This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED July __, 2013

NEW ISSUE
BOOK-ENTRY ONLY

Ratings:
Moody's ______
Standard & Poor's: ______
(See "Bond Ratings")

*Subject to compliance by the Board with certain covenants, in the opinion of Bond Counsel, under present law, interest on the Series 2013 Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Interest on the Series 2013 Bonds is not exempt from present State of Illinois income taxes. See **"TAX EXEMPTION"** herein for a more complete discussion.*

$__________*

THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS
University of Illinois
Health Services Facilities System Revenue Bonds
Series 2013

Dated: Date of Delivery **Due: October 1, as shown on the next page.**

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 Health Services Facilities System Revenue Bonds, Series 2013 (the "Series 2013 Bonds"). Selected information is presented on the 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.

The Series 2013 Bonds will be issued in authorized denominations of $5,000 or any integral multiple thereof. The Series 2013 Bonds will bear interest from their dates of original issuance payable April 1 and October 1 of each year, commencing October 1, 2013.

The Series 2013 Bonds, when issued, will be registered initially only in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2013 Bonds. Principal of and interest on the Series 2013 Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as Trustee, to DTC. Purchasers of the Series 2013 Bonds will not receive certificates representing their interests in the Series 2013 Bonds purchased. Ownership will be evidenced by book-entry only. As long as Cede & Co. is the registered owner, as nominee of DTC, payments on the Series 2013 Bonds will be made to such registered owner, and disbursement of such payments will be the responsibility of DTC and its participants. See **"BOOK-ENTRY ONLY SYSTEM."**

The Series 2013 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as provided herein. See **"DESCRIPTION OF THE SERIES 2013 BONDS – Redemption Provisions"** herein.

The Series 2013 Bonds are being issued pursuant to the University of Illinois Revenue Bond Financing Act for Auxiliary Facilities and a Resolution of the Board adopted on January 22, 1997 (the "Original Resolution"), as amended and supplemented in accordance with its terms, including by a Third Supplemental System Revenue Bond Resolution adopted by the Board on July 25, 2013 (together with the Original Resolution, as supplemented and amended to date, the "Bond Resolution").

The proceeds of the Series 2013 Bonds will be used to finance the costs of certain construction, renovation and equipment purchases for the Health Services Facilities System (the "System") and to pay costs incidental to the issuance of the Series 2013 Bonds. See **"PLAN OF FINANCE"** and **"ESTIMATED SOURCES AND USES OF FUNDS"** herein.

The Series 2013 Bonds are special limited obligations of the Board. The Series 2013 Bonds, together with the University of Illinois Variable Rate Demand Health Services Facilities System Revenue Refunding Bonds, Series 2008 (the "Series 2008 Bonds") and the Health Services Facilities System Revenue Bonds, Series 1997B (the "Series 1997B Bonds"), together with other Parity Bonds issued in the future under the Bond Resolution (collectively, the "Bonds") and any Additional Parity Debt as described herein are secured by and payable from (i) first, the Net Revenues of the System, (ii) second, all charges, income and revenues of the University of Illinois College of Medicine Medical Service Plan in an amount not to exceed in any Fiscal Year annual debt service on the Bonds and mandatory transfers pursuant to the Bond Resolution, and (iii) third, College of Medicine Student Tuition in an amount not to exceed in any Fiscal Year annual debt service on the Bonds and mandatory transfers pursuant to the Bond Resolution, subject to certain prior pledges herein described. In addition, the Bonds are secured by amounts on deposit in the Bond and Interest Sinking Fund Account held under the Bond Resolution.

THE SERIES 2013 BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE STATE OF ILLINOIS, OR OF INDIVIDUAL MEMBERS, OFFICERS OR AGENTS OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS. NEITHER THE STATE OF ILLINOIS NOR ANY POLITICAL SUBDIVISION THEREOF IS OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE SERIES 2013 BONDS, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF ILLINOIS OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE SERIES 2013 BONDS. THE BOARD HAS NO TAXING POWER.

This Series 2013 Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, to withdrawal or to modification of the offer without any notice and to approval of legality of the Series 2013 Bonds by Chapman and Cutler LLP, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the University by its counsel, Thomas R. Bearrows, Esq., and its special counsel, Freeborn & Peters LLP, and for the Underwriters by their counsel, Katten Muchin Rosenman LLP. Subject to prevailing market conditions, the Underwriters intend, but are not obligated, to make a market in the Series 2013 Bonds. No assurance can be given that a secondary market will develop for the Series 2013 Bonds. For details of the Underwriters' compensation see **"UNDERWRITING"** herein. It is expected that the Series 2013 Bonds will be available for delivery to the Trustee on behalf of DTC by Fast Automated Securities Transfer on or about August __, 2013.

BMO CAPITAL MARKETS **MR BEAL & COMPANY**

The date of this Official Statement is _______, 2013

* Preliminary, subject to change.

MATURITY SCHEDULE*

Due (October 1)	Principal	Interest Rate	Yield	CUSIP[1]	Due (October 1)	Principal	Interest Rate	Yield	CUSIP[1]

$_____________ ______% Term Series 2013 Bonds due October 1, 20__ to Yield _____% CUSIP[1] __________
$_____________ ______% Term Series 2013 Bonds due October 1, 20__ to Yield _____% CUSIP[1] __________

* Preliminary, subject to change.

1 Copyright 2012, American Bankers Association. CUSIP data herein are provided by CUSIP Global Services LLC managed on behalf of the American Bankers Association by Standard and Poor's, a subsidiary of The McGraw-Hill Companies, Inc. The CUSIP numbers herein are provided for convenience and reference only.

REGARDING THIS OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the Board or the Underwriters to give any information or to make any representation with respect to the Series 2013 Bonds other than those contained in this Official Statement and, if given or made, such other information or representation not so authorized must not be relied upon as having been given or authorized by the Board, the Underwriters, or Public Financial Management, Inc. (the "Financial Advisor"). This Official Statement, which includes the cover page and appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2013 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth in this Official Statement has been obtained from the Board and other sources which are deemed by the Board to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Underwriters. Statements regarding specific documents, including the Series 2013 Bonds, are summaries of and subject to the detailed provisions of such documents and are qualified in their entirety by reference to each such document, copies of which will be on file with the Board and the Financial Advisor and will be provided upon request. 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 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 the information or opinions contained in this Official Statement since the date of this Official Statement.

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

THE SERIES 2013 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE BOND RESOLUTION HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE EXEMPTION FROM REGISTRATION OR QUALIFICATION OF THE SERIES 2013 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF ANY JURISDICTION CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NONE OF THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2013 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE PRICES AT WHICH THE SERIES 2013 BONDS ARE OFFERED TO THE PUBLIC MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES APPEARING ON THE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN CONNECTION WITH THE OFFERING OF THE SERIES 2013 BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2013 BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

This Official Statement contains disclosures which contain "forward-looking statements." Forward-looking statements include all statements that do not relate solely to historical or current fact, and can be identified by the use of words like "may," "believe," "will," "expect," "project," "estimate," "anticipate," "plan," or "continue." These forward-looking statements are based on the current plans and expectations of the Board and are subject to a number of known and unknown uncertainties and risks, many of which are beyond the Board's control, that could significantly affect current plans and expectations and the Board's future financial position and results of operations. These factors include, but are not limited to, (i) the highly competitive nature of the health care business, (ii) the efforts of insurers, health care providers and others to contain health care costs, (iii) possible changes in the Medicare and Medicaid programs that may affect reimbursements to health care providers and insurers, (iv) changes in federal, state or local regulations affecting the health care industry, (v) the possible enactment of federal or state health care reform, (vi) the ability to attract and retain qualified management and other personnel, including affiliated physicians, nurses and medical support personnel, (vii) liabilities and other claims asserted against the Board, (viii) changes in accounting standards and practices, (ix) changes in general economic conditions, (x) future divestitures or acquisitions which may result in additional charges, (xi) changes in revenue mix and the ability to enter into and renew managed care provider arrangements on acceptable terms, (xii) the availability and terms of capital to fund expansion plans of the Board and to provide for ongoing capital expenditure needs, (xiii) changes in business strategy or development plans, (xiv) delays in receiving payments, (xv) the outcome of pending and any future litigation, (xvi) the Board's continuing efforts to monitor, maintain and comply with appropriate laws, regulations, policies and procedures relating to its ability to comply with the requirements of the Medicare and Medicaid programs, (xvii) the ability to achieve expected levels of patient volumes and control the costs of providing services, (xviii) results of reviews of its cost reports, and (xix) the Board's ability to comply with recently enacted legislation and/or regulations. As a consequence, current plans, anticipated actions and future financial position and results of operations may differ from those expressed in any forward-looking statements made by or on behalf of the Board. Investors are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this Official Statement, including **APPENDIX A**. In addition to those factors described specifically in connection with the forward-looking statements, see **"BONDHOLDERS' RISKS"** herein and **"MANAGEMENT'S DISCUSSION OF FINANCIAL PERFORMANCE"** in **APPENDIX A** hereto.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE BOARD DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

The CUSIP numbers are included in this Official Statement for the convenience of the Bondholders. No assurance can be given that the CUSIP numbers for the Series 2013 Bonds will remain the same after the date of issuance and delivery of the Series 2013 Bonds.

TABLE OF CONTENTS

OFFICIAL STATEMENT

Relating to

$__________*

THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS
University of Illinois
Health Services Facilities System Revenue Bonds,
Series 2013

INTRODUCTION

This Official Statement, including the cover page hereof 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 Health Services Facilities System Revenue Bonds, Series 2013 (the "Series 2013 Bonds"). Initially capitalized terms used but not otherwise defined in this Official Statement have the same meanings given them in **APPENDIX E – "DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION."**

The Board is authorized by the University of Illinois Revenue Bond Financing Act for Auxiliary Facilities, as amended, 110 ILCS 405/1, *et seq.* (the "Act") to borrow money and issue and sell bonds to acquire, complete, enlarge, improve or equip student residence halls, apartments, staff housing facilities, health facilities, physical education buildings, union buildings, auditoriums, gymnasiums, or any other revenue producing buildings or facilities, administrative 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.

The Series 2013 Bonds are being issued pursuant to the Act and a Resolution of the Board adopted on January 22, 1997 (the "Original Resolution"), as amended and supplemented in accordance with its terms, including by a Third Supplemental System Revenue Bond Resolution adopted by the Board on July 25, 2013 (together with the Original Resolution, as supplemented and amended to date, the "Bond Resolution").

The proceeds of the Series 2013 Bonds will be used to finance the costs of certain construction, renovation and equipment purchases for the System and to pay costs incidental to the issuance of the Series 2013 Bonds. See **"PLAN OF FINANCE"** and **"ESTIMATED SOURCES AND USES OF FUNDS"** herein.

The Series 2013 Bonds, the Series 2008 Bonds and the Series 1997B Bonds, together with any other Parity Bonds issued in the future under the Bond Resolution (collectively, the "Bonds") are payable from and secured by a pledge of and lien on moneys in the Bond and Interest Sinking Fund Account. The Bonds and Additional Parity Debt (as hereinafter defined) issued as provided in the Bond Resolution are payable from and secured by a pledge of and lien on the following revenue sources:

∗ Preliminary, subject to change.

(a) *first*, the Net Revenues of the System (see "**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS** – Pledge of System Net Revenues");

(b) *second*, all charges, income and revenues of the Board's Medical Service Plan ("MSP") under the provisions of the University of Illinois Hospital Act and the MSP By-Laws (the "MSP Revenues") in an amount not to exceed in any Fiscal Year the amount of scheduled debt service payments on the Bonds and any mandatory transfers as described in the Bond Resolution for such Fiscal Year (see **"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledge of MSP Revenues"**); and

(c) *third*, College of Medicine Student Tuition, (as described under the heading "**THE COLLEGE OF MEDICINE**") in an amount not to exceed in any Fiscal Year the amount of scheduled debt service payments on the Bonds and any mandatory transfers as described in the Bond Resolution for such Fiscal Year, subject to the Prior Pledge in favor of the Prior Pledge Bonds (see **"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – General"**).

The Bond Resolution provides that, subject to the Prior Pledge, the pledge made in the Bond Resolution, which may be extended for the issuance of Parity Bonds or Additional Parity Debt, will rank superior to all other pledges that may be made after the date of the Original Resolution of any of the revenues described above. The Board is not prohibited in the Bond Resolution from creating pledges with first priority status in addition to the Prior Pledge of any of the Board's tuition and fees other than College of Medicine Student Tuition. The Bond Resolution further provides that prior to the use of College of Medicine Student Tuition, the Board will use all other available "Student Tuition and Fees" (as defined in the Auxiliary Facilities Bond Resolution) for the payment of operation and maintenance expenses, debt service or other deposits required to fulfill its obligations with respect to the Prior Pledge. See **"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Parity Bonds and Additional Parity Debt"** and **APPENDIX E – "DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION."**

Parity Bonds may be issued or incurred by the Board for the purposes of repairing, improving or adding to the System Core Facilities or refunding outstanding Bonds, or for any combination of such purposes, and subject to the conditions, 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 Income Available for Debt Service must be at least equal to two times the Maximum Annual Debt Service Requirement for the then outstanding Bonds and the proposed Parity Bonds in any future Fiscal Year (the "Coverage Test"). Additional Parity Debt may be issued if, among other things, the Coverage Test would have been met for the issuance of a like amount of Parity Bonds and the Additional Parity Debt is issued for one of the purposes for which Parity Bonds may be issued. If the Board incurs Additional Parity Debt, such Additional Parity Debt will only be included in the calculation of the Coverage Test at the time such Additional Parity Debt is incurred and will not be included in any future calculations of the Historical Debt Service Coverage Ratio. See **"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Parity Bonds and Additional Parity Debt."**

The Board covenants in the Bond Resolution to adopt such rules and regulations as are necessary to assure reasonable occupancy and use of the System Core Facilities; and to maintain the Historical Debt Service Coverage Ratio at not less than 2.00:1. See **"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Rate Covenant."**

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.

There are certain risks involved in the purchase of any Series 2013 Bonds. See the information herein under the caption, **"BONDHOLDERS' RISKS."**

DESCRIPTION OF THE SERIES 2013 BONDS

Reference is made to the Bond Resolution and the form of Series 2013 Bonds included in the Bond Resolution for the detailed provisions of the Series 2013 Bonds.

The Series 2013 Bonds will bear interest (based on a 360-day year of twelve 30-day months) at the respective rates per annum and mature, subject to earlier redemption, in the amounts and on the dates set forth on the inside cover page of this Official Statement. The Series 2013 Bonds will bear interest payable on April 1 and October 1 (the "Interest Payment Dates") of each year, commencing October 1, 2013. The Series 2013 Bonds, as initially issued, will be dated the date of delivery thereof.

The Series 2013 Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2013 Bonds. Individual purchases of beneficial interests in the Series 2013 Bonds will be made in book-entry form only, in denominations of $5,000 or any integral multiple thereof ("Authorized Denominations"). Purchasers of such interests will not receive certificates representing their interest in the Series 2013 Bonds. For a description of the method of payment of principal of, premium, if any, and interest on the Series 2013 Bonds and matters pertaining to transfers and exchanges while in the book-entry only system, see the information herein under the heading **"BOOK-ENTRY ONLY SYSTEM."**

Interest on the Series 2013 Bonds is payable (i) by check or draft of the Trustee mailed on each interest payment date to the person in whose name such Series 2013 Bond is registered on the registration books of the Board maintained by the Trustee (the "Bond Register") at the close of business on the 15th day of the month next preceding the interest payment date (the "Record Date"), or (ii) upon request of Owners of at least $1,000,000 in aggregate principal amount of the Series 2013 Bonds, by wire transfer to a bank in the continental United States designated in writing by such owner on the Record Date next preceding the interest payment date on such Series 2013 Bonds.

Redemption Provisions

Optional Redemption. The Series 2013 Bonds maturing on or after October 1, ____, are subject to redemption prior to maturity at the option of the Board, in whole or in part on any date on or after October 1, ____, and if in part, from the maturities designated by the Board and within a single maturity by lot as selected by the Trustee, at the redemption price of par, plus accrued interest to the date of redemption.

Sinking Fund Redemption. The Series 2013 Bonds maturing on October 1, 20__ are subject to mandatory sinking fund redemption in part by lot on October 1, in each of the years listed below, at a redemption price equal to 100% of the principal amount redeemed plus accrued interest thereon to the redemption date, in the principal amount set forth below next to such year:

Mandatory Sinking Fund Payment Dates (October 1)	Principal Amount
†	

† Maturity

The principal amounts of Series 2013 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 2013 Bonds being credited against such future mandatory sinking fund requirements as determined by the Comptroller, with written notice of such determination to be given to the Trustee. In addition, on or prior to the 60th day preceding any mandatory sinking fund redemption date, the Trustee may, and if directed by the Comptroller shall, purchase Series 2013 Bonds required to be retired on such mandatory redemption date at a purchase price not exceeding the principal amount thereof plus accrued interest to the purchase date. Any such Series 2013 Bonds so purchased shall be cancelled and the principal amount thereof shall be credited against the payment required on such next mandatory redemption sinking fund date for the Series 2013 Bonds so purchased.

Notice of Redemption. Notice of redemption shall be given by first-class mail at least 30 days prior to the date fixed for redemption to the Owner of the Series 2013 Bond or portion thereof to be redeemed at the address shown on the Bond Register. However, during the period in which the Series 2013 Bonds are registered in the name of DTC or its nominee, notice of any redemption will be given to DTC or its nominee as registered owner of the Series 2013 Bonds not less than 30 days and not more than 90 days prior to the date set for redemption. DTC is then to forward the redemption notice to the Participants (hereinafter defined), which are then to provide appropriate notification to the Beneficial Owners (hereinafter defined) of Series 2013 Bonds.

Such notice of redemption shall identify the Series 2013 Bonds to be redeemed and shall state (1) the redemption date, (2) the redemption price, (3) that the Series 2013 Bonds called for redemption must be surrendered to collect the redemption price, (4) the address at which the Series 2013 Bonds must be surrendered and (5) that interest on the Series 2013 Bonds called for redemption ceases to accrue on the redemption date.

Unless moneys sufficient to pay the principal of, and the premium, if any, and interest on, the Series 2013 Bonds to be redeemed have been received by the Trustee prior to the giving of such notice of redemption, such notice will state that said redemption is conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for redemption. If such moneys are not received by the redemption date, such notice will be of no force and effect, the Board will not redeem such Series 2013 Bonds, the redemption price will not be due and payable and the Trustee will give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Series 2013 Bonds will not be redeemed.

Failure to give any required notice of redemption as to any particular Series 2013 Bonds shall not affect the validity of the call for redemption of any Series 2013 Bonds in respect of which no such failure has occurred. Any notice mailed as provided in the Series 2013 Bonds shall be conclusively presumed to have been given, whether or not actually received by the addressee Owner.

Selection of Series 2013 Bonds for Redemption. Series 2013 Bonds called for optional redemption in part from a maturity designated by the Board or mandatory sinking fund redemption will be selected by the Trustee, by lot in such manner as the Trustee in its discretion may deem fair and appropriate; provided, however, that the portions of any Series 2013 Bonds to be redeemed shall be in integral multiples of $5,000, and that, in selecting such Series 2013 Bonds for redemption, the Trustee shall treat each Bond as representing the number of Series 2013 Bonds that is obtained by dividing the par value of such Series 2013 Bond by $5,000 (such amount being hereinafter referred to as an "applicable unit of principal amount"). If it is determined that one or more, but not all, of the applicable units of principal amount represented by any such Series 2013 Bond is to be called for redemption, then, upon notice of intention to redeem such applicable unit or units, the Owner of such Series 2013 Bond, upon surrender of such Series 2013 Bond to the Trustee for payment to such Owner of the redemption price of the applicable unit or units or principal amount called for redemption, shall be entitled to receive a new Series 2013 Bond or Bonds of the same tenor in the aggregate amount equal to the applicable unit or units of principal amount not called for redemption. Such new Series 2013 Bonds representing the applicable unit or units of principal amount, as the case may be, not called for redemption of such Series 2013 Bond shall be issued to the Owner, without charge. If the Owner of any such Series 2013 Bond of a denomination greater than the applicable unit or units of principal amount called for redemption shall fail to present such Series 2013 Bond to the Trustee for payment and exchange as aforesaid, such Series 2013 Bond shall, nevertheless, become due and payable on the date fixed for redemption to the extent of the applicable unit or units of principal amount called for redemption (and to that extent only).

No interest shall accrue on any Series 2013 Bonds called for optional redemption after the redemption date if payment of the redemption price for those Series 2013 Bonds has been duly provided.

Bond Registration and Transfers

For a description of the procedure to transfer ownership of a Series 2013 Bond while in the book-entry only system, see **"BOOK-ENTRY ONLY SYSTEM."** Subject to the limitations described herein, the Series 2013 Bonds are transferable upon surrender thereof at the principal corporate trust office of the Trustee, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to, the Trustee and duly executed by the Bondholder or such Bondholder's attorney duly authorized in writing. Subject to the limitations described below, any Series 2013 Bond may be exchanged upon surrender to the Trustee, together with an assignment duly executed by the registered owner thereof or such registered owner's attorney in such form as shall be satisfactory to the Trustee for an equal aggregate principal amount of Series 2013 Bonds of like date and tenor of any Authorized Denomination as the Series 2013 Bonds surrendered for exchange bearing numbers not contemporaneously outstanding. The Trustee may charge a fee sufficient to cover any tax, fee or other governmental charge in connection with any exchange or transfer of any Series 2013 Bond. Except in connection with the purchase of Series 2013 Bonds tendered for purchase, the Trustee shall not be required to transfer or exchange any Series 2013 Bonds during the period beginning 15 days prior to the mailing of a notice of redemption and ending on the redemption date.

BOOK-ENTRY ONLY SYSTEM

Information concerning DTC and the Book-Entry System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Board, the Underwriters or the Trustee.

Series 2013 Bonds in Book-Entry Form

Beneficial ownership in the Series 2013 Bonds will be available to Beneficial Owners (as described below) only by or through DTC Participants via a book-entry system (the "Book-Entry System") maintained by DTC. If the Series 2013 Bonds are taken out of the Book-Entry System and delivered to owners in physical form, as contemplated hereinafter under "Discontinuance of DTC Services," the following discussion will not apply.

DTC and Its Participants

DTC will act as securities depository for the Series 2013 Bonds. The Series 2013 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2013 Bonds, each in the aggregate principal amount of each such maturity.

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

Purchases of Series 2013 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2013 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation 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 2013 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 2013 Bonds, except in the event that use of the book-entry system for the Series 2013 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2013 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 2013 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2013 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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 Series 2013 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2013 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 2013 Bonds may wish to ascertain that the nominee holding the Series 2013 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the Series 2013 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2013 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the University 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 2013 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest and premium, if any, on the Series 2013 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2013 Bonds at any time by giving reasonable notice to the Board or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

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

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

None of the Board, the Underwriters or the Trustee has any responsibility or obligation with respect to (i) the accuracy of any records maintained by DTC, its nominee or any Direct Participant or Indirect Participant with respect to any beneficial ownership interest in any Series 2013 Bond, (ii) the delivery to any Direct Participant or Indirect Participant or any other Person, other than an owner, as shown in the Bond Register, of any notice with respect to any Series 2013 Bond including, without limitation, any notice of prepayment, tender, purchase or any event which would or could give rise to a tender or purchase right or option with respect to any Series 2013 Bond, (iii) the payment to any Direct Participant or Indirect Participant or any other Person, other than an owner, as shown in the Bond Register, of any amount with respect to the principal of, premium, if any, or interest on, or the purchase price of, any Bond, (iv) the selection of the Beneficial Owners to receive payment in the event of any partial prepayment of the Series 2013 Bonds or (v) any other action taken by DTC as registered owner.

The Board, the Underwriters and the Trustee cannot and do not give any assurances that DTC or the Direct or Indirect Participants will distribute to the Beneficial Owners of the Series 2013 Bonds (i) payments of principal or redemption price of or interest on the Series 2013 Bonds; (ii) certificates representing an ownership interest or other confirmation of Beneficial Ownership interests in the Series 2013 Bonds; or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Series 2013 Bonds, or that they will do so on a timely basis or that Direct or Indirect Participants will serve and act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission, and the current "Procedures" of DTC to be followed in dealing with Participants are on file with DTC.

Use of Certain Terms in Other Sections of the Official Statement

In reviewing this Official Statement it should be understood that while the Series 2013 Bonds are in the Book-Entry System, reference in other sections of this Official Statement to owners of such Series 2013 Bonds should be read to include any person for whom a Participant acquires an interest in Series 2013 Bonds, but (i) all rights of ownership, as described herein, must be exercised through DTC and the Book-Entry System and (ii) notices that are to be given to registered owners by the Bond Trustee will be given only to DTC. DTC is required to forward (or cause to be forwarded) the notices to the Participants by its usual procedures so that such Participants may forward (or cause to be forwarded) such notices to the Beneficial Owners.

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 2013 Bonds that they be able to obtain certificated Series 2013 Bonds, the Board will notify DTC and the Direct Participants of the availability through DTC of certificated Series 2013 Bonds and the Series 2013 Bonds will no longer be restricted to being registered in the registry maintained by the Trustee in the name of Cede & Co., as nominee of DTC. At that time, the Board may determine that the Series 2013 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 2013 Bonds may be registered in whatever name or names registered owners of Series 2013 Bonds transferring or exchanging Series 2013 Bonds shall designate, in accordance with the provisions of the Bond Resolution.

THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS

The University is governed by the Board, which consists of eleven voting members, including one student member and the Governor of the State of Illinois (the "State"), who serves as an ex-officio member, and two nonvoting student members. The Board is responsible for the general supervision and management of the educational program and the lands, buildings and other properties of the University and the control of the revenues and expenditures in support thereof. Additional information regarding the Board and the University is set forth in **APPENDIX B – "THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS"** and is included for informational purposes only. The Board has no obligation to update such information.

THE SYSTEM

Pursuant to the Bond Resolution, the Board has created the Health Services Facilities System of the University of Illinois consisting of the health services facilities and other revenue producing buildings and facilities of the Board described in the Bond Resolution, together with all equipment located thereon and all improvements, repairs, extensions or replacements therein and hereafter constructed or acquired, as the description of such facilities may be amended as permitted in the Bond Resolution (the "System"), at or through which various University health care and educational programs are conducted. See **APPENDIX A – "THE UNIVERSITY OF ILLINOIS HEALTH SERVICES FACILITIES SYSTEM, THE MEDICAL SERVICE PLAN AND THE COLLEGE OF MEDICINE TUITION"** and **APPENDIX E – "DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – General Covenants – Amendments to Components of the System."**

THE MEDICAL SERVICE PLAN

In 1967, pursuant to statutory authority conferred by the University of Illinois Hospital Act, 110 ILCS 330/0.10 *et seq*. (the "Hospital Act"), the members of the faculty of the University of Illinois College of Medicine (the "College") created the University of Illinois College of Medicine Medical Service Plan (the "MSP") for the purpose of billing and collecting for professional services they render in conjunction with University health care programs. All professional fees are billed and collected by the University in the name of the MSP and are deposited in an account established within the treasury of the University known as the "General Account" of the MSP (the "MSP General Account"). Such professional fees constitute a portion of the hereinafter defined "MSP Revenues."

In establishing the MSP, the faculty adopted by-laws (the "MSP By-Laws") under which the operation of the MSP would be governed. As required by the Hospital Act, the MSP By-Laws were approved by the Board. The MSP By-Laws provide, among other things, that all expenses incurred by the University, in its own name or otherwise, in connection with activities that generate or are related to professional fees, other than members' compensation ("MSP-Related Expenses"), shall be a liability of the MSP General Account and payable therefrom before the payment of any other expenditures. The Board represents in the Bond Resolution that it has, pursuant to the MSP By-Laws, the first priority right to payment from the MSP General Account of such amounts as are needed to reimburse itself for all of the Board's MSP-Related Expenses, and that the Board's first priority right to the use of the moneys in the MSP General Account for such purpose is exclusive and does not create nor give rise to any right to such moneys on the part of any other person; and the Board covenants that, in exercising such rights to reimbursement it will use the amounts so reimbursed to it in each Fiscal Year in fulfillment of its obligations to make debt service payments and mandatory transfers required under the Bond Resolution before using the amounts so reimbursed for any other purpose. The Board further represents in the Bond Resolution that it has ratified the MSP By-Laws and covenants not to approve any amendments to the MSP By-Laws that will conflict with the provisions of the Bond Resolution or impair the exclusion of interest on the Bonds from the Federal gross income of the owners thereof. See **APPENDIX E – "DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION."**

The MSP Revenues, net of bad debt expense and contractual allowances ("Adjusted MSP Revenues"), for the Fiscal Year ended June 30, 2012, were $197,612,155. See **APPENDIX A – "THE UNIVERSITY OF ILLINOIS HEALTH SERVICES FACILITIES SYSTEM, THE MEDICAL SERVICE PLAN AND THE COLLEGE OF MEDICINE TUITION."**

THE COLLEGE OF MEDICINE

The University's College of Medicine (the "College of Medicine") is the largest college of medicine in the United States. The faculty of the College of Medicine, at four locations across the State of Illinois – Chicago, Peoria, Rockford, and Urbana-Champaign—is dedicated to educating more than 1,300 medical students each year. The College of Medicine annually receives more than 7,000 applications from prospective medical students seeking one of the 300 places in each first-year class. Moneys collected for tuition from students matriculated, registered or otherwise enrolled at or attending the College of Medicine are referred to herein as "College of Medicine Student Tuition". Aggregate College of Medicine Student Tuition for the fiscal year ended June 30, 2012, was $47,605,720. See **APPENDIX A – "THE UNIVERSITY OF ILLINOIS HEALTH SERVICES FACILITIES SYSTEM, THE MEDICAL SERVICE PLAN AND THE COLLEGE OF MEDICINE TUITION – The College of Medicine Tuition."**

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are payable from and secured by a pledge of and lien on moneys in the Bond and Interest Sinking Fund Account. The Bonds and Additional Parity Debt (as hereinafter defined) issued as provided in the Bond Resolution are payable from and secured by a pledge of and lien on the following revenue sources:

(a) *first*, the Net Revenues of the System (see **"Pledge of System Net Revenues"**);

(b) *second*, MSP Revenues in an amount not to exceed in any Fiscal Year the amount of scheduled debt service payments on the Bonds and any mandatory transfers as described in the Bond Resolution for such Fiscal Year (see **"Pledge of MSP Revenues"**); and

(c) *third*, College of Medicine Student Tuition in an amount not to exceed in any Fiscal Year the amount of scheduled debt service payments on the Bonds and any mandatory transfers as described in the Bond Resolution for such Fiscal Year, subject to the prior pledge of the University's student tuition and fees (of which the College of Medicine Student Tuition is a part) in favor of certain bond issues described in **APPENDIX E** (the "Prior Pledge") which, as of the date hereof, include the following bond issues (i) the Board's Auxiliary Facilities System Revenue Bonds, Series 1991, Series 1999A, Series 1999B, Series 2001A, Series 2001B, Series 2003A, Series 2005A, Series 2006, Series 2008, Series 2009A, Series 2010A, Series 2011A, Series 2011B, Series 2011C and Series 2013A (collectively, the "Outstanding Auxiliary Facilities Bonds"); and (ii) any bonds hereafter issued on a parity with the Outstanding Auxiliary Facilities Bonds (the "Parity Auxiliary Facilities Bonds", together with the Outstanding Auxiliary Facilities Bonds, the "Auxiliary Facilities Bonds") pursuant to the bond resolution adopted by the Board on May 15, 1978, as supplemented and amended, with respect to the Board's outstanding Auxiliary Facilities System Revenue Bonds (the "Auxiliary Facilities Bond Resolution") (see **"Subordinated Pledge of College of Medicine Student Tuition"**). The Auxiliary Facilities Bonds are the "Prior Pledge Bonds."

The Bond Resolution provides that, subject to the Prior Pledge, the pledge made in the Bond Resolution, which may be extended for the issuance of Parity Bonds or Additional Parity Debt (see "Parity Bonds and Additional Parity Debt"), will rank superior to all other pledges that may be made after the date of the Original Resolution of any of the revenues described above. The Board is not prohibited in the Bond Resolution from creating pledges with first priority status in addition to the Prior Pledge of any of the Board's tuition and fees other than College of Medicine Student Tuition. The Bond Resolution further provides that prior to the use of College Medicine Student Tuition, the Board will use all other available "Student Tuition and Fees" (as defined in the Auxiliary Facilities Bond Resolution) for the payment of operation and maintenance expenses, debt service or other deposits required to fulfill its obligations with respect to the Prior Pledge. See **APPENDIX E – "DEFINITION OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION."**

THE SERIES 2013 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE BOARD. THE SERIES 2013 BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE STATE OF ILLINOIS, OR OF INDIVIDUAL MEMBERS, OFFICERS OR AGENTS OF THE BOARD. NEITHER THE STATE OF ILLINOIS NOR ANY POLITICAL SUBDIVISION THEREOF IS OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE SERIES 2013 BONDS, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF ILLINOIS OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE SERIES 2013 BONDS. THE BOARD HAS NO TAXING POWER.

The Bonds shall be equally and ratably secured by the pledge and lien without priority or preference one over the other by reason of series designation, denomination, number, maturity, date of terms of redemption prior to maturity, date of sale or delivery or otherwise. All the Bonds are co-equal as to the pledge of and lien on all of the Net Revenues of the System, MSP Revenues, and College of Medicine Student Tuition, 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.

Pledge of System Net Revenues

The Bonds are payable from and secured by, first, a pledge of and lien on the Net Revenues of the System, consisting of all charges, income and revenues received from the continued use and operation of the System (not including MSP Revenues, College of Medicine Student Tuition, transfers from the Repair and Replacement Reserve Account, the Equipment Reserve Account or the Development Reserve Account or unrealized gains on the valuation of investments), remaining after providing sufficient funds for the reasonable and necessary cost of currently maintaining, repairing, insuring and operating the System.

All such charges, income and revenues are irrevocably pledged for the prompt and punctual payment of the principal of and premium, if any, and interest on the Bonds according to their terms, and to create and maintain the Repair and Replacement Reserve Account and certain other accounts, all as defined in the Bond Resolution.

Except for the pledge made to secure the Bonds, the Net Revenues of the System have not been pledged or otherwise encumbered to secure any bonds or other obligations of the Board.

Pledge of MSP Revenues

Pursuant to the Bond Resolution, the Bonds are also payable from and secured by a pledge of and lien on the MSP Revenues in an amount not to exceed in any Fiscal Year the amount of debt service requirements on the Bonds and mandatory transfers pursuant to the Bond Resolution for such Fiscal Year. See **APPENDIX A – "THE UNIVERSITY OF ILLINOIS HEALTH SERVICES FACILITIES SYSTEM, THE MEDICAL SERVICE PLAN AND THE COLLEGE OF MEDICINE TUITION."**

Except for the pledge made to secure the Bonds, the MSP Revenues have not been pledged or otherwise encumbered to secure any bonds or other obligations of the Board.

Subordinated Pledge of College of Medicine Student Tuition

Pursuant to the Bond Resolution, the Bonds are also payable from and secured by a pledge of and lien on the College of Medicine Student Tuition in an amount not to exceed in any Fiscal Year the amount of debt service requirements on the Bonds and mandatory transfers pursuant to the Bond Resolution for such Fiscal Year, subject to the Prior Pledge.

At June 30, 2012, the Board had outstanding bonds entitled to the benefit and security of the Prior Pledge in an aggregate principal amount of $1,001,261,510, including accretions on capital appreciation bonds.

Repair and Replacement Reserve Account

Pursuant to the Bond Resolution, the Board is required to establish and maintain a Repair and Replacement Reserve Account. At June 30, 2012, there was $7,061,842 in the 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 one-half of one percent of the replacement cost of System Core Facilities, as determined by the then current *Engineering News Record Index* (or comparable index), unless such a deposit would cause the balance in the Repair and Replacement Reserve Account to exceed five percent of the replacement cost, in which case the deposit would be limited to such amount. All money and investments so held in said Account shall be used and held 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. See **APPENDIX E – "DEFINITION OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION."**

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 Core Facilities; and that it will maintain the Historical Debt Service Coverage Ratio at not less than 2.00:1.00.

The Series 1997B and the Series 2008 Bonds

The Series 1997B Bonds were issued in the original aggregate principal amount of $25,000,000, of which $16,200,000 remains outstanding as of the date of this Official Statement. The Series 2008 Bonds were issued in the original aggregate principal amount of $41,215,000, of which $37,990,000 remains outstanding as of the date of this Official Statement. The Series 2013 Bonds are issued on a parity with the Series 1997B Bonds and the Series 2008 Bonds. See **"ANNUAL DEBT SERVICE REQUIREMENTS"** herein for an estimated debt service schedule on the Series 1997B Bonds and the Series 2008 Bonds.

Parity Bonds and Additional Parity Debt

The Board (i) may not issue additional bonds under the Bond Resolution on a parity with the Series 1997B Bonds, the Series 2008 Bonds and the Series 2013 Bonds ("Parity Bonds") unless such Parity Bonds are authorized by a resolution adopted by the Board that conforms in all respects to the terms and provisions of the Bond Resolution and unless the conditions described below are met, and (ii) may not incur any debt that is due more than one year after it is incurred, that is payable on a parity with the revenue sources pledged to Parity Bonds ("Additional Parity Debt"), unless the conditions for the issuance of a like amount of Parity Bonds described in paragraphs 1, 2 and 4 below, would have been met and unless such Additional Parity Debt is issued for one of the purposes specified in paragraph 3 below.

The conditions to the issuance of Parity Bonds are as follows:

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, 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 Core Facilities, or for the purpose of refunding outstanding Bonds, or for any combination of such purposes.

4. For each of the two Fiscal Years immediately preceding the issuance of any Parity Bonds, the average of the sum of annual Income Available for Debt Service must be at least equal to two times the Maximum Annual Debt Service Requirement for the outstanding Bonds and the proposed Parity Bonds in any future Fiscal Year.

If the Board incurs Additional Parity Debt, such Additional Parity Debt will only be included in the calculation of the Coverage Test described in (4) above at the time such Additional Parity Debt is incurred and will not be included in any future calculations of the Historical Debt Service Coverage Ratio.

PLAN OF FINANCE

The Board will use the proceeds from the sale of the Series 2013 Bonds to (i) finance a portion of the costs of the Project (as defined herein) and (ii) pay certain expenses incurred in connection with the issuance and sale of the Series 2013 Bonds. The Project (the "Project") includes the acquisition, construction and equipping of improvements to the System, including (i) infrastructure improvements, replacements and renovations to the existing University of Illinois Hospital, a 495-bed teaching hospital located at 1740 West Taylor Street Chicago, Illinois (the *"Hospital"*); (ii) the renovation or reconfiguration of the pharmacy, emergency department, lobby, kitchen, vertical transportation system and two plazas at the Hospital; (iii) infrastructure improvements to and remodeling of the Eye and Ear Infirmary (the *"EEI"*), (iv) the acquisition, construction and equipping of an infusion center at the Outpatient Care Center (the *"OCC"*), and (v) the acquisition of updated technology for voice communications and multimedia sessions over the internet at the Hospital, the EEI and the OCC. The System and the Hospital are more fully described in **APPENDIX A — "THE UNIVERSITY OF ILLINOIS HEALTH SERVICES FACILITIES SYSTEM, THE MEDICAL SERVICE PLAN AND THE COLLEGE OF MEDICINE TUITION."** Upon the issuance of the Series 2013 Bonds, the Board intends to reimburse itself for approximately $__________ million in Project expenses previously incurred and paid. The Project is expected to be completed in 2015. The System received a Certificate of Need ("CON") from the Illinois Health Facilities and Services Review Board in March of 2011 for a portion of the Project involving the modernization of both clinical and nonclinical space at the Hospital. The CON approval is in the amount of $39,933,023 and the CON Project must be completed by January 15, 2014. The Project one part of an $85 million infrastructure modernization and renovation program for the Hospital. The balance of the program costs not covered by the Project may be funded from proceeds of Additional Bonds to be issued within the next three years by the Board, institutional funds or a combination of the two options.

ESTIMATED SOURCES AND USES OF FUNDS

The Board expects the sources and uses of funds for the Series 2013 Bonds to be applied as follows:

Sources of Funds	
Principal Amount of Series 2013 Bonds	$
[Net original issue premium/(discount)]	
Total Sources of Funds	$
Uses of Funds	
Project Costs(1)	$
Costs of Issuance(2)	
Total Uses of Funds	$

(1) $__________ of such costs will be paid to the Board at Closing as reimbursements for such costs paid prior to Closing.
(2) Includes Underwriters' discount, legal, accounting, administrative, and miscellaneous fees and expenses.

ANNUAL DEBT SERVICE REQUIREMENTS

The table below shows the annual debt service requirements of the Series 2013 Bonds, the Series 1997B Bonds and the Series 2008 Bonds.

Bond Year (Ending 10/1)	Series 2013 Bonds Principal	Interest	Total	Series 1997B Bonds[1]	Series 2008 Bonds[2]	Combined Total
2013				$ 1,461,320	$ 3,451,074	
2014				1,522,159	3,393,955	
2015				1,486,356	3,432,040	
2016				1,550,104	3,373,331	
2017				1,508,872	3,436,182	
2018				1,469,479	3,450,219	
2019				1,528,964	3,396,810	
2020				1,480,956	3,438,764	
2021				1,535,562	3,390,996	
2022				1,488,044	3,438,488	
2023				1,537,666	3,400,734	
2024				1,486,671	3,443,512	
2025				1,432,573	3,496,807	
2026				1,478,400	3,451,910	
2027				1,520,055	3,416,174	
2028				–	–	
TOTAL				$22,487,181	$51,410,996	

[1] The Series 1997B Bonds bear interest at a variable rate that changes weekly. The Series 1997B Bonds are assumed in the above table to bear interest at the average rate of 4% per annum. The average annual rate of interest on the Series 1997B Bonds for 2012 was .17% per annum, not including remarketing and letter of credit fees. Actual rates may vary from assumed rates.

[2] Interest on the Series 2008 Bonds is estimated based on an assumed fixed rate of 3.534% which is the fixed payor rate paid by the Board to the Swap Provider with respect to the interest rate hedging agreement with respect to the Series 2008 Bonds.

BONDHOLDERS' RISKS

General

The purchase and ownership of the Series 2013 Bonds involve certain risks that are discussed throughout this Official Statement. Each prospective purchaser of the Series 2013 Bonds (or a beneficial ownership interest therein) should make an independent evaluation of the information presented in this Official Statement.

Certain of the factors that could affect the Series 2013 Bonds and the future condition of the System, the MSP and the College of Medicine are described below and any of the risk factors described herein may adversely affect the collection of revenues pledged to the payment of the Bonds and impair the ability of the Board to make required payments on the Bonds when due. There can be no assurance that the financial condition of the System and/or the utilization of the facilities of the Board comprising the System will not be adversely affected by any of these factors. There can also be no assurance that MSP Revenues and College of Medicine Student Tuition will not decline. A significant portion of the System's revenues are derived indirectly through State payments for Medicaid reimbursement and payments made to SURS (as defined under "State Budget Issues", below) by the State. Any budgetary problems of the State of Illinois may materially adversely affect the amount of payments received by the University and the System from the State and may adversely affect the timing of receipt of its State payments. See "**State Budget Issues**."

The discussion herein of risks to the owners of the Series 2013 Bonds is not intended as comprehensive or definitive, but rather is to summarize certain matters that could affect timely payment on the Series 2013 Bonds. Other sections of this Official Statement, as cited herein, should be referred to for a more detailed description of risks described in this section, which descriptions are qualified by reference to any documents discussed herein. Copies of all such documents are available for inspection at the designated corporate trust office of the Trustee.

State Budget Issues[1]

General. Over the past five years, the State of Illinois has experienced adverse economic conditions, including erosion of general fund tax revenues, lower real estate values, slower economic growth and higher unemployment, as well as the highest level of underfunding of any state pension system in the nation. This has resulted in significant shortfalls between the State's general fund revenues, which are the primary source of moneys for Medicaid funding, and spending demands. The State's credit ratings have continued in a downgraded spiral to their present "A3" "A-" and "A-" by Moody's, S&P and Fitch, respectively. The Illinois 2013 Budget provided for substantial cuts to the State's Medicaid funding and scope of covered services, including $1.6 billion in 62 spending item reductions, utilization controls, provider rate cuts and a new hospital assessment program. As shortfalls are expected to continue, future cutbacks to government health care programs are likely. Failure by the Illinois legislature to approve budgets prior to the start of a new fiscal year can also result in a temporary hold on or delay of Medicaid reimbursement. Additionally, budget problems of the State may result in decreased State appropriations to the University which could have a material negative impact on the System.

Medicaid Payment Shortfalls. During the past several years, due to its budget problems, the State of Illinois has not paid Medicaid providers, other service providers and vendors in a timely manner. The estimated budget basis accounts payable at the end of Fiscal Year 2012 was $5,024 million. The lapse period (the period of time the State is permitted to pay bills for services rendered in a fiscal year after the close of such fiscal year) for each of Fiscal Year 2011 and Fiscal Year 2012 was extended by the Illinois General Assembly to December 31, 2011 and 2012, respectively, to allow additional time for the payment of the State's prior fiscal year's obligations. The Budget Basis Operating Deficit for Fiscal Year 2012 was $477 million. The deficit was financed through an increase in accounts payable and use of previous fiscal year end cash balances. As of April 30, 2013 the University has billed the State for $______ million of its $662 million Fiscal Year 2013 operating appropriation (including the $15.8 million appropriation for the State Surveys). The State has paid $___ million, leaving a payment due to the University of $_________ million.

A large component of the State's accrued liabilities consists of payment deferrals under Section 25 of the State Finance Act (30 ILCS 105) for Medical Assistance, comprised mostly of the Medicaid program, and the smaller component of accrued liabilities, Group Health Insurance ("Section 25 Liabilities"). Section 25 Liabilities for end of Fiscal Year 2012 were approximately $2.2 billion ($718.385 million in Fiscal Year 2011) for Medical Assistance under the Department of Healthcare and Family Services, $221 million ($73 million in Fiscal Year 2011) for Medical Assistance under the Department of Human Services and $1.2 billion ($1.049 billion in Fiscal Year 2011) for Group Health Insurance under the Health Insurance Fund.

[1] Source: Information under this caption has been obtained from the Official Statement dated June 26, 2013 of the State of Illinois with respect to $1,300,000,000 of its General Obligation Bonds, Series of June 2013.

Underfunded State Pensions. The State provides funding for the Teacher's Retirement System of the State of Illinois, the State Universities Retirement System of Illinois ("SURS"), the State Employees' Retirement System of Illinois, the Judges' Retirement System of Illinois and the General Assembly Retirement System State of Illinois (collectively, the "State Pensions") that provide benefits upon retirement, death or disability to employees and beneficiaries. During Fiscal Year 2012 the State Pensions' contribution from General Funds was $4,135 million, which represented a 12.4% increase over the prior fiscal year. Pension contributions for Fiscal Year 2013 to the State's five pension systems are estimated to total $5,107 million, from the State's General Funds, an increase of 23.5%. The required annual statutory contributions to the retirement systems, while in conformity with State law, are currently less than the contributions that would otherwise be determined in accordance with the Government Accounting Standards Board. While the State pension funding crisis has existed for several years, the General Assembly has failed to find a solution to date. The State Pensions have the lowest Funded Ratios of any state in the nation. Without pension reform legislation, the required annual funding of the State Pensions by the State and current benefit calculation provisions will continue, which could materially and adversely affect the State's financial condition. No assurance can be given that the State will make the appropriations necessary to meet the escalating costs of the State Pensions. Should the system for funding University employee pensions be changed as is being discussed in the State legislature, the University could be required to assume the liability for funding its employee's pensions in the future.

Reduction of Income Tax Rates. A State law enacted in 2011 raised individual income tax rates increased from 3.0% to 5.0% and corporate income tax rates increased from 4.8% to 7.0% through January 1, 2015, at which point they will decline automatically to 3.75% and 5.25%, respectively. It is expected that the scheduled change in income tax rates will decrease the State's annual income tax revenues by between $4 billion and $5 billion. It is not possible to predict with any certainty what the outcome of such a decrease in revenues will be, but it is possible that it may result in additional cuts to the State's Medicaid funding and scope of covered services and/or decreased State appropriations to the University, either of which could have a material negative impact on the System.

Nonprofit Healthcare Environment

Current Economic Climate. The health of the economy has a direct impact on the health care industry, including the System. Hospitals continue to feel the impact of higher unemployment, reduced personal income earning expectations and diminished access to private insurance. Effects of a weaker economy on hospitals have resulted in, among other things, lower patient volumes as patients defer elective healthcare services, rising charity care and bad debt expense, budget pressures on federal and state governments intensifying reviews of Medicare and Medicaid reimbursement rates, unfavorable changes in payor mix away from commercial payors, financial pressures and decreasing membership at healthcare insurers and increased difficulty attracting philanthropy.

Recent Legislation. The financial condition of healthcare providers, including the System and the MSP, is dependent to a large degree on federal and state laws, regulations and policies affecting the healthcare and related industries. Several pieces of recent federal legislation have been enacted or proposed that will have a significant impact on the health care and insurance industries, including the System, brief descriptions of which follow.

Federal Budget Cuts. The recently enacted Budget Control Act of 2011 (the "BCA") mandates significant reductions and spending caps on the federal budget for fiscal years 2012-2021. The BCA also created a Joint Select Committee on Deficit Reduction (the "Super Committee") to develop a plan by November 23, 2011 to further reduce the federal deficit in the amount of $1.5 trillion. The Super Committee was unable to reach agreement on spending reductions, putting into motion $1.2 trillion of spending cuts (known as sequestration). The Medicaid program has been exempt from such automatic reductions, however, sequestration resulted in an automatic 2% reduction in Medicare program payments for all healthcare providers, effective March 27, 2013. With no long-term resolution in place for federal deficit reduction, hospital and physician reimbursement are likely to continue to be targets for reductions with respect to any interim or long-term federal deficit reduction efforts.

Because Congress may make changes to the budget in the future, it is impossible to predict the impact any spending cuts that are approved may have upon the System. Similarly, it is impossible to predict whether any automatic reductions to Medicare may be triggered in lieu of other spending cuts that may be proposed by Congress. If Medicare spending is reduced, this may have a material adverse effect upon the financial condition of the System.

Healthcare Reform Act. The Patient Protection and Affordable Care Act of 2010 and the Health Care and Education Reconciliation Act of 2010 (collectively referred to as the "Affordable Care Act") are designed to overhaul the United States health care system and regulate many aspects of health care delivery and financing. The Affordable Care Act remains a political focal point and there is much uncertainty relating to how the provisions of the Affordable Care Act will be implemented and what the likely effects of such provisions will be.

The Affordable Care Act is intended to provide or subsidize the premium costs of health care insurance for some of the millions of currently uninsured or underinsured consumers who fall below certain income levels, allowing for states to expand the Medicaid programs to a broader population with incomes up to 133% of federal poverty levels. The federal government will initially cover all of the costs for the increased group, with the federal matching percentage phased down to 90% of the costs by 2020. The law also requires states to maintain the current Children's Health Insurance Program ("CHIP") structure through fiscal year 2019, and provides CHIP appropriations through fiscal year 2015. The Supreme Court declared unconstitutional the portion of the Affordable Care Act that provided for the Medicaid expansion which sanctioned states with the loss of their existing federal Medicaid matching funds if they failed to comply with the expansion. The Governor of Illinois has announced that he would implement the Medicaid expansion despite the Court's decision.

The Affordable Care Act also reduces the growth in Medicare payments through September 30, 2019 and subjects hospitals to productivity adjustments. These reductions are expected to have a disproportionately negative effect upon those providers that are relatively more dependent upon Medicare than other providers. Additionally, the reductions in market basket updates will be effective prior to the periods during which insurance coverage and the insured consumer base will expand, which may have an interim negative effect on revenues and operating income.

Through September 30, 2019, payments under the "Medicare Advantage" programs (Medicare managed care) are being restructured, which may result in increased premiums or out-of-pocket costs to Medicare beneficiaries enrolled in Medicare Advantage plans. Those beneficiaries may terminate their participation in those plans and opt for the traditional Medicare fee-for-service program. The reduction in payments to Medicare Advantage programs may also lead to decreased payments to providers by managed care companies operating Medicare Advantage programs. These outcomes are expected to have a disproportionately negative effect upon those providers with relatively high dependence upon Medicare managed care revenues.

Other risks relating to the Affordable Care Act include:

- Potential for increased legal exposure and operating expenses arising from provisions related to health care fraud and abuse and program integrity as well as significant amendments to existing criminal, civil and administrative anti-fraud statutes. See **"BONDHOLDERS' RISKS – Regulatory Environment"** herein for more information.

- Revenue loss to the extent mandatory contributions exceed incentive payments earned for performance on quality and efficiency measures.

- Reduced or eliminated payment rates for preventable readmissions and hospital-acquired conditions.

- Restrictions on participation in health insurance exchanges due to a failure to implement a program designed to ensure patient safety and enhance quality of care.

- Mechanisms including the Independent Payment Advisory Board (the "IPA Board") and Center for Medicare and Medicaid Innovation designed to perpetually modify and tune the Medicare and Medicaid programs.

- New contractual terms and conditions with third-party payors, as well as suppliers and vendors of goods and services to health care providers resulting from changes to the different regulatory environments applicable to such parties.

Management of the System and its professional advisors are analyzing the Affordable Care Act to assess the effects of the legislation and/or regulations on current and projected operations and financial performance. Management cannot predict with any reasonable degree of certainty or reliability any interim or ultimate effects of the legislation or promulgated regulations but it is possible that health care providers such as the System could face additional strains on their operations and financial condition and that such effects could be material.

American Recovery and Reinvestment Act of 2009. The American Recovery and Reinvestment Act of 2009 ("ARRA") includes several provisions that were intended to provide financial relief to the health care sector, including a requirement that states promptly reimburse health care providers. ARRA also established a framework for the implementation of a nationally-based health information technology program, including incentive payments to eligible health care providers to encourage implementation of health information technology and an electronic health record. The incentive payments are payable annually for a period of up to four years to eligible providers that demonstrate "meaningful use" of electronic health records, assuming federal funding exists. Commencing in 2015, Medicare eligible providers that do not demonstrate meaningful use of electronic health records will receive a downward adjustment in federal reimbursement.

In 2011, the System upgraded its existing electronic medical record to align with the Electronic Health Record Program Requirements in ARRA. The System currently provides an electronic platform certified for Meaningful Use Stage I and has received incentive payments from both Medicare and Medicaid for complying with Stage I requirements. The System expects to meet Meaningful Use Stage 2 by the federal timeline without penalty. The System's prospects for timely compliance with Meaningful Use Stage 3, similar to the expectations of the health care industry at large, is currently unknown. See **"BONDHOLDERS' RISKS – Technology"** herein.

Patient Service Revenue

A substantial portion of the net patient service revenue of the System is derived from third-party payors which pay for the services provided to patients covered by such third parties. These third-party payors include the federal Medicare program, state Medicaid programs and private health plans and insurers, including health maintenance organizations and preferred provider organizations. Many of those programs make payments to the System in amounts that may not reflect the direct and indirect costs of the System providing services to patients. The financial performance of the System has been and could be in the future adversely affected by the financial position or the insolvency or bankruptcy of or other delay in receipt of payments from third-party payors that provide coverage for services to their patients.

Medicare. Medicare is a federal governmental health insurance system under which physicians, hospitals and other health care providers are reimbursed or paid directly for services provided to eligible elderly and disabled persons. Medicare is administered by the Centers for Medicare and Medicaid Services ("CMS") of the federal Department of Health and Human Services. In order to achieve and maintain Medicare certification, a health care provider must meet CMS's "Conditions of Participation" on an ongoing basis, as determined by the state in which the provider is located and/or The Joint Commission, the Healthcare Facilities Accreditation Program, or DNV Healthcare Inc.

For the fiscal year ended June 30, 2012, Medicare payments represented approximately 27.5% of the System's gross patient service revenue. The aggregate costs to a provider of providing care to Medicare beneficiaries may exceed aggregate Medicare payments received during the relevant fiscal year period. CMS was able to use authority provided by the Affordable Care Act to produce average premium declines for the Medicare Advantage program. Reductions in Medicare reimbursement, increases in Medicare reimbursement in amounts less than increases in the costs of providing care or premium declines may have a material adverse financial effect on the System.

A substantial portion of the Medicare revenues of the System is derived from payments made for services rendered to Medicare beneficiaries under a prospective payment system ("PPS"). Under a prospective payment system, the amount paid to the provider for an episode of care is established by federal regulation and is not related to the provider's charges or costs of providing that care. Presently, hospital inpatient and outpatient services, skilled nursing care, and home health care are paid on the basis of a PPS. Under the hospital inpatient PPS, fixed payment amounts per inpatient discharge are established based on the patient's assigned diagnosis related group, or DRG. DRGs classify treatments for illnesses according to the estimated intensity of hospital resources necessary to furnish care for each principal diagnosis. All services paid under the PPS for hospital outpatient services are classified into groups called ambulatory payment classifications ("APCs"). Services in each APC are similar clinically and in terms of the resources they require. A payment rate is established for each APC. The capital component of care is also paid on a fully prospective basis.

The Secretary of HHS is required to review annually the DRG categories to take into account any new procedures, reclassify DRGs and recalibrate the DRG relative weights that reflect the relative resources used by hospitals with respect to discharges classified within a given DRG category. There is no assurance that the System will be paid amounts that will reflect adequately changes in the cost of providing health care or in the cost of health care technology being made available to patients. CMS may only adjust DRG weights on a budget neutral basis.

PPS-exempt hospitals and units (inpatient psychiatric, rehabilitation and long-term hospital services) are currently reimbursed under prospective payment systems separate from the PPS/DRG system used for general acute care hospitals and units. However, these exempt hospital/unit PPS payment methodologies are similar in that they utilize nationally determined payment rates (per discharge for rehabilitation and long-term care, per diem for psychiatric). These national rates are then generally subject to patient and/or facility specific adjustments for such factors as: case mix, regional wage or cost differences, medical education, disproportionate share, and outliers. The types of adjustments vary for each of the exempt PPS programs.

From time to time, the factors used in calculating the prospective payments for units of service are modified by CMS, which may reduce revenues for particular services. Additionally, as part of the federal budgetary process, Congress has regularly amended the Medicare law to reduce increases in payments that are otherwise scheduled to occur, or to provide for reductions in payments for particular services. Similarly, federal legislation is regularly passed that affects payments made under the PPS. These actions could adversely affect the revenues of the System.

Various additional payments may be made to individual providers. Hospitals that treat a disproportionately large number of low-income patients (Medicaid and Medicare patients eligible to receive supplemental Social Security income) currently receive additional payments in the form of disproportionate share payments. Additional payments are made to hospitals that treat patients who are costlier to treat than the average patient; these additional payments are referred to as "outlier payments." Eligible hospitals are paid for a portion of their direct and indirect medical education costs. Providers may also apply for certain additional payments relating to new technology. Any and all additional payments described herein are subject to reductions and modifications or other changes.

Medical Education Costs. Medicare pays for certain costs associated with both direct and indirect medical education (including portions of the salaries of residents and teachers and other overhead costs directly attributable to medical education programs for training residents, nurses and allied health professionals), termed graduate medical education (GME) payments and indirect medical education (IME) payments. There can be no assurance that payments to the System for providing medical education will be adequate to cover the costs attributable to medical education programs for training residents, nurses and allied health professionals.

Medicare Audits. Hospitals participating in Medicare are subject to audits and retroactive audit adjustments with respect to reimbursement claimed under the Medicare program. The System receives payments for various services provided to Medicare patients based upon charges or other reimbursement methodologies that are then reconciled annually based upon the preparation and submission of annual cost reports. Estimates for the annual cost reports are reflected as amounts due to/from third-party payors and represent several years of open cost reports due to time delays in the fiscal intermediaries' audits and the basic complexity of billing and reimbursement regulations. These estimates are adjusted periodically based upon correspondence received from the fiscal intermediary. Medicare regulations also provide for withholding Medicare payment in certain circumstances if it is determined that an overpayment of Medicare funds has been made. In addition, under certain circumstances, payments may be determined to have been made as a consequence of improper claims subject to the Federal False Claims Act or other federal statutes, subjecting a hospital to civil or criminal sanctions. Management of the System is not aware of any situation whereby a material Medicare payment is being withheld from the System.

The Affordable Care Act amended certain provisions of the Federal False Claims Act and added provisions regarding the timing of the obligation to reimburse overpayments. The effect of these changes on existing programs of the System cannot be predicted.

RAC Reviews. The federal Recovery Audit Contractor ("RAC") program seeks to identify and recover overpayments and underpayments made by Medicare to medical providers, including hospitals. Under the RAC program, reviews look for Medicare overpayments and underpayments to hospitals and require immediate repayment to Medicare. Since their inception, the audits have advanced to include reviews of medical necessity. Under the Affordable Care Act, recovery audits were expanded to include Medicaid by requiring states to contract with RACs to conduct such audits.

Medicaid. Medicaid is a health insurance program for certain low-income and needy individuals that is jointly funded by the federal government and the states. Pursuant to broad federal guidelines, each state establishes its own eligibility standards; determines the type, amount, duration, and scope of services; sets the payment rates for services; and administers its own programs. For the fiscal year ended June 30, 2012, Medicaid payments represented approximately 30.0% of the System's gross patient service revenue.

Under the Medicaid program, the federal government supplements funds provided by the various states for medical assistance to the medically indigent. Payment for medical and health services is made to providers in amounts determined in accordance with procedures and standards established by state law under federal guidelines. Fiscal considerations of both federal and state governments in establishing their budgets will directly affect the funds available to the providers for payment of services rendered to Medicaid beneficiaries. See "**State Budget Issues**" herein regarding the State's late payments to Medicaid providers. Due to an increasing Medicaid liability for the State in Fiscal Year 2013 and beyond, the State legislature enacted reforms to reduce costs and add new revenue sources to address the $2.7 billion in additional Medicaid liability for Fiscal Year 2013. Total reforms include: $1.6 billion in 62 programmatic reductions, utilization controls and provider rate cuts; $1 per pack cigarette tax increase for $700 million in new revenue for Medicaid funding, a new hospital assessment program that generates $100 million in annual revenues; and $300 million allocated to Medicaid from increased State General Funds revenues.

Given the fact that, historically, federal payments and the amount appropriated by the Illinois legislature for the payment of Medicaid claims have not been sufficient to reimburse hospitals for their actual costs of providing services to Medicaid patients, the financial challenges facing the State may negatively affect the System in a number of ways. They may lead to a greater number of indigent patients who are unable to pay for their care and a greater number of individuals who qualify for Medicaid. They may cause the State to seek to generate revenue or reduce expenses by changing eligibility requirements for Medicaid recipients, changing the method of or reducing the amount of payments to hospitals for Medicaid services, delaying actual payments due to hospitals for Medicaid services, increasing the frequency of regulatory investigations and resulting penalties, and/or changing the tax-exempt treatment of charitable organizations' income or real estate. Additionally, as revenues decline, the State may face pressure from various interest groups to restrict the use of State funds to such interest groups' purposes. This could negatively affect the availability of the State's general funds for Medicaid services.

In 2005, the Governor of Illinois signed legislation that provided for a hospital assessment program ("Hospital Assessment Program") intended to qualify for federal matching funds under the Illinois Medicaid program. In August 2008, the Governor of Illinois signed legislation that extended the sunset date of the Hospital Assessment Program to June 30, 2013. The System is not part of the Hospital Assessment Program.

Payment for Medicaid patients is subject to appropriation by the respective state legislatures of sufficient funds to pay the incurred patient obligations. Most state governments, including Illinois, are experiencing considerable budgetary challenges. The federal government continues to explore options for a long-term solution to the funding difficulties with Medicaid. Certain additional proposals being examined may ultimately result in reduced federal Medicaid funding to the states, which could adversely impact the amount of revenue received by the System. See "**State Budget Issues**".

The Affordable Care Act makes changes to Medicaid funding and may substantially increase the potential number of Medicaid beneficiaries, as well as temporary federal financial support for that increased enrollment, and expanded the RAC Medicare program to include Medicaid, using state-based RAC contracts. Management of the System cannot predict the effect of these changes to the Medicaid program on the financial condition of the System.

Third-Party Payors. Most of the net patient service revenues for services performed by the System are paid for by third-party payors including the Medicare and Medicaid programs, private health plans, private insurers, health maintenance organizations, preferred provider organizations and other managed care payors. Certain of these third-party payors make payments at rates determined by contract which may be less than the direct charges of the System or the actual costs incurred in providing services. The System's financial performance, to some extent, is dependent on its ability to enter into new, and maintain existing, third-party payor agreements on advantageous terms. For the fiscal year ended June 30, 2012, managed care payments constituted approximately 33.6% of gross patient service revenues of the System. If payments by these or other third-party payors are inadequate to cover the System's actual costs for service, are delayed or affected by the financial health of the third-party payors or if the System is unable to obtain or retain these or other contracts on advantageous terms, the System's finances could be adversely affected.

The System's ability to develop and expand services is dependent upon its ability to enter into contracts with third-party payors at competitive rates. However, the current economic climate has resulted in lower rate increases from commercial healthcare insurers. In addition, as unemployment increases and employers eliminate healthcare insurance, declines in commercial membership result. This ultimately may result in hospitals facing tougher rate negotiations with payors and more threats of contract termination, which can disrupt patient volumes.

The Affordable Care Act imposes over time increased regulation of the industry, the use and availability of state-based exchanges in which health insurance can be purchased by certain groups and segments of the population, the extension of subsidies and tax credits for premium payments by some consumers and employers and the imposition upon commercial insurers of certain terms and conditions that must be included in contracts with providers. In addition, the Affordable Care Act imposes many new obligations on states related to health care insurance. The effects of these changes could have a negative effect on the financial condition of any third-party payor that offers health care insurance, which could, in turn, lead to reduced rates paid by third-party payors to providers such as the System.

Physician Supply

Sufficient community-based physician supply is important to hospitals and other healthcare facilities. CMS annually reviews overall physician reimbursement formulas for Medicare and Medicaid. Changes to physician compensation under these programs could lead to physicians ceasing to accept Medicare and/or Medicaid patients. Regional differences in reimbursement by commercial and governmental payors, along with variations in the costs of living, may cause physicians to avoid locating their practices in communities with low reimbursement or high living costs. Hospitals and Systems may be required to invest additional resources in recruiting and retaining physicians, or may be compelled to affiliate with, and provide support to, physicians in order to continue servicing the growing population base and maintain market share.

Competition Among Health Care Providers

The System is located in a highly competitive health care environment and could face increased competition in the future from other hospitals, skilled nursing facilities and other forms of health care delivery offering health care services to patients in its service area. Additional competition could result from forms of health care delivery that are able to offer lower priced services to the potential patients of the System, including skilled and specialized nursing facilities, diagnostics, home care, intermediate nursing home care, preventive care, and drug and alcohol abuse programs. As population growth increases, a shortage of hospital beds could provide additional challenges. See **"COMPETING HOSPITALS"** in **APPENDIX A** for information regarding competition in the area.

Program Growth

The System has expanded a variety of programmatic and research initiatives in recent years. The anticipated costs associated with these initiatives are expected to add 10 to 15 percent annually to the existing level of funding support provided by the University in support of its mission. The University can increase or decrease these levels of support as it sees fit going forward which may have an impact on the attractiveness and financial results of the System.

Technology

The ability to adequately price and bill healthcare services and to accurately report financial results depends on the integrity of the data stored within information systems. Information systems require an ongoing commitment of significant resources to maintain, protect and enhance as well as to develop new systems to keep pace with continuing changes in information processing technology, evolving systems and regulatory standards. There can be no assurance that efforts to upgrade and expand information systems capabilities, protect and enhance these systems, and develop new systems to keep pace with continuing changes in information processing technology will be successful or that additional systems issues will not arise in the future. See **"Nonprofit Healthcare Environment – Recent Legislation** – *American Recovery and Reinvestment Act of 2009*."

CMS recently announced required transitions for medical diagnosis and procedure coding. Such changes will affect coding for everyone covered by HIPAA (as defined below) and must be used on all HIPAA transactions on and after October 1, 2013. If such changes are not effectively addressed, claims and other transactions could be rejected and would be required to be resubmitted. In addition, standards for electronic health care transactions are also required to be changed, including transactions for claims, eligibility inquiries and remittance advices. If providers do not conduct electronic health transactions consistent with such changes, they could experience reimbursement delays.

Preparing for such new requirements, including potential updated software installation, staff training, changes to business operations and workflows and internal and external testing will take time. In addition, there is no assurance that the System will timely or adequately implement such changes, resulting in delays in reimbursement discussed above, which could negatively affect the operations of the System.

State Laws

States are increasingly regulating the delivery of health care services. Much of this increased regulation has centered on the managed care industry. State legislatures have cited their right and obligation to regulate and oversee health care insurance and have enacted sweeping measures that aim to protect consumers and, in some cases, providers. For example, a number of states have enacted laws mandating a minimum of 48-hour hospital stays for women after delivery; laws prohibiting "gag clauses" (contract provisions that prohibit providers from discussing various issues with their patients); laws defining "emergencies," which provide that a healthcare plan may not deny coverage for an emergency room visit if a layperson would perceive the situation as an emergency; and laws requiring direct access to obstetrician-gynecologists without the requirement of a referral from a primary care physician.

Due to this increased state oversight, the System could become subject to or impacted by a variety of state health care laws and regulations affecting health care providers. In addition, the System could be subject to or impacted by state laws and regulations prohibiting, restricting, or otherwise governing PPOs, third-party administrators, physician-hospital organizations, independent practice associations or other intermediaries, fee-splitting, the "corporate practice of medicine," selective contracting, "any willing provider" and "freedom of choice" laws, coinsurance and deductible amounts, insurance agency and brokerage, quality assurance, utilization review, and credentialing activities, provider and patient grievances, mandated benefits, rates increases, and many other practices.

Illinois Health Facilities Planning Act. Certain projects of the System require a certificate of need ("CON") pursuant to the Illinois Health Facilities Planning Act, as amended (the "Planning Act"). The Planning Act has among its purposes: the establishment of procedures designed to reverse the trends of increasing costs of health care resulting from unnecessary construction or modification of health care facilities, the orderly and economical development of health care facilities in the State, the avoidance of unnecessary duplication of such facilities and the promotion of planning for development of such facilities. Pursuant to the Planning Act and the accompanying regulations, no health care facility (which, as defined in the Planning Act, includes hospitals, nursing homes and certain other facilities) may initiate a project which (i) requires a capital expenditure in excess of the capital expenditure minimum threshold; (ii) substantially changes the scope or functional operation of a health care facility; (iii) results in the establishment or discontinuation of a health care facility; (iv) increases or decreases the number of beds or redistributes the bed capacity among various categories of service or physical facilities by more than twenty beds or by more than 10% of the facility's total bed capacity, whichever is less, over a two-year period; (v) establishes or discontinues a regulated category of service; or (vi) involves the change of ownership of a health care facility unless an exemption has been granted by the Illinois Health Facilities and Services Review Board (the "Review Board"), the issuance of which is governed by the provisions of the Planning Act. The Review Board, in consultation with the Illinois Department of Public Health, drafts rules, regulations, standards and criteria required to carry out the provisions and purposes of the Planning Act, which are subject to approval by the Joint Committee on Administrative Rules.

The Planning Act establishes capital expenditure minimum thresholds, to be adjusted annually for inflation, for projects applied for by hospitals, skilled and intermediate care long-term care facilities under the Illinois Nursing Home Care Act, and all other applicants. Projects exceeding these capital expenditure minimum thresholds require a CON issued by the Review Board. As of the date of this Official Statement, these thresholds are set at (i) \$11,885,440, (ii) \$6,717,857 and (iii) \$3,100,550, respectively.

Illinois Hospital Report Card Act. The Illinois Hospital Report Card Act (the "Report Card Act"), mandates public access to certain information regarding hospital staffing and patient outcomes, requires certain additional hospital data reports to the Illinois Department of Public Health, and provides whistleblower protection for hospital employees who make good faith disclosures under the Report Card Act. As of January 1, 2008, hospitals must share with consumers, upon request, nurse staff schedules, nurse assignment rosters, methods to determine and adjust nurse staff schedules, and staff training information. Additional nursing and nosocomial infection data must also be reported to Illinois Department of Public Health, for subsequent public release. It is difficult to anticipate what effect, if any, such state disclosures and public information may have on the future operations of the System.

Interest Rate Swaps

The Board has entered into interest rate swap transactions to hedge its interest rate exposure with respect to the Series 2008 Bonds. Any interest rate swap or other hedge agreement to which the Board is a party may, at any time, have a negative value to the Board. If either a swap counterparty or the Board terminates such an agreement when the agreement has a negative value to the Board, the Board would be obligated to make a termination payment to the counterparty in the amount of such negative value, and such payment could be substantial and potentially materially adverse to the financial condition of the Board. A counterparty generally may only terminate such an agreement upon the occurrence of defined termination events such as nonpayment by the Board, a bankruptcy type event, cross default to specified indebtedness or other swaps, other breaches of covenants in such agreements or the withdrawal of the ratings assigned to the Board's indebtedness or a downgrade of such ratings below specified levels.

The Board's swap agreement is unsecured. Under the swap agreement, the Board has hedged the variable rate interest rate risk on the Series 2008 Bonds by receiving a variable rate of interest based on a percentage of LIBOR, and paying the swap provider a fixed interest rate based on the notional amount of the swap that substantially matches the outstanding principal amount and tenure on the Series 2008 Bonds. To the extent that the payments received by the Board under the swaps are less than the rate of interest then borne by the Series 2008 Bonds, the Board will be incurring greater costs than the fixed rate paid on the swaps. The Series 2008 Bonds bear interest at a tax-exempt variable rate. There can be no assurance that the swap payments received by the Board will equal the interest payable on the Series 2008 Bonds; the difference between these payments will increase as interest rates increase and this difference may be material.

Regulatory Environment

Licensing, Surveys, Investigations and Audits. Health facilities, including those comprising the System, are subject to numerous legal, regulatory, licensing, professional certification and private accreditation requirements. These include, but are not limited to, requirements relating to Medicare Conditions of Participation, requirements for participation in Medicaid, state licensing agencies, private payors and the accreditation standards of The Joint Commission and the Healthcare Facilities Accreditation Program. Renewal and continuation of certain of these licenses, certifications and accreditations are based on inspections, surveys, audits, investigations or other reviews, some of which may require affirmative action. Nevertheless, actions in any of these areas could result in the loss of utilization or revenues or the ability of System to operate all or a portion of its facilities.

Negative Rankings Based on Clinical Outcomes, Cost, Quality, Patient Satisfaction and Other Performance Measures. Health plans, Medicare, Medicaid, employers, trade groups and other purchasers of health services, private standard-setting organizations and accrediting agencies increasingly are using statistical and other measures in efforts to characterize, publicize, compare, rank and change the quality, safety and cost of health care services provided by hospitals and physicians. Published rankings such as "score cards," "pay for performance," "never events" and other financial and non-financial incentive programs are being introduced to affect the reputation and revenue of hospitals and the members of their medical staffs and to influence the behavior of consumers and providers such as the System. Currently prevalent are measures of quality based on clinical outcomes of patient care, reductions in costs, patient satisfaction and investment in health information technology. Measures of performance set by others that characterize a hospital negatively may adversely affect its reputation and financial condition.

Civil and Criminal Fraud and Abuse Laws and Enforcement. Federal and state health care fraud and abuse laws regulate both the provision of services to government program beneficiaries (and sometimes to individuals insured by private payors) and the methods and requirements for submitting claims for services rendered to such beneficiaries. Under these laws, individuals and organizations can be penalized for submitting claims for services that are not provided, billed in a manner other than as actually provided, not medically necessary, provided by an improper person, accompanied by an illegal inducement to utilize or refrain from utilizing a service or product, or billed in a manner that does not otherwise comply with applicable legal requirements.

Federal and state governments have a range of criminal, civil and administrative sanctions available to penalize and remediate health care fraud and abuse, including exclusion of the provider from participation in the Medicare/Medicaid programs, criminal fines, civil monetary penalties, and suspension of payments and, in the case of individuals, imprisonment. Fraud and abuse cases may be prosecuted by one or more government entities and/or private individuals, and more than one of the available penalties may be imposed for each violation.

Based upon the prohibited activity in which the provider has engaged, governmental agencies and officials may bring actions against providers under civil or criminal False Claims Acts, the anti-kickback and state statutes prohibiting referrals for compensation or fee-splitting, or the federal "Stark law," which prohibits referrals by a physician for certain "designated health services" to certain organizations in which such physician, a physician's immediate family or a physician organization has a financial relationship, unless an exception applies. Many states, including Illinois, also have state self-referral prohibitions. The civil and criminal monetary assessments and penalties arising out of such investigations and prosecutions may be substantial. Additionally, the provider may be denied participation in the Medicare and/or Medicaid programs. If and to the extent the System or its medical staff physicians engaged in a prohibited activity and final judicial or administrative proceedings were concluded adversely to the System, such outcome could materially adversely affect the System. The Affordable Care Act authorizes the Secretary of HHS to exclude a provider from participating in Medicare, Medicaid and CHIP as well as suspend payments to a provider pending an investigation of a credible allegation of fraud against the provider.

The System has internal policies and procedures and has developed and implemented a compliance program that management believes will effectively reduce exposure to liability for violations of these laws. However, because these laws are complex, enforcement efforts presently are widespread and expanding within the industry, and because those efforts may vary from region to region, there can be no assurance that the compliance program will significantly reduce or eliminate the exposure of the System to civil or criminal sanctions or adverse administrative determinations.

False Claims Act. The federal False Claims Act ("FCA") makes it illegal to knowingly or willingly submit or present a false, fictitious or fraudulent claim to the federal government. The Affordable Care Act amends the FCA by expanding the numbers of activities that are subject to civil monetary penalties to include, among other things, failure to report and return known overpayments within statutory time limits. FCA investigations and cases have become common in the health care field and may cover a range of activity from intentionally inflated billings, to highly technical billing infractions, to allegations of inadequate care, and to violations of the Stark Law. Violation or alleged violation of the FCA most often results in settlements that require multi-million dollar payments and mandatory compliance agreements. The FCA also permits individuals to initiate civil actions on behalf of the government in lawsuits called "qui tam" actions. Qui tam plaintiffs, or "whistleblowers," share in the damages recovered by the government or recovered independently if the government does not participate. The FCA has become one of the government's primary weapons against health care fraud. FCA violations or alleged violations could lead to settlements, fines, exclusions or reputation damage that could have a material adverse impact on a hospital.

Review of Outlier Payments. CMS is reviewing health care providers that are receiving large proportions of their Medicare revenues from outlier payments. Health care providers found to have obtained inappropriately high outlier payments will be subject to further investigation by the CMS Program Integrity Unit and potentially the Office of Inspector General.

ICD National Investigation. In 2010, the Department of Justice ("DOJ") served subpoenas on and issued letters to a number of hospitals and health systems across the country as part of a fraud investigation into whether hospitals billed Medicare for implantable cardioverter defibrillators ("ICDs") for patients whose conditions did not satisfy coverage criteria set forth in CMS National

Coverage Determination. As the investigation is being conducted under the FCA, those targeted by the government are at risk for significant damages under the FCA's treble damages and civil penalties provision.

Patient Records and Patient Confidentiality. The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") requires certain entities and providers to protect the privacy and security of individuals' health information. Disclosure of certain broadly defined protected health information is prohibited unless expressly permitted under the provisions of the HIPAA statute and regulations or authorized by the patient and a variety of safeguards must be used to protect against privacy or security breaches. HIPAA's confidentiality provisions extend not only to patient medical records, but also to a wide variety of health care clinical and financial settings where patient privacy restrictions often impose new communication, operational, accounting and billing restrictions. These requirements add costs and potentially create unanticipated sources of legal liability.

HIPAA imposes civil monetary penalties for violations and criminal penalties for knowingly obtaining or using individually identifiable health information. The penalties range from $50,000 to $1.5 million for all identical violations in a calendar year and/or imprisonment if the information was obtained or used with the intent to sell, transfer or use the information for commercial advantage, personal gain or malicious harm. In general, ARRA expands the enforcement of violations of patient medical record confidentiality.

Violations of HIPAA, or of comparable state privacy and security laws, may result in significant costs, liability and reputational harm. The System has implemented policies and procedures designed to comply with HIPAA, but there can be no guaranty that violations will not occur or that any such violation would not have a material adverse effect.

Security Breaches and Unauthorized Releases of Personal Information. Federal and state authorities are increasingly focused on the importance of protecting the confidentiality of individuals' personal information, including patient health information. The Health Information Technology for Economic and Clinical Health Act ("HITECH"), which is part of the ARRA, requires health care providers and some of their vendors to notify individuals, and in some cases, the media, when their unsecured protected health information is subject to a breach of security. In addition, many states have enacted laws requiring businesses to notify individuals of security breaches that result in the unauthorized release of personal information. In some states, notification requirements may be triggered even where information has not been used or disclosed, but rather has been inappropriately accessed. State consumer protection laws may also provide the basis for legal action for privacy and security breaches and frequently, unlike HIPAA, authorize a private right of action. In particular, the public nature of security breaches exposes health organizations to increased risk of individual or class action lawsuits from patients or other affected persons, in addition to government enforcement. Failure to comply with restrictions on patient privacy or to maintain robust information security safeguards, including taking steps to ensure that contractors who have access to sensitive patient information maintain the confidentiality of such information, could consequently result in material liability and damage to a health care provider's reputation and could materially adversely affect business operations.

Patient Transfers. A federal "anti-dumping" statute imposes certain requirements which must be met before a hospital may discharge or transfer a patient who had entered a hospital in an emergency medical condition. Failure to comply with the law can result in exclusion from the Medicare and/or Medicaid programs as well as civil and criminal penalties. Failure of the System to meet its responsibilities under the law could adversely affect the financial conditions of the System. Management is not aware of any pending or threatened claim, investigation, or enforcement action regarding patient transfers that, if determined adversely to the System, would have material adverse consequences to the System.

Environmental Laws and Regulations. The System's health care operations generate medical waste that must be disposed of in compliance with federal, state and local environmental laws, rules and regulations. The System's operations, as well as the purchases and sales of facilities, also are subject to compliance with various other environmental laws, rules and regulations. Management of the System anticipates that compliance will not materially affect the businesses, financial conditions or results of operations of the System. Management is not aware of any pending or threatened claim, investigation or enforcement action regarding environmental issues or any instance of contamination that, if determined adversely to the System, would have material adverse consequences to the System.

Labor Relations. Hospitals are large employers with a wide diversity of employees and medical staff. Increasingly, employees of hospitals are becoming unionized, and many hospitals have collective bargaining agreements with one or more labor organizations. Employees subject to collective bargaining agreements may include essential nursing and technical personnel, as well as food services, maintenance and other trade personnel. Renegotiation of such agreements upon expiration may result in significant cost increases to hospitals. Employee and medical staff strikes or other adverse labor actions may have an adverse impact on operations, revenue and hospital reputation.

Antitrust. Enforcement of antitrust laws against health care providers is becoming more common, and antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, third party contracting, physician relations, and joint venture, merger, affiliation and acquisition activities. While the application of federal and state antitrust laws to health care is still evolving, enforcement activities by federal and state agencies appear to be increasing. Violators of antitrust laws could be subject to criminal and civil liability by both federal and state agencies as well as by private litigants.

Physician Relations

The primary relationship between a hospital and physicians who practice in it is through the hospital's organized medical staff. Medical staff bylaws, rules and policies establish the criteria and procedures by which a physician may have his or her privileges or membership curtailed, denied or revoked. Physicians who are denied medical staff membership or certain clinical privileges, or who have membership or privileges curtailed, denied or revoked, often file legal actions against hospitals. Such actions may include a wide variety of claims, some of which could result in potential liability to a hospital. In addition, failure of the hospital governing body to adequately oversee the conduct of the medical staff may result in hospital liability to third parties.

Physician Contracting

The System may contract with physician organizations (such as independent physician associations and physician-hospital organizations) to arrange for the provision of physician and ancillary services. Because many physician organizations are separate legal entities with their own goals, obligations to shareholders, financial status, and personnel, there are risks involved in contracting with the physician organizations.

The MSP fosters the System's ability to attract physicians to the System and to participate in its networks, and the physicians' ability to perform their obligations and deliver high quality patient care in a cost-effective manner. There can be no assurance that the System will be able to attract and retain the requisite number of physicians or that physicians will deliver high quality health care services. Without paneling a sufficient number and type of providers, the System could fail to be competitive, could fail to keep or attract payor contracts, or could be prohibited from operating until its panel provided adequate access to patients. Such occurrences could have a material adverse effect on the business or operations of the System.

Accountable Care Organizations

Many hospitals and Systems, including the System, are pursuing strategies with physicians in order to offer an integrated package of health care services, including physician and hospital services, to patients, health care insurers and managed care providers. The Affordable Care Act encourages the development of health care delivery models that are designed to enhance quality and reduce cost and that will effectively require greater integration between and collaboration among hospitals and physicians by allowing accountable care organizations ("ACOs") that meet quality thresholds to share in the savings achieved for the Medicare Program. The Affordable Care Act requires the Secretary of HHS to implement a shared savings program that will allow providers, such as hospitals and physicians, to organize as ACOs, and to implement a voluntary demonstration project to develop ACOs for pediatric patients under the Medicaid program.

To qualify as an ACO, organizations must agree to be accountable for the overall care of their Medicare beneficiaries, have adequate participation of primary care physicians, define processes to promote evidence-based medicine, report on quality and costs, and coordinate care. The final ACO and shared savings program rules were published November 2, 2011. Also on March 31, 2011, the Federal Trade Commission ("FTC") and DOJ issued a joint proposed statement of antitrust enforcement policy as applied to ACOs; CMS and the OIG issued a joint notice on waivers of the Anti-kickback Statute, Stark law and the Civil Money Penalty laws; and the Internal Revenue Service ("IRS") issued a notice on the impact on tax-exempt organizations participating in ACOs.

All such integrated delivery developments carry with them the potential for legal or regulatory risks in varying degrees. Such developments may raise issues of compliance with the health care laws and regulations, antitrust laws and federal and state tax exemption. The potential impact of any such regulatory or legal risks on the University cannot be predicted at this time.

Affiliations, Merger and Acquisition

In addition to its existing relationships with other hospitals and physicians, the University may consider investments, ventures, affiliations with, and the development and acquisition of other healthcare-related entities. These may include home health care, long-term care entities or operations, infusion providers, pharmaceutical providers, and other health care enterprises which support the overall operations of the University. Similarly, the University may pursue such transactions with health insurers, HMOs, preferred provider organizations, third-party administrators and other health insurance-related businesses. Because of the integration occurring throughout the health care field, management of the University will consider such arrangements if there is a perceived strategic or operational benefit for the University. Any such initiative may involve significant capital commitments and/or capital or operating risk (including, potentially, insurance risk) in a business in which the University may have less expertise than in hospital operations. There can be no assurance that these projects, if pursued, will not lead to material adverse consequences to the University or the System.

Additionally, over the life of the Bonds it is possible that the University may reorganize, expand or contract its health care assets, including the System, or revise its methods of providing healthcare or health educational services. Such revisions may result in material changes to the resources available for debt service payments on the Bonds. There can be no assurance that any such changes would not lead to material adverse consequences to the System.

Tax-Exempt Status of Series 2013 Bonds

The Code imposes a number of requirements that must be satisfied for interest on state and local government obligations, such as the Series 2013 Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and facilities financed with bond proceeds, limitations on the investment earnings of bond proceeds prior to expenditure, a requirement that certain investment earnings on bond proceeds be paid periodically to the United States, and a requirement that the Board file an information report with the IRS. The University has agreed that it will comply with such requirements. Failure to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of the interest on the Series 2013 Bonds as taxable. Such adverse treatment may be retroactive to the date of issuance. See **"TAX EXEMPTION"** herein.

From time to time, Congress has considered and is considering revisions to the Code that may limit access to the tax-exempt debt market to issuers or borrowers such as the University. Such legislation, if enacted into law, may have the effect of increasing the capital costs of the University for obligations issued in the future.

Bond Examinations

IRS officials have recently indicated that more resources will be invested in audits of tax-exempt bonds with specific review of private use. Although the Board believes that its expenditure and investment of bond proceeds, use of property financed with tax-exempt debt and record retention practices have complied with all applicable laws and regulations, an IRS review could adversely affect the market value of the Series 2013 Bonds. Additionally, the Series 2013 Bonds may be subject to examinations by the IRS. The Board believes that the Series 2013 Bonds properly comply with the tax laws. In addition, Bond Counsel will render an opinion with respect to the tax-exempt status of the Series 2013 Bonds, as described under the heading **"TAX EXEMPTION"**. The opinions of Bond Counsel are not binding on the IRS or the courts. There can be no assurance that any IRS examination of the Series 2013 Bonds will not adversely affect the market value of the Series 2013 Bonds. See **"TAX EXEMPTION"** below.

Additional Debt

The Bond Resolution permits the issuance of Additional Bonds and Additional Parity Debt on a parity with all other Bonds which would also increase debt service requirements and could reduce the level of debt service coverage on the Series 2013 Bonds.

Market for Series 2013 Bonds

Subject to prevailing market conditions, the Underwriters intend, but are not obligated, to make a market in the Series 2013 Bonds. There is presently no secondary market for the Series 2013 Bonds and no assurance can be given that a secondary market will develop. Consequently, investors may not be able to resell the Series 2013 Bonds purchased should they need or wish to do so.

There is no assurance that the ratings assigned to the Series 2013 Bonds at the time of issuance will not be lowered or withdrawn at any time, the occurrence of which could adversely affect the market price for, and marketability of, the Series 2013 Bonds. See **"BOND RATINGS"** herein.

Professional Liability Claims and Liability Insurance

In recent years, the number of professional and general liability suits and the dollar amounts of damage recoveries have increased nationwide, resulting in substantial increases in malpractice insurance premiums. Professional liability and other actions alleging wrongful conduct and seeking punitive damages often are filed against health care providers. Litigation may also arise from the corporate and business activities of the University, employee-related matters, medical staff and provider network matters and denials of medical staff and provider network membership and privileges. As with professional liability, many of these risks are covered by insurance, but some are not. For example, some antitrust claims, business disputes and workers' compensation claims are not covered by insurance or other sources and, in whole or in part, may be a liability of the University if determined or settled adversely. Claims for punitive damages may not be covered by insurance under certain state laws. See **"INSURANCE"** in **APPENDIX A**.

Natural Disasters

The occurrence of natural disasters in the future, including floods and earthquakes, which may damage the facilities of the University, interrupt utility service to the facilities, or otherwise impair the operation and generation of revenues from said facilities may adversely affect the operations of the University. In June 2008, the service area of the University and the University's facilities experienced severe flooding, causing substantial damage, all of which was covered by insurance. Management believes that the University has recovered from the effects of the damage caused by the flood. There can be no assurance that another natural disaster in the future that would have a negative effect on the University will not occur.

Other Risk Factors Generally Affecting Health Care Facilities

In the future, the following factors, among others, may adversely affect the operations of health care providers, including the System, or the market value of the Series 2013 Bonds, to an extent that cannot be determined at this time:

1. Scientific and technological advances, new procedures, drugs and appliances, preventive medicine, occupational health and safety and outpatient health care delivery may reduce utilization and revenues of the System. Technological advances in recent years have accelerated the trend toward the use by hospitals of sophisticated and costly equipment and services for diagnosis and treatment. The acquisition and operation of certain equipment or services may continue to be a significant factor in hospital utilization, but the ability of the System to offer the equipment or services may be subject to the availability of equipment or specialists, governmental approval or the ability to finance these acquisitions or operations.

2. Reduced demand for the services of the System that might result from decreases in population in the System's service areas.

3. Regulatory actions which might limit the ability of the System to undertake capital improvements to its facilities or to develop new institutional health services.

4. The occurrence of a large-scale terrorist attack or a global pandemic that increases the proportion of patients who are unable to pay fully for the cost of their care and that disrupts the operation of certain health care facilities by resulting in an abnormally high demand for health care services.

5. Although such funds are not pledged as security for the Bonds, instability in the stock market could adversely affect both the principal value of, and income from, the University's investment portfolio and adversely impact the University and the System's general financial well-being.

6. Adoption of a cap on the amount of income which is exempt from taxation or replacement of the federal income tax with another form of taxation, either of which might adversely affect the market value of the Series 2013 Bonds.

7. Limitations on the availability of, and increased compensation necessary to secure and retain, nursing, technical and other professional personnel.

LITIGATION

There is no litigation pending against the Board or the University or relating to the ownership or operation of the System, or to the knowledge of the Board threatened, which in any way questions or affects the validity of the Series 2013 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 pay debt service on the Series 2013 Bonds.

The Board is a defendant in a number of legal actions primarily related to medical malpractice. These legal actions have been considered in estimating the Board's accrued self-insurance liability. The total of amounts claimed under these legal actions, including potential settlements and amounts relating to losses incurred but not reported, could exceed the amount of the self-insurance liability. In the opinion of the Board's administrative officers and attorneys, the Board's self-insurance reserves and limited excess indemnity insurance coverage from commercial carriers are adequate to cover the ultimate liability of these legal actions, in all material respects.

INDEPENDENT AUDITORS

The financial statements of the System as of and for the year ended June 30, 2012 and the financial statements of the University as of and for the year ended June 30, 2012 are included in **APPENDIX C** and **APPENDIX D**, respectively, and have been audited by KPMG LLP, independent auditors, as stated in their reports included in **APPENDIX C** and **APPENDIX D**, respectively. The audit reports covering the System's and University's June 30, 2012 financial statements refer to the adoption of the provisions of Governmental Accounting Standards Board Statement No. 64.

FINANCIAL INFORMATION

The unaudited Statements of Revenues, Expenses, and Changes in the Net Assets and Balance Sheets of the System as of and for the ten months ended April 30, 2013 and 2012, are included in **APPENDIX A** to this Official Statement. The unaudited Statements of Revenues, Expenses, and Changes in Net Assets and Balance Sheets of the System were prepared by management of the University in accordance with U.S. generally accepted accounting principles except this information is incomplete in that it omits the Statements of Cash Flows, notes to the financial statements, and other disclosures required by U.S. generally accepted accounting principles. Operating results for the ten months ended April 30, 2013 will not necessarily be indicative of the results that may be expected for the entire fiscal year ending June 30, 2013. The interim financial information should be read in conjunction with the audited financial statements and related notes included in **APPENDIX C** to this Official Statement.

The financial information included in **APPENDIX A** regarding the MSP and the College of Medicine Tuition have not been audited. The MSP and the College of Medicine are not separate entities from the University and therefore are included in the University's audited financial statements in **APPENDIX D** hereto. The Adjusted MSP Revenues (MSP Revenues, adjusted for contractual allowances and bad debt, as applied under generally accepted accounting principles) and the College of

Medicine Tuition are disclosed in the System's audited financial statements in footnote 4 thereto. The Board has covenanted in the Bond Resolution that it will, for each Fiscal Year, cause the audited financial statement of the Board or the System to disclose Adjusted MSP Revenues and College of Medicine Tuition.

UNDERWRITING

The Underwriters have agreed, subject to certain customary conditions precedent to closing, to purchase the Series 2013 Bonds from the Board at a purchase price of $______________, which purchase price reflects $_______________ of Underwriters' discount and $_______________ of net original issue premium. The Underwriters reserve the right to join with dealers in offering the Series 2013 Bonds to the public. The obligation of the Underwriters to accept delivery of the Series 2013 Bonds will be subject to various conditions of the purchase contract. The Underwriters will be obligated to purchase all of the Series 2013 Bonds if any Series 2013 Bonds are purchased. BMO Capital Markets, one of Underwriters, is the trade name for certain capital markets and investment banking services of Bank of Montreal and its subsidiaries, including BMO Capital Markets GKST Inc., which is a direct, wholly-owned subsidiary of BMO Financial Corp., which is itself a wholly-owned subsidiary of Bank of Montreal.

FINANCIAL ADVISOR

The University has engaged Public Financial Management, Inc. to serve as its financial advisor (the "Financial Advisor") on debt and capital related issues, including the issuance of the Series 2013 Bonds. In preparing the Official Statement, the Financial Advisor has relied upon the Board, counsel to various parties and other sources, who have access to relevant data to provide accurate information for the Official Statement. The Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial Advisor is not a public accounting firm and has not been engaged by the Board to audit any information in the Official Statement in accordance with accounting standards. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Series 2013 Bonds.

BOND RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's, a division of The McGraw Hill Companies, Inc. ("S&P") have assigned the Series 2013 Bonds ratings of "___" and "___" respectively. Any further explanation of the significance of such ratings may be obtained only from the rating agencies furnishing the same. There is no assurance that such ratings will remain for any given period of time or that they may not be lowered or withdrawn entirely by the rating agencies, if in their judgment circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the market price of the Series 2013 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 the information and materials so furnished and on investigations, studies and assumptions by the ratings agencies. Except as set forth under **"CONTINUING DISCLOSURE,"** neither the University nor the Underwriters have undertaken any responsibility to bring to the attention of the holders of the Series 2013 Bonds any proposed revision or withdrawal of the ratings of the Series 2013 Bonds or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of such rating could have an adverse effect on the market price of the Series 2013 Bonds. The ratings reflect only the respective views of the rating agencies. The ratings are not recommendations to buy, sell or hold the Series 2013 Bonds.

TAX EXEMPTION

Federal tax law contains a number of requirements and restrictions which apply to the Series 2013 Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The Board has covenanted to comply with all requirements that must be satisfied in order for the interest on the Series 2013 Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Series 2013 Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2013 Bonds.

Subject to compliance by the Board with the above referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Series 2013 Bonds is excludable from the gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations. Interest on the Series 2013 Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the Board with respect to certain material facts within the Board's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Internal Revenue Code of 1986, as amended (the "Code") includes provisions for an alternative minimum tax ("AMT") for corporations 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 AMTI of a corporation (with certain exceptions) 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 item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax exempt interest, including interest on the Series 2013 Bonds.

Ownership of the Series 2013 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, 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 purchase or carry tax exempt obligations. Prospective purchasers of the Series 2013 Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Series 2013 Bonds is the price at which a substantial amount of such maturity of the Series 2013 Bonds is first sold to the public. The Issue Price of a maturity of the Series 2013 Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

If the Issue Price of a maturity of the Series 2013 Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity of the Series 2013 Bonds (the "OID Bonds") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the Board complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Based upon the stated position of the Illinois Department of Revenue under Illinois income tax law, accreted original issue discount on such OID Bonds is subject to taxation as it accretes, even though there may not be a corresponding cash payment until a later year. Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of Series 2013 Bonds who dispose of Series 2013 Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Series 2013 Bonds in the public offering, but at a price different from the Issue Price or purchase Series 2013 Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Series 2013 Bond is purchased at any time for a price that is less than the Series 2013 Bond's stated redemption price at maturity or, in the case of an OID Bond, its Issue Price plus accreted original issue discount (the "Revised Issue Price"), the purchaser will be treated as having purchased a Series 2013 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 2013 Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Series 2013 Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Series 2013 Bonds.

An investor may purchase a Series 2013 Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Series 2013 Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax exempt bond. The amortized bond premium is treated as a reduction in the tax exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Series 2013 Bond. Investors who purchase a Series 2013 Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Series 2013 Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Series 2013 Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Series 2013 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Series 2013 Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The IRS has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Series 2013 Bonds. If an audit is commenced, under current procedures the Service may treat the Board as a taxpayer and the Series 2013 Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Series 2013 Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Series 2013 Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Series 2013 Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Series 2013 Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

Interest on the Series 2013 Bonds is not exempt from present State of Illinois income taxes. Ownership of the Series 2013 Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Series 2013 Bonds. Prospective purchasers of the Series 2013 Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Series 2013 Bonds are subject to the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, as Bond Counsel (the “Bond Counsel”), who has been retained by, and acts as, Bond Counsel to the Board. The proposed form of the opinion of Bond Counsel is included herein as **APPENDIX F**. 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 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, Chapman and Cutler LLP has, at the request of the Board, reviewed only those sections of this Official Statement involving the description of the Series 2013 Bonds and the Bond Resolution, the security for the Series 2013 Bonds and the description of the federal tax exemption of interest on the Series 2013 Bonds. This review did not include any obligation to establish or confirm factual matters set forth herein.

Certain legal matters in connection with the Series 2013 Bonds will be passed upon for the Board by University Counsel, Thomas R. Bearrows, Esq. and its special counsel, Freeborn & Peters LLP, Chicago, Illinois. Certain legal matters will be passed upon for the Underwriters by their counsel, Katten Muchin Rosenman LLP, Chicago, Illinois who was selected by the Underwriters from a limited pool of underwriter’s counsel firms provided by the University.

The legal opinions to be delivered concurrently with the delivery of the Series 2013 Bonds express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed in the opinions. By rendering a legal opinion, the opinion giver does not undertake to be an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Rendering an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

CONTINUING DISCLOSURE

The Board will enter into a Continuing Disclosure Undertaking (the "Disclosure Undertaking") for the benefit of the Bondholders in accordance with the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 to provide certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the "MSRB") pursuant to the requirement of Section (b)(5) of the Rule. The MSRB has designated its Electronic Municipal Market Access System ("EMMA") as the system to be used for continuing disclosure to investors. For purposes of the Series 2013 Bonds, the Board has agreed to provide on an annual basis audited financial statements and the financial and operating data in the Official Statement as shown in **APPENDIX G** hereto. The events which will be noticed on an occurrence basis and the other terms of the Disclosure Undertaking, including termination, amendment and remedies are set forth in the form of the Disclosure Undertaking set forth in **APPENDIX G** hereto. The Board has delivered information pursuant to prior undertakings and the Rule in connection with previous bond offerings. For the prior two fiscal years the Board has not failed to file any required information due under its prior disclosure undertakings; however, for fiscal years ending June 30, 2008, 2009 and 2010, the Board did not file unaudited financial statements for the University and System within 180 days of its fiscal year end as it did not want to disseminate financials to the public that were not approved by the State Auditor General.

Failure by the Board to comply with the Disclosure Undertaking will not constitute an event of default under the Bond Resolution, and Bondholders are limited to the remedies described in the Disclosure Undertaking. See **APPENDIX G**. Failure by the Board to comply with the Disclosure Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2013 Bonds in the secondary market. Consequently, any such failure may adversely affect the transferability and liquidity of the Series 2013 Bonds and their market price.

The Board makes disclosures of its financial statements and other information from time to time on EMMA. Any information filed subsequent to the date of the Preliminary Official Statement and prior to the delivery of the Series 2013 Bonds is incorporated by reference herein.

MISCELLANEOUS

The summaries or descriptions of the Series 2013 Bonds and the Bond Resolution in this Official Statement and all references to other materials not purporting to be quoted in full are only brief outlines of certain provisions thereof and do not constitute complete statements of such documents or provisions and reference is hereby made to the complete documents relating to such matters for further information, copies of which will be furnished by the Board or its Financial Advisor on request.

The agreement of the Board with the owners of the Series 2013 Bonds is fully set forth in the Bond Resolution, and neither any advertisement of the Series 2013 Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Series 2013 Bonds.

Any statement made in this Official Statement indicated to involve matters of opinion or estimates are represented as opinions or estimates in good faith. No assurance can be given, however, that the facts will materialize as so opined or estimated.

It is anticipated that CUSIP identification numbers will be printed on the Series 2013 Bonds, but neither the failure to print such numbers on any Bond nor any error in the printing of such numbers shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Series 2013 Bonds.

The attached Appendices are integral parts of this Official Statement and must be read together with all of the foregoing statements.

AUTHORIZATION

The Board of Trustees of the University of Illinois has authorized the execution and distribution of this Official Statement.

THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS

By: ____________________________________
Comptroller

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS

APPENDIX C

ANNUAL FINANCIAL REPORT OF
THE UNIVERSITY OF ILLINOIS HEALTH SERVICES FACILITIES SYSTEM
FOR THE YEAR ENDED JUNE 30, 2012

APPENDIX D

ANNUAL FINANCIAL REPORT OF
THE UNIVERSITY OF ILLINOIS
FOR THE YEAR ENDED JUNE 30, 2012

APPENDIX E

DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

DEFINITIONS OF CERTAIN TERMS

The following are definitions of certain terms applicable to the Series 2013 Bonds 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.*

"*Adjusted MSP Revenues*" means MSP Revenues, adjusted for contractual allowances and bad debt, as applied under generally accepted accounting principles.

"*Annual Debt Service*" means, in any Fiscal Year, an amount in such Fiscal Year equal to the principal scheduled to be payable on the Bonds at maturity as to serial bonds and by taking into account scheduled mandatory sinking fund redemption as to term bonds, together with interest thereon. In determining the Annual Debt Service in any Fiscal Year or Fiscal Years for any purpose under the Bond Resolution if any Bonds bear, or are to bear, interest at a variable rate, then for the purpose of making such determination, Annual Debt Service on such 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 equal to the 25 Revenue Bonds Index as shown in the most recent edition of *The Bond Buyer*, published in New York, New York, at the time of the authorization of such Bonds, but not in excess of the rate authorized by law and, if such index is no longer published, a comparable index selected by the Comptroller.

"*Authorized Officer*" means the President, Secretary, Treasurer or Comptroller of the Board of Trustees, or any other person authorized by resolution of the Board of Trustees, to perform the act or sign the document in question.

"*Auxiliary Facilities Bond Resolution*" means the bond resolution adopted by the Board on September 20, 1984, as supplemented and amended, with respect to the Board's Auxiliary Facilities System Revenue Bonds.

"*Board*" or "*Board of Trustees*" means The Board of Trustees of the University of Illinois, a body corporate and politic, created and established under the laws of the State of Illinois.

"*Bondholder*" or "*Owner*" means the registered owner of any Bond.

"*Bond Insurer*" means the insurer, if any, of a particular series of Bonds.

"*Bond Resolution*" or "*Resolution*" means the Original Resolution as originally adopted or as it may from time to time be supplemented, modified or amended by any resolution supplemental thereto pursuant to the provisions thereof, including by the Third Supplemental Resolution.

"*Bonds*" means the bonds authorized to be issued pursuant to the Bond Resolution, including the Series 1997B Bonds, the Series 2008 Bonds, the Series 2013 Bonds and Parity Bonds.

"*Book Value*" means the value of Property, net of accumulated depreciation and amortization, as reflected in the most recent audited financial statements of the System which have been prepared in accordance with generally accepted accounting principles.

"*Business Day*" means any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in Chicago, Illinois, or the city in which the principal corporate trust office of the Trustee is located are authorized by law to close or (iii) a day on which the New York Stock Exchange is closed.

"*Comptroller*" means the Comptroller of the Board or such other person as may at the time be the acting chief fiscal officer of the Board.

"*Construction Index*" means the most recent issue of the *Dodge Construction Index for U.S. and Canadian Cities* with reference to the city in which the subject property is located (or, if such index is not available for such city, with reference to the city located closest geographically to the city in which the subject property is located), or, if such index is no longer published or used by the federal government in measuring costs under Medicare or Medicaid programs, such other index which is certified to be comparable and appropriate by the Comptroller in a certificate delivered to the Trustee and which other index is acceptable to the Trustee.

"*Current Value*" means (i) with respect to Property which is classified as property, plant and equipment under generally accepted accounting principles (a) the aggregate fair market value of Property as reflected in the most recent written report of an appraiser selected by the Comptroller and, in the case of real property, who is a member of the American Institute of Real Estate Appraisers (MAI), delivered to the Trustee (which report shall be dated not more than three years prior to the date as of which Current Value is to be calculated) increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of such report to the date as of which Current Value is to be calculated, minus the fair market value (as reflected in such most recent appraiser's report) of any Property disposed of since the last such report, increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of such report to the date as of which Current Value is to be calculated; *plus* (b) the Book Value of any Property acquired since the last such report, increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of such acquisition to the date as of which Current Value is to be calculated, *minus* (c) the Book Value of any such Property disposed of and (ii) with respect to any other Property, the fair market value of such Property, which fair market value shall be evidenced in a manner satisfactory to the Trustee.

"*Debt Service Requirement*" means, with respect to the period of time for which calculated, the aggregate of the payments required to be made during such period in respect of principal (whether at maturity, as a result of mandatory sinking fund redemption, mandatory prepayment or otherwise) and interest on outstanding Bonds; *provided* that: (a) interest shall be excluded from the determination of the Debt Service Requirement to the extent that interest is earmarked to pay such interest from the proceeds of Bonds; and (b) principal of or interest on Bonds shall be excluded from the determination of the Debt Service Requirement to the extent that amounts are on deposit in an irrevocable escrow and such amounts (including, where appropriate, the earnings or other increment to accrue thereon) are required to be applied to pay such principal or interest and such amounts so required to be applied are sufficient to pay such principal or interest.

"*Favorable Opinion of Tax Counsel*" means an Opinion of Tax Counsel addressed to the Board and the Trustee to the effect that the action proposed to be taken is not prohibited by the laws of the State or the Bond Resolution and will not adversely affect any exclusion from gross income for federal income tax purposes of interest on the Bonds. Tax Counsel, with the consent of an Authorized Officer, may take such actions it deems necessary in order to enable it to deliver a Favorable Opinion of Tax Counsel, including, without limitation, the filing of a Form 8038 with the Internal Revenue Service.

"*Fiscal Year*" means any 12-month period beginning on July 1 of any calendar year and ending on June 30 of the next succeeding calendar year.

"*Historical Debt Service Coverage Ratio*" means, for any period of time, the ratio consisting of a numerator equal to the amount determined by dividing Income Available for Debt Service for that period by the Debt Service Requirement for such period and a denominator of one.

"*Income Available for Debt Service*" means, for any period, Net Revenues, Adjusted MSP Revenues and Student Tuition (to the extent Student Tuition is not used to make payments on the bonds secured by the Prior Pledge), but not including unrealized gains or unrealized losses on the valuation of investments.

"*Maximum Annual Debt Service Requirement*" means the largest total Debt Service Requirement for all Bonds outstanding and the largest total Annual Debt Service payable on any additional obligations issued pursuant to the Bond Resolution for the current or any succeeding Fiscal Year.

"*MSP*" means the Board's Medical Service Plan, as it may be hereafter amended or supplemented.

"*MSP By-Laws*" means the By-Laws of the MSP, originally adopted on July 26, 1967 and as amended from time to time in accordance with the Bond Resolution.

"*MSP General Account*" means the account established by Article IV, Section (C)(1) of the MSP By-Laws and designated the "University of Illinois College of Medicine Medical Service Plan, the Department General Account."

"MSP-Related Expenses" means all expenses incurred by the Board and described in or referred to in Article IV, Section (C)(3) of the MSP By-Laws, which expenses include but are not limited to Annual Debt Service and mandatory transfers pursuant to the Bond Resolution.

"MSP Revenues" means all charges, income and revenues of the MSP under the provisions of the University of Illinois Hospital Act, 110 ILCS §330/0.01 *et seq.* and the MSP By-Laws.

"Municipal Bond Insurance Policy" means the municipal bond insurance policy insuring payment when due on the principal of and interest on a particular series of Bonds as provided therein.

"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 charges, income and revenues received from the continued use and operation of the System but does not include MSP Revenues, Student Tuition, transfers from the Repair and Replacement Reserve Account, the Equipment Reserve Account or the Development Reserve Account or unrealized gains on the valuation of investments.

"Opinion of Counsel" means a written opinion of counsel who is reasonably acceptable to the Board and the Trustee. The counsel may be an employee of or counsel to the Board, or the Trustee.

"Opinion of Tax Counsel" means an Opinion of Counsel by counsel of nationally recognized standing in matters relating to the exclusion of interest from gross income on obligations issued by states and their political subdivisions or agencies.

"Outstanding," when used with reference to Bonds, means all Bonds which have been authenticated and delivered by the Trustee under the Bond Resolution, except the following:

(a) Bonds canceled or purchased by or delivered to the Trustee for cancellation;

(b) Bonds that have become due (at maturity or on redemption or otherwise) and for the payment, including premium and interest accrued to the due date, of which sufficient moneys are held by the Trustee;

(c) Bonds deemed paid under the Bond Resolution;

(d) Bonds in lieu of which others have been authenticated under the Bond Resolution (relating to registration and exchange of Bonds or relating to mutilated, lost, stolen or destroyed Bonds); and

(e) Bonds paid by the Bond Insurer as described herein under "BONDS DEEMED PAID; DISCHARGE OF BOND RESOLUTION—*Bonds Paid by Bond Insurer to Remain Outstanding*."

"*Parity Bonds*" means any additional bonds authorized to be issued under the Bond Resolution and ranking *pari passu* with the Series 1997B Bonds, the Series 2008 Bonds and the Series 2013 Bonds.

"*Property*" means any and all rights, titles and interests in and to any and all property, whether real or personal, tangible (including cash) or intangible, wherever situated and whether now owned or hereafter acquired constituting a part of the System Core Facilities.

"*State*" means the State of Illinois.

"*Student Tuition*" means the moneys collected for tuition from students matriculated, registered or otherwise enrolled at or attending the University of Illinois College of Medicine.

"*System*" means the System Core Facilities, the Clinical Sciences North Building at 820 South Wood Street, Chicago, Illinois and the Clinical Sciences Building at 840 South Wood Street, Chicago, Illinois, together with all equipment located thereon and all improvements, repairs, extensions or replacements therein and constructed or acquired after the adoption of the Original Resolution, as such definition may be amended as permitted by the Bond Resolution.

"*System Core Facilities*" means (i) the following facilities located in Chicago, Illinois: (a) Eye and Ear Infirmary, (b) University of Illinois Hospital, (c) MRI Building, (d) Neuropsychiatric Institute and (e) Ambulatory Care Facility/Outpatient Care Center and (ii) the Medical Office Building, located in Rockford, Illinois, together with all equipment located thereon and all improvements, repairs, extensions or replacements therein and constructed or acquired after the adoption of the Original Resolution, and such additional facility or facilities, as the same, or any part or portion thereof, are hereafter from time to time acquired and included therein by the Board pursuant to the Bond Resolution, and excepting those parts of the System Core Facilities which from time to time may be disposed of or abandoned as provided in the Bond Resolution. The Project described in the Third Supplemental Resolution will become part of the System Core Facilities, as construction of the components thereof is completed.

"*Tax Agreement*" means the Tax Exemption Certificate and Agreement, dated the date of issuance of the Series 2013 Bonds.

"*Third Supplemental Resolution*" means the Third Supplemental System Revenue Bond Resolution adopted by the Board on July 25, 2013, supplementing and amending the Original Resolution and providing for the issuance of the Series 2013 Bonds.

"*United States Government Securities*" means non-callable securities which are direct obligations of or fully guaranteed as to the timely payment of principal and interest by the United States of America.

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The Series 2013 Bonds will be issued under the Bond Resolution. Reference is made to the Bond Resolution for complete details of the terms of the Series 2013 Bonds and the security for the Series 2013 Bonds. Certain provisions of the Bond Resolution applicable to the Series 2013 Bonds are summarized under the headings "DESCRIPTION OF THE SERIES 2013 BONDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." The following is a summary of certain additional provisions of the Bond Resolution applicable to the Series 2013 Bonds and should not be considered as a full statement of the Bond Resolution. The Bond Resolution contains certain provisions applicable to the Board and certain Bonds issued on a variable rate basis, which provisions are inapplicable to the Series 2013 Bonds and are not described herein.

PROJECT FUND

Certain proceeds of the Series 2013 Bonds will be retained by the Board in a separate accounting fund to be known as the *"Series 2013 Project Fund"*. Pending disbursement for the costs of the Project, the Comptroller may from time to time invest all or any part of the moneys in the Series 2013 Project Fund in any investment permitted by the laws of the State for the investment of public funds and the Bond Resolution 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 Project as to the times such moneys will be needed. Interest accruing as a result of any such investments when received shall be credited to (i) the Series 2013 Project Fund or (ii) such Subaccount or Subaccounts of the Bond and Interest Sinking Fund Account, as shall be determined by the Comptroller.

Prior to completion of the Project, the Comptroller, upon determining that the amount on deposit in the Series 2013 Project Fund, together with anticipated interest earnings thereon, is sufficient to complete the Project, 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 discretion to be unnecessary for the completion of the Project from the Series 2013 Project Fund and deposit the same in such Subaccount or Subaccounts of the Bond and Interest Sinking Fund Account as shall be determined by the Comptroller.

The description of the Project set forth in the Third Supplemental Resolution may be supplemented or amended at any time by the Board, without notice to or consent of the Owners of the Series 2013 Bonds, as long as the facilities to be added to the Project are authorized by the Act and upon receipt of a Favorable Opinion of Tax Counsel with respect to such supplement or amendment. Prior to the application of money in the Series 2013 Project Fund after an amendment or supplement to the description of the Project, the Board shall adopt a resolution which describes the Project in sufficient detail to allow the Project to be included in the System and which includes the Project in the System Core Facilities.

If there are funds remaining in the Series 2013 Project Fund after completion of the Project, said funds shall be withdrawn by the Comptroller and deposited in (i) the Repair and Replacement Account or (ii) such Subaccount or Subaccounts of the Bond and Interest Sinking Fund Account, as shall be determined by the Comptroller.

FLOW OF FUNDS

The Operating Revenues of the System shall be deposited as collected by the Comptroller to the credit of a special fund created and designated as the Health Services Facilities System Revenue Fund (the *"Revenue Fund"*).

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:

Payment of Operation and Maintenance Expenses. 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 Trustee and certain providers of financial services for the Bonds, a properly allocated share of charges for insurance and all other expenses incident to the operation of the System.

Bond and Interest Sinking Fund Account. On or before a date not later than the fifth Business Day before each Interest Payment Date of each year while the Bonds remain outstanding, 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 as will be sufficient to equal the interest and principal to become due on the Bonds on such Interest Payment Date.

The Bond and Interest Sinking Fund Account shall be held in trust by the Trustee. The Board will create and establish with the Trustee a separate and segregated subaccount of the Bond and Interest Sinking Fund Account for the payment of the principal of and interest and premium, if any, on the Series 2013 Bonds. All moneys credited to the Bond and Interest Sinking Fund Account (and all subaccounts therein) 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.

In the event the funds in the Bond and Interest Sinking Fund Account are reduced at any time below the amounts required to be on deposit therein, and after any required deposit of MSP Revenues and Student Tuition, then the funds credited to the Repair and Replacement Reserve Account, the Development Reserve Account or the Equipment Reserve Account (as determined by the Comptroller) shall be transferred for deposit in the Bond and Interest Sinking Fund Account, to the extent required to eliminate the deficiency in the Bond and Interest Sinking Fund Account and to restore such sums as may be necessary for that purpose.

Repair and Replacement Reserve Account. The Comptroller shall deposit in the Repair and Replacement Reserve Account on or before the close of each Fiscal Year, from the funds remaining in the Revenue Fund, an amount not less than one-half of one percent of the replacement cost of System Core Facilities, as determined by the then current *Engineering News Record Index* (or comparable index), unless such a deposit would cause the balance in the Repair and Replacement Reserve Account to exceed five percent of the replacement cost, in which case the deposit would be so limited. All money and investments so held in said Account shall be used and held for use to pay the cost or 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.

Development Reserve Account. The Comptroller shall deposit into the 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, an existing facility constituting a part of the System consistent with the purpose and mission of that facility.

Any moneys remaining in the Development Reserve Account and no longer required for a Board-approved project will be transferred to the Bond and Interest Sinking Fund Account.

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 an Equipment Reserve Account (which may be held by a bank or trust company designated by the Board) such funds as have been approved by the Board for expenditure in connection with the acquisition of moveable equipment to be installed in the facilities constituting the System. The maximum amount which may be accumulated in the Equipment Reserve Account shall not exceed 20% of the book value of the moveable equipment of the System.

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 and after providing for the then current month's deposit requirement, the balance of any excess funds in the Revenue Fund then remaining may be retained in the Revenue Fund or used by the Board (i) to redeem, on the next interest payment date, from such maturities of such series of the Bonds then outstanding, which are subject to redemption prior to maturity, as shall be determined by the Board; or (ii) for any expenditures incurred in improving or restoring portions of the System, or for additional facilities to the System; or (iii) for any other lawful purpose, as shall be expressed by resolution duly adopted by the Board and filed with the Comptroller.

Investment of Moneys. Except as provided below, the Trustee shall invest and reinvest moneys held by the Trustee as directed by the Comptroller in any investment permitted by the laws of the State for the investment of public funds, the Bond Resolution and the Tax Agreement. The Trustee may rely conclusively on the direction of the Comptroller as to the suitability of investments, compliance with the Bond Resolution and the investment laws of the State and the requirements of the Bond Insurer.

All moneys held in the Bond and Interest Sinking Fund Account may be invested in United States Government Securities.

GENERAL COVENANTS

Warranty of Title; Permitted Encumbrances. The Board warrants that it has jurisdiction and control to the sites of the System Core Facilities subject to Permitted Encumbrances (as defined below). The Board covenants that it will not, in any consecutive 12-month period, sell, lease or otherwise dispose (including without limitation any involuntary disposition) of Property which, together with all other Property transferred by the Board in transactions other than those described in sections (i) through (v) below, totals for such 12-month period in excess of 7.5% of the Operating Revenues of the System for the Fiscal Year next preceding the date of such sale, lease or other disposition for which combined financial statements of the System reported on by independent certified public accountants are available, except for transfers to any Person or other dispositions of Property (1) in the ordinary course of business; (2) required by law or guidelines applicable to the Board; or (3) as follows:

(i) In return for other Property of equal or greater value and usefulness; or

(ii) If prior to such sale, lease or other disposition the Board determines that such Property has, or within the next succeeding 24 calendar months is reasonably expected to, become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property; or

(iii) Upon fair and reasonable terms no less favorable to the Board than would obtain in a comparable arm's-length transaction; or

(iv) If such Property consists solely of assets which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with their use for payment on the Bonds; or

(v) Upon delivery to the Trustee of a certificate of the Comptroller certifying that during the Fiscal Year immediately preceding the proposed disposition Income Available for Debt Service, taking into account such disposition, would have satisfied the Historical Debt Service Coverage Ratio required by the Bond Resolution of not less than 2.00:1.

For purposes of the provision described above, the value of Property shall be calculated on the basis of the Book Value of the assets shown on the assets side of the balance sheet in the combined financial statements of the System for the Fiscal Year next preceding such sale, lease or other disposition for which combined financial statements of the System are available or, if the Comptroller so elects, on the basis of Current Value.

"Permitted Encumbrances" means with respect to the sites of the System Core Facilities (i) liens for taxes and special assessments which are not then delinquent, or if then delinquent, are being contested; (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 Core Facilities; (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 is being contested; (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 Core Facilities and do not materially impair the property affected thereby for the purpose for which it was acquired or is held; (v) applicable 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) leases which relate to Property of the System Core Facilities which is of a type that is customarily the subject of such leases, such as office space for physicians and educational institutions, food service facilities, gift shops and radiology or other hospital-based or health service or social service related specialty services, pharmacy and similar departments; leases entered into in accordance with the disposition of Property provisions of the Bond Resolution; and any renewals and extensions thereof; and any leases, licenses or similar rights to use Property whereunder the MSP is lessee, licensee or the equivalent thereof upon fair and reasonable terms no less favorable to the lessee or licensee than would obtain in a comparable arm's-length transaction; (vii) such Liens, defects, irregularities of title and encroachments on adjoining property as normally exist with respect to property similar in character to the Property involved and which do not materially adversely affect the value of, or materially impair, the Property affected thereby for the purpose for which it was acquired or is held by the owner thereof, including without limitation statutory liens granted to banks or other financial institutions, which liens have not been specifically granted to secure indebtedness and which do not apply to Property which has been deposited as part of a plan to secure indebtedness; (viii) statutory rights under Section 291, Title 42 of the United States Code, as a result of what are commonly known as Hill-Burton grants, and similar rights under other federal statutes or statutes of the state in which the Property involved is located; (ix) all right, title and interest of the state where the Property involved is located, municipalities and the public in and to tunnels, bridges and passageways over, under or upon a public way; (x) liens on or in Property given, granted, bequeathed or devised by the owner thereof existing at the time of such gift, grant, bequest or devise, *provided* that (i) such liens consist solely of restrictions on the use thereof or the income therefrom, or (ii) such liens secure indebtedness which is not assumed by the Board and such liens attach solely to the Property (including the income therefrom) which is the subject of such gift, grant, bequest or devise; (xi) liens of or resulting from any judgment or award, the time for the appeal or petition for rehearing of which shall not have expired, or in respect of which the Board shall at any time in good faith be prosecuting an appeal or proceeding for a review and in respect of which a stay of execution pending such appeal or proceeding for review shall be in existence; (xii) liens on moneys deposited by patients or others with the Board as security for or as prepayment of the cost of patient care; (xiii) liens on Property due to rights of third party payors for recoupment of excess reimbursement paid; (xiv) such liens, covenants, conditions and restrictions, if any, which (i) in the case of Property owned by the Board on May 8, 1997, do not and will not, so far as can reasonably be foreseen, materially adversely affect the value of the Property currently affected thereby or materially impair the same, and (ii) in the case of any other Property, do not materially impair or materially interfere with the operation or usefulness thereof for the purpose for which such Property was acquired or is held by the Board; (xv) liens on accounts receivable arising as a result of the sale of such accounts receivable with or without recourse, *provided* that the principal amount of indebtedness secured by any such lien does not exceed the aggregate face amount of such accounts receivable so sold; and (xvi) 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.

Taxes. The Board will pay and discharge all taxes, assessments, and governmental charges which shall be imposed upon the System Core Facilities; *provided, however*, that the Board shall not be required to pay any such tax, assessment, charge or claim so long as the Board in good faith and by appropriate legal proceedings shall contest the validity thereof or its enforceability as a lien, and *provided further* that any such delay occasioned thereby shall not subject the System Core Facilities or any part thereof to forfeiture or sale.

Construction of New Facilities, Maintenance, Repairs, Application of Income, Operation of Additional Facilities. Following the issuance of each series of Bonds under the Bond Resolution, the Board will cause the facilities for the account of which such Bonds were issued to be constructed with all reasonable dispatch; that it will at all times from income made available for such purpose maintain, preserve and keep and manage the facilities constituting a part of the System Core Facilities in an efficient and economical manner and all additions and betterments thereto and every part and parcel thereof in good repair, working order and operating condition so that it will at all times be available for reasonable use and occupancy; that it will continuously operate and manage the facilities constituting a part of the System Core Facilities in an efficient and economical manner and on a revenue producing basis (including, but not limited to, maintaining such licensures, accreditations and third-party reimbursement eligibilities as are necessary); and that it will use and apply the income from the System only as provided in the Bond Resolution.

Rate Covenant. The Board will adopt such rules and regulations as are necessary to assure reasonable occupancy and use of the System Core Facilities; and will maintain the Historical Debt Service Coverage Ratio at not less than 2.00:1.

Records and Audit. The Board will keep proper books of records and accounts (separate from other records and accounts of the Board) in accordance with generally accepted accounting principles consistently applied, 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. The Board will cause the financial statements of the Board or the System to disclose Adjusted MSP Revenues and Student Tuition. There shall be furnished to the Trustee not more than 180 days after the close of each Fiscal Year, copies of such audit reports, together with the report therein of an independent public accountant or by the Auditor General of the State, reflecting in reasonable detail the financial condition of the Board and the operation of the System in accordance with the covenants of the Bond Resolution.

Insurance. The Board will keep the System Core Facilities continuously insured against loss or damage by fire and lightning, the perils included under the extended coverage endorsement, vandalism or malicious mischief, and boiler explosion on boilers in the System Core Facilities in amounts comparable to other systems of a similar nature and scope, or may, upon resolution adopted in good faith and the recommendation of an independent insurance consultant, adopt reasonable equivalent alternative risk management programs.

Pledge of Performance. Except as otherwise permitted pursuant to the Bond Resolution, the Board pledges to punctually perform all its duties and obligations with reference to the System as required by the Bond Resolution and the Act, including the operation and maintenance of the System, the making and collecting of sufficient rates, fees, rentals and charges for the use and occupancy thereof, the collecting of MSP Revenues, the collecting of reasonable and sufficient Student Tuition from students matriculated, registered or otherwise enrolled at the College of Medicine, 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 thereof.

Use of Student Tuition Pursuant to Auxiliary Facilities Bond Resolution. Prior to the use of Student Tuition, the Board will use all other available "Student Tuition and Fees" (as defined in the Auxiliary Facilities Bond Resolution) for the payment of operation and maintenance expenses, debt service or other deposits required to fulfill its obligations with respect to the Prior Pledge.

By-Laws of the MSP. The Board has ratified the By-Laws of the MSP and covenants in the Bond Resolution not to approve any amendments to the By-Laws of the MSP that will conflict with the provisions of the Bond Resolution or will impair the exclusion of interest on the Bonds from the federal gross income of the owners thereof.

Amendments to Components of the System. The Comptroller may amend the description of the System set forth in the Bond Resolution (except for the description of the System Core Facilities, which may be amended as described in the definition thereof) by filing a copy of the revised description with the Trustee. Such an amendment shall not be considered an amendment to the Bond Resolution for purposes of those provisions of the Bond Resolution described under "AMENDMENTS OF AND SUPPLEMENTS TO BOND RESOLUTION."

Reimbursement of University's MSP-Related Expenses. The Board represents and warrants that it has, pursuant to the MSP By-Laws, the first priority right to payment from the MSP General Account of such amounts as are needed to reimburse itself for all of the Board's MSP-Related Expenses; and that the Board's first priority right to the use of the moneys in the MSP General Account for such purpose is exclusive and does not create nor give rise to any right to such moneys on the part of any other person.

The Board covenants that, in exercising its rights to reimbursement from the MSP General Account for its MSP-Related Expenses pursuant to the MSP By-Laws, it will use the amounts so reimbursed to it in each Fiscal Year, to the extent necessary, to pay Annual Debt Service and to make mandatory transfers pursuant to the Bond Resolution for such Fiscal Year in fulfillment of its obligations under the Bond Resolution before using the amounts so reimbursed for any other purpose.

BONDS DEEMED PAID; DISCHARGE OF BOND RESOLUTION

Any Bond shall be deemed paid for all purposes of the Bond Resolution when (a) payment of the principal of and premium, if any, and interest on such Bond to the due date of such principal and interest (whether at maturity, upon redemption or otherwise) either (1) has been made in accordance with the terms of the Bonds or (2) with respect to the Series 2013 Bonds and any other Bonds issued after the date of adoption of the Third Supplemental

Resolution, has been provided for by irrevocably depositing with the Trustee (A) moneys sufficient to make such payment and/or United States Government Securities maturing as to principal and interest in such amounts and at such times as will assure the availability of sufficient moneys to make such payment, and (b) all compensation and reasonable expenses of the Trustee pertaining to such Bond have been paid or provided for to the Trustee's satisfaction. When a Bond is deemed paid, it will no longer be secured by or entitled to the benefits of the Bond Resolution or be an obligation of the Board, except for payment from moneys or United States Government Securities under clause (a)(2) above and except that it may be tendered as provided in the Bonds and transferred, exchanged or replaced as provided in the Bond Resolution.

Notwithstanding the preceding paragraph, in the case of any Bond which by its terms may be redeemed prior to the maturity date thereof, no deposit under clause (a)(2) above shall be deemed a payment of such Bond until the Board has furnished the Trustee (a) an Opinion of Tax Counsel stating that such deposit will not cause the Bonds to become "arbitrage bonds" under Section 148 of the Code and (b) irrevocable instructions in form satisfactory to the Trustee:

(i) stating the date when the principal (and premium, if any) of such Bond is to be paid, whether at maturity or on a redemption date;

(ii) if such Bond is to be redeemed pursuant to the Bond Resolution, to call such Bond for redemption; and

(iii) to mail, as soon as practicable, a notice to the Owner of such Bond that the deposit required by such clause (a)(2) has been made with the Trustee and that such Bond is deemed to have been paid and stating the maturity or redemption date upon which moneys are to be available for the payment of such Bond or of its redemption price.

Bonds Paid by Bond Insurer to Remain Outstanding. Notwithstanding anything in the Bond Resolution to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by a Bond Insurer pursuant to the related Municipal Bond Insurance Policy, the Bonds of the related series shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Board, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Board to the registered owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered owners.

AMENDMENTS OF AND SUPPLEMENTS TO BOND RESOLUTION

The Board may amend or supplement the Bond Resolution or the Bonds without notice to or the consent of any Bondholder:

(a) to cure any ambiguity, inconsistency or formal defect or omission;

(b) to grant to the Trustee for the benefit of the Bondholders additional rights, remedies, powers or authority;

(c) to subject to the Bond Resolution additional collateral, but only upon receipt of a Favorable Opinion of Tax Counsel, or to add other agreements of the Board and the Trustee;

(d) to modify the Bond Resolution or the Bonds to permit qualification under the Trust Indenture Act of 1939 or any similar federal statute at the time in effect, or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States of America;

(e) to authorize different authorized denominations of the Bonds and to make correlative amendments and modifications to the Bond Resolution regarding exchangeability of Bonds of different authorized denominations, redemptions of portions of Bonds of particular authorized denominations and similar amendments and modifications of a technical nature;

(f) to increase or decrease the number of days specified for the giving of notices and to make corresponding changes to the period for notice of redemption of the Bonds;

(g) to provide for an uncertificated system of registering the Bonds or to provide for the change to or from the Book-Entry System for the Bonds;

(h) to evidence the succession of a new Trustee or the appointment by the Trustee or the Board of a co-trustee;

(i) to make any change (including a change to reflect any amendment to the Code or interpretations by the Internal Revenue Service of the Code) that does not materially adversely affect the rights of any Bondholder; or

(j) to authorize the issuance of additional Parity Bonds.

If an amendment of or supplement to the Bond Resolution or the Bonds without the consent of Bondholders is not permitted by the Bond Resolution, the Board, with the written consent of the Trustee, may enter into such amendment or supplement with the consent of the Owners of at least a majority in the aggregate principal amount of the Bonds then Outstanding. However, without the consent of each Bondholder affected, no amendment or supplement may (a) extend the maturity of the principal of, or interest on, any Bond, (b) reduce the principal amount of, or rate of interest on, any Bond, (c) effect a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (d) reduce the percentage of the aggregate principal amount of the Bonds the Owners of which are required to consent to such amendment or supplement, (e) impair the exclusion from federal gross income of interest on any Bond, (f) eliminate the Owners' rights to tender the Bonds or any mandatory redemption of the Bonds, or extend the due date for the purchase of Bonds tendered by the Owners thereof or any call date for mandatory redemption, or reduce the purchase or redemption price of the Bonds or (g) create a lien ranking prior to the lien of the Bond Resolution. In addition, if moneys or United States Government Securities have been deposited or set aside with the Trustee pursuant to the Bond Resolution for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment to the provisions relating to the discharge of the Bond Resolution shall be made without the consent of the Owner of each affected Bond.

EVENTS OF DEFAULT

An "Event of Default" is any of the following:

(a) Default in the payment of any interest on any Bond when due and payable.

(b) Default in the payment of principal or premium on any Bond when due and payable, whether at maturity, upon redemption, by declaration or otherwise.

(c) Default in the due and punctual payment of the purchase price of any Bond tendered by its Beneficial Owner pursuant to the Bonds.

(d) The Board fails to perform any of its agreements in the Bond Resolution or the Bonds (except a failure that results in an Event of Default under clause (a), (b) or (c) above), the performance of which is material to the Bondholders, and the failure continues after the notice and for the period specified in this Section.

(e) The Board pursuant to or within the meaning of any Bankruptcy Law (1) commences a voluntary case, (2) consents to the entry of an order for relief against it in an involuntary case, (3) consents to the appointment of a Custodian for the Board or any substantial part of its property or (4) makes a general assignment for the benefit of its creditors.

(f) A court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (1) is for relief against the Board in an involuntary case, (2) appoints a Custodian for the Board or any substantial part of its property or (3) orders the winding up or liquidation of the Board, and the decree or order remains unstayed and in effect for 60 days.

"Bankruptcy Law" means Title 11 of the United States Code or any similar federal or state law for the relief of debtors. *"Custodian"* means any receiver, trustee, assignee, liquidator, custodian or similar official under any Bankruptcy Law.

A default under clause (d) is not an Event of Default until the Trustee or the holders of at least 25% in principal amount of the Bonds then outstanding give the Board a notice specifying the default, demanding that it be remedied and stating that the notice is a "Notice of Default," and the Board does not cure the default within 90 days after receipt of the notice, or within such longer period as the Trustee shall agree to. The Trustee shall not unreasonably refuse to agree to a longer period if the default cannot reasonably be cured within 90 days after receipt of the notice and the Board has begun within 90 days and continued diligent efforts to correct the default.

Remedies. If an Event of Default has occurred and is continuing, the Trustee may and, with respect to an Event of Default described above under clauses (a), (b) or (c), if the Trustee shall have been requested to do so by the owners of 25% in aggregate principal amount of Bonds then outstanding and the Trustee shall have been indemnified as provided in the Bond Resolution, the Trustee shall, pursue any available remedy by proceeding at law or in equity to collect the principal of, and the premium, if any, and interest on, the Bonds or to enforce the performance of any provision of the Bonds or the Bond Resolution. The Bond Insurer or any financial institution, as the case may be, enhancing any series of Parity Bonds may be granted in the supplemental resolution authorizing such series of Parity Bonds, the power to control and direct the enforcement of rights and remedies granted to the Bondholders of the related series of Parity Bonds (or the Trustee for the benefit of such Bondholders) upon an Event of Default.

The Trustee may maintain a proceeding even if it does not possess any of the Bonds or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Bondholder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in such Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

Waiver of Past Defaults. The Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding by notice to the Trustee and the Board, may waive an Event of Default and its consequences. When an Event of Default is waived, it is cured and stops continuing, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent to it.

Control by Majority. Subject to the rights and duties of the Trustee set forth in the Bond Resolution, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or the Bond Resolution.

Limitation on Suits. A Bondholder may not pursue any remedy with respect to the Bond Resolution or the Bonds unless (a) such Owner gives the Trustee notice stating that an Event of Default is continuing, (b) the Owners of at least 25% in aggregate principal amount of the Bonds then Outstanding make a written request to the Trustee to pursue such remedy, (c) such Owner or Owners offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense incurred in connection therewith and (d) the Trustee does not comply with such request within 60 days after receipt of such request and offer of indemnity.

A Bondholder may not use the Bond Resolution to prejudice the rights of another Bondholder or to obtain a preference or priority over any other Bondholder.

Rights of Owners to Receive Payment. Notwithstanding any other provision of the Bond Resolution, the right of any Owner to receive payment of the principal of, and premium, if any, and interest on, a Bond, on or after the due dates expressed in such Bond, or the purchase price of a Bond on or after the date for its purchase as provided in such Bond, or to bring suit for the enforcement of any such payment on or after such dates, shall not be impaired or affected without the consent of such Owner.

Priorities. If the Trustee collects any money after an Event of Default has occurred, it shall pay out such money as soon as practicable in the following order:

FIRST: To the Trustee for amounts to which it is entitled;

SECOND: To the Bondholders (including the Bond Insurer in the event the Bond Insurer has been subrogated to the rights of the registered owners of any Bonds as described above under "BONDS DEEMED PAID; DISCHARGE OF BOND RESOLUTION — *Bonds Paid by Bond Insurer to Remain Outstanding*") for amounts due and unpaid on the Bonds for principal, premium, if any, and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Bonds for principal, premium, if any, and interest, respectively; and

THIRD: To the Board.

The Trustee may fix a payment date for any payment to the Bondholders.

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

[Date of Issuance of Series 2013 Bonds]

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

Ladies and Gentlemen:

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 Health Services Facilities System Revenue Bonds, Series 2013 (the *"Series 2013 Bonds"*). The Series 2013 Bonds are authorized and issued pursuant to the provisions of (i) the University of Illinois Revenue Bond Financing Act for Auxiliary Facilities, as amended (the *"Act"*), and (ii) an authorizing resolution of the Board adopted on January 22, 1997 (the *"Original Resolution"*), as supplemented on May 17, 2007 and May 22, 2008 and as further supplemented and amended by a Third Supplemental System Revenue Bond Resolution adopted by the Board on July 25, 2013 (the *"Third Supplemental Resolution"*; the Original Resolution, as heretofore supplemented and amended, including by the Third Supplemental Resolution, being referred to herein collectively as the *"Bond Resolution"*). Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Bond Resolution.

The Series 2013 Bonds are being issued in fully registered form, are dated the date hereof and are due on October 1 of each of the years and in the amounts and bear interest payable on April 1 and October 1 of each year, commencing October 1, 2013, at the rates per annum, as follows:

YEAR (OCTOBER 1)	PRINCIPAL AMOUNT	INTEREST RATE	YEAR (OCTOBER 1)	PRINCIPAL AMOUNT	INTEREST RATE

The Series 2013 Bonds maturing on or after October 1, 20__ are subject to redemption prior to maturity at the option of the Board, on any date on or after ________ 1, 20__, in whole or in part and, if in part, from the maturities designated by the Board and within a single maturity by lot as selected by the Trustee, at a redemption price equal to 100% of the principal amount of such Series 2013 Bonds, plus accrued interest to the date fixed for redemption.

The Series 2013 Bonds maturing on October 1, 20__ are subject to mandatory redemption prior to maturity through the application of sinking fund payments, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption, on October 1 of the years and in the amounts as follows:

YEAR	PRINCIPAL AMOUNT
	$
*	

* Final Maturity

The Series 2013 Bonds are being issued to provide funds to (i) acquire, construct, equip and improve certain facilities which are or will become part of the University of Illinois Health Services Facilities System and (ii) pay costs of issuance of the Series 2013 Bonds.

We are of the opinion that such proceedings show lawful authority for the issuance of the Series 2013 Bonds under the laws of the State of Illinois now in force. We further certify that we have examined the form of Series 2013 Bond prescribed for said issue and find the same in due form of law, and in our opinion the Series 2013 Bonds, to the amount named, are valid and legally binding special obligations of the Board payable from and, together with the Series 1997B Bonds and the Series 2008 Bonds (each as defined in the Third Supplemental Resolution) and such bonds as may be issued on a parity therewith pursuant to the terms of the Bond Resolution, secured by a pledge of and lien on moneys in the Bond and Interest Sinking Fund Account, as well as (i) the Net Revenues of the System, (ii) MSP Revenues in an amount not to exceed Annual Debt Service and mandatory transfers pursuant to the Bond Resolution for each Fiscal Year and (iii) Student Tuition, in an amount not to exceed Annual Debt Service and mandatory transfers pursuant to the Bond Resolution for such Fiscal Year, subject to the prior pledge of the University's student tuition and fees (of which Student Tuition is a part) to certain outstanding bond issues of the Board.

It is our opinion that, subject to compliance by the Board with certain covenants, under present law, interest on the Series 2013 Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the *"Code"*), but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such Board covenants could cause the interest on the Series 2013 Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2013 Bonds. Ownership of the Series 2013 Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Series 2013 Bonds.

Interest on the Series 2013 Bonds is not exempt from income taxes imposed by the State of Illinois. Ownership of the Series 2013 Bonds may result in other state and local tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Series 2013 Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Series 2013 Bonds.

In rendering this opinion, we have relied upon certifications of the Board with respect to certain material facts within the Board's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion, and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

APPENDIX G

FORM OF CONTINUING DISCLOSURE UNDERTAKING