-callable by the issuer thereof prior to the maturity thereof and (b) shall mature not later than the earlier of (i) the next date on which the Series 2009A Bonds are subject to mandatory or optional tender for purchase or (ii) the date scheduled for redemption of the Series 2009A Bonds.

## APPENDIX E

### PROPOSED FORM OF OPINION OF BOND COUNSEL

[Date of Issuance]

The Board of Trustees of the  
University of Illinois  
Urbana, Illinois

We hereby certify that we have examined a certified copy of the record of proceedings of The Board of Trustees of the University of Illinois (the "Board"), passed preliminary to the issue by the Board of its \$\_\_\_\_\_ aggregate principal amount University of Illinois Variable Rate Demand Auxiliary Facilities System Revenue Bonds, Series 2009A (the "Bonds"). The Bonds are authorized and issued pursuant to the provisions of the University of Illinois Revenue Bond Financing Act for Auxiliary Facilities, as amended (the "Act"), and by virtue of an authorizing resolution of the Board adopted on September 20, 1984, as supplemented on June 20, 1985, May 8, 1986, May 9, 1991, June 11, 1993, January 18, 1996, October 15, 1999, June 1, 2000, March 8, 2001, May 23, 2001, May 15, 2003, March 10, 2005, July 14, 2005, September 7, 2006, May 22, 2008 and January 15, 2009 and a Notification of Sale dated February \_\_, 2009 (together, the "Bond Resolution") authorizing the issuance of the Bonds and a Modal Agreement dated as of February 1, 2009 (the "Modal Agreement") between the Board and The Bank of New York Mellon Trust Company, N.A., as bond registrar (the "Bond Registrar"). The Bonds are being issued to pay all or a portion of the costs of certain capital projects of the Board, to pay a portion of the interest on the Bonds and to pay costs of issuance of the Bonds. Capitalized terms which are not otherwise defined herein shall have the meanings set forth in the Bond Resolution and the Modal Agreement.

The Bonds mature, subject to prior redemption, on April 1, 2038. The Bonds are dated and will bear interest from their date of issue at a Daily Interest Rate, Weekly Interest Rate, Short-Term Interest Rate or Long-Term Interest Rate as described in the Modal Agreement. The Bonds are subject to mandatory and optional redemption by the Board, and to mandatory and optional tender for purchase, prior to maturity at the times, in the manner and upon the terms and conditions specified in the Modal Agreement. The Bonds are issuable as fully registered Bonds in the denominations set forth in the Modal Agreement.

The payment of the tender price of the Bonds is secured initially by a Standby Bond Purchase Agreement dated as of February 1, 2009 (the "Initial Liquidity Facility") among the Board, State Street Bank and Trust Company, the Bond Registrar and the Bond Registrar acting as tender agent which expires on February \_\_, 20\_\_, unless extended or earlier terminated. The Board may cause to be delivered an Alternate Liquidity Facility to the Bond Registrar in substitution for the Initial Liquidity Facility as provided in the Modal Agreement.

We are of the opinion that such proceedings show lawful authority for the issuance of the Bonds under the laws of the State of Illinois now in force. We further certify that we have examined the form of bond prescribed for said issue and find the same in due form of law, and in our opinion the Bonds, to the amount named, are valid and legally binding limited obligations of the Board payable from and, together with the Series 1991 Bonds, the Series 1993 Bonds, the Series 1996 Bonds, the Series 1999A Bonds, the Series 1999B Bonds, the Series 2000 Bonds, the Series 2001A Bonds, the Series 2001B Bonds, the Series 2001C Bonds, the Series 2003A Bonds, the Series 2005A Bonds, the Series 2006 Bonds, the Series 2008 Bonds (all as defined in the Bond Resolution) and such bonds as may be issued on a parity therewith in the future pursuant to the Bond Resolution secured, subject to the prior pledge to and lien of the Refunded Bonds (as defined in the Bond Resolution) pending their retirement from the irrevocable escrow accounts established for that purpose, by a pledge of and lien on (i) the Net Revenues of the System, (ii) Student Tuition and Fees (subject to prior payment of operating and maintenance expenses of the System, but only to the extent necessary) and (iii) the Bond and Interest Sinking Fund account (all as defined in the Bond Resolution).

It is our opinion that, assuming continuing compliance with certain covenants made by the Board to satisfy pertinent requirements of the Internal Revenue Code of 1986, as amended (the "Code"), the Bonds are not "private activity bonds" within the meaning of Section 141 of the Code and interest on the Bonds is not includible in the gross income of the owner thereof for federal income tax purposes and will not be treated as an item of tax preference in computing the alternative minimum tax imposed on individuals and corporations. Interest will be taken into account, however, in computing an adjustment used in determining the alternative minimum tax for certain corporations and in computing the "branch profits tax" imposed on certain foreign corporations. Failure by the Board to comply with such covenants could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Ownership of the Bonds may also result in collateral federal income tax consequences to certain taxpayers, and we express no opinion regarding any such collateral tax consequences arising with respect to the Bonds. In rendering this opinion, we have relied upon a certificate of the Board with respect to certain material facts solely within the Board's knowledge relating to the property financed or refinanced with the proceeds of the Bonds and the application of the proceeds of the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Bond Resolution and the Modal Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

Respectfully submitted,

**APPENDIX F**

**DESCRIPTION OF THE INITIAL LIQUIDITY FACILITY PROVIDER**