

NEW ISSUE
BOOK-ENTRY-ONLY

Ratings:
Moody's:
Standard & Poor's:
(See "DESCRIPTION OF RATINGS," herein)

An interest portion of each Installment Payment made by the Board of Trustees of Northeastern Illinois University to the Trustee for the owners of the Certificates is includible in gross income of the owners thereof for federal income tax purposes. See "TAX MATTERS" herein for a more complete discussion. Interest on the Certificates is not exempt from present Illinois income taxes.

\$6,105,000*

**Certificates of Participation (Energy Conservation Project), Series 2010
(Build America Program – Taxable) (Build America Bonds – Direct Payment to Issuer)
Evidencing Proportionate Interests in
Installment Payments to be Made by
BOARD OF TRUSTEES OF NORTHEASTERN ILLINOIS UNIVERSITY**

Dated: Date of Delivery

Due: October 1, as shown below

The Certificates of Participation (Energy Conservation Project), Series 2010 (Build America Program – Taxable) (the "Certificates") are being issued to finance the acquisition of energy conserving improvements at Northeastern Illinois University (the "University"), as described under "THE IMPROVEMENTS" herein. The Certificates are payable solely from (i) an undivided interest in payments (the "Installment Payments") to be made by the Board of Trustees of the University (the "Board") under an Installment Purchase Contract (the "Purchase Contract") with U.S. Bank National Association, as Trustee (the "Trustee"), (ii) certain funds and accounts held under the Indenture (as defined herein), and (iii) proceeds from the exercise of remedies by the Trustee under the Indenture.

The Installment Payments will be payable both from State-appropriated funds and from budgeted legally available funds of the Board derived from sources other than State appropriations on an annual basis ("Legally Available Nonappropriated Funds"). The Board will covenant under the Purchase Contract to include in each of its annual operating budget appropriation requests to the Illinois General Assembly a request for funds sufficient to pay that portion of the Installment Payments and Additional Payments (as defined herein) coming due in the next fiscal year commencing July 1 to be paid from State-appropriated funds. The Board will further covenant to include in each annual budget for the University an amount of Legally Available Nonappropriated Funds which, when combined with any such State-appropriated funds, will be sufficient to make the Installment Payments and Additional Payments when due in each fiscal year.

The term of the Purchase Contract will expire on October 1, 2028, unless earlier terminated in accordance with the Indenture. In the event of a termination of the Purchase Contract where the Board has not prepaid in full all Installment Payments, all further obligations with respect to the Certificates will be payable solely from such moneys, if any, as may be held by the Trustee as described in the Indenture, and any moneys as may be available from the Trustee's sale of its interest in the Improvements, in which case there is no assurance of any payment of the principal of or interest on the Certificates. See "CERTIFICATE OWNERS' RISKS."

The Certificates are subject to redemption prior to maturity as described herein.

IN THE OPINION OF SPECIAL COUNSEL, THE OBLIGATION TO MAKE INSTALLMENT PAYMENTS WILL CONSTITUTE A CURRENT OPERATING EXPENSE OF THE BOARD. THE BOARD WILL PLEDGE TO THE PAYMENT OF THE INSTALLMENT PAYMENTS SUCH MONEYS AS MAY BE LAWFULLY APPROPRIATED BY THE GENERAL ASSEMBLY FOR SUCH PURPOSE AND LEGALLY AVAILABLE NONAPPROPRIATED FUNDS, INCLUDING MONEYS, IF ANY, HELD BY THE TRUSTEE. THE BOARD HAS NO TAXING POWER.

THE BOARD'S OBLIGATION TO MAKE INSTALLMENT PAYMENTS UNDER THE PURCHASE CONTRACT DOES NOT CONSTITUTE A DEBT OF THE BOARD OR THE STATE OF ILLINOIS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION. THE INSTALLMENT PAYMENTS REQUIRED UNDER THE PURCHASE CONTRACT INCURRED BY THE BOARD ARE NOT SECURED BY THE FULL FAITH AND CREDIT OF THE STATE AND ARE NOT REQUIRED TO BE REPAYED AND MAY NOT BE REPAYED, DIRECTLY OR INDIRECTLY, FROM TAX REVENUE.

The Certificates are issuable as fully registered Certificates through a book-entry system operated by The Depository Trust Company, New York, New York ("DTC"). Details of payment of the Certificates and the book-entry system are described herein. The Certificates will be issued in the denomination of \$5,000 or any integral multiple thereof. Interest, at the rates set forth below, is payable on April 1, 2011, and on each April 1 and October 1 thereafter.

Maturity Amounts, Interest Rates, Prices, Yields and CUSIP Numbers

Year (October 1)**	Principal Amount*	Interest Rate	Approx. Yield	Price	CUSIP***	Year (October 1)**	Principal Amount*	Interest Rate	Approx. Yield	Price	CUSIP***
2012	145,000					2021	365,000				
2013	160,000					2022	400,000				
2014	180,000					2023	435,000				
2015	200,000					2024	475,000				
2016	225,000					2025	520,000				
2017	250,000					2026	565,000				
2018	275,000					2027	610,000				
2019	305,000					2028	660,000				
2020	335,000										

The Certificates are offered when, as and if issued and received by the successful bidder (the "Purchaser"), subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality of the Certificates by Chapman and Cutler LLP, Chicago, Illinois, Special Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Board by its Counsel, Dunn, Willard, Arkell, Bugg & Patterson, Bloomington, Illinois, and for the Trustee by Reed Smith LLP, New York, New York. John S. Vincent & Company LLC, Chicago, Illinois, is serving as financial advisor to the Board. It is expected that the Certificates will be available for delivery through DTC on or about August __, 2010.

**SEALED BIDS FOR THE CERTIFICATES WILL BE RECEIVED
ON AUGUST 4, 2010, AT 10:00 A.M. (CENTRAL TIME), OR SUCH LATER DATE,
AS PROVIDED FOR IN THE OFFICIAL NOTICE OF SALE.**

The date of this Official Statement is August __, 2010.

* Preliminary, subject to change.

** Subject to the Purchaser's option to designate term certificates.

*** CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without any notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, 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.

This Official Statement, which includes the cover page and the appendices hereto, does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of any of the Certificates by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by the Board, the Financial Advisor or the Purchaser to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing.

The information set forth herein has been obtained from the Board and other sources which are believed by the Board to be reliable, but such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a promise or guarantee of, the Trustee or the Purchaser. 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 University or the information contained herein since the date hereof.

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

IN CONNECTION WITH THIS OFFERING, THE PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE PURCHASER MAY OFFER AND SELL THE CERTIFICATES TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENTS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE PURCHASER.

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

THE CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE INDENTURE RELATING TO THE CERTIFICATES HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAW OF THE STATES IN WHICH CERTIFICATES HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

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OFFICIAL STATEMENT

relating to

\$6,105,000*

**Certificates of Participation (Capital Improvement Projects), Series 2010
(Build America Program – Taxable) (Build America Bonds – Direct Payment to Issuer)
Evidencing Proportionate Interests in
Installment Payments to be Made by
BOARD OF TRUSTEES OF NORTHEASTERN ILLINOIS UNIVERSITY**

INTRODUCTION

This Official Statement, including the cover page hereof and appendices attached hereto, is provided to prospective purchasers in connection with the sale and delivery by the Board of Trustees of Northeastern Illinois University (the “Board”) of \$6,105,000* principal amount of its Certificates of Participation (Energy Conservation Projects), Series 2010 (Build America Program – Taxable) (the “Certificates”), representing proportionate interests of the registered Owners thereof in payments to be made by the Board as installment purchase payments (the “Installment Payments”), pursuant to the provisions of the Installment Purchase Contract dated as of August 1, 2010 (the “Purchase Contract”) between U.S. Bank National Association, as trustee (the “Trustee”), and the Board, as purchaser. The Certificates are being executed and delivered pursuant to an Indenture of Trust dated as of August 1, 2010 (the “Indenture”) between the Board and the Trustee.

The American Recovery and Reinvestment Act of 2009 (the “Recovery Act”) permits the Board to issue taxable obligations referred to as “Build America Bonds” to finance capital expenditures for which it could issue tax-exempt obligations, and to elect to receive payments from the federal government equal to 35% of the corresponding interest payable on such taxable obligations (the “Build America Payments”). Any Build America Payments for the Certificates would be paid to the Board; the holders of Certificates would not be entitled to a tax credit.

The Board, as governing body of Northeastern Illinois University (the “University” or “NEIU”), will enter into agreements (the “Construction Contracts”) with certain contractors or subcontractors (the “Contractors”), equipment contracts and purchase orders (the “Supply Contracts”) with certain suppliers (the “Suppliers”) and, as applicable, professional services or specialty services contracts (the “Professional and Specialty Services Contracts,” together with the Construction Contracts and the Supply Contracts, referred to as the “Improvement Contracts”) with certain contractors (the “Specialty Contractors,” together with the Contractors and the Suppliers, referred to as the “Improvement Providers”) to acquire and construct various capital improvements described herein (the “Improvements”) at the University. See “THE IMPROVEMENTS” herein. The Certificates are being issued to pay (i) the costs of the Improvements and (ii) certain of the costs of issuing the Certificates.

Pursuant to the Indenture, the Trustee will hold for the benefit of the Certificate Owners (i) its rights in and to the Improvements and the Acquisition Agreement dated as of August 1, 2010, between the Trustee and the Board (the “Acquisition Agreement”), (ii) all right, title and interest of the Board in and to the Improvements and the Improvement Contracts, provided that title to and

* Preliminary, subject to change.

possession of the Improvements now in existence will automatically thereafter vest in the Board without action by the Trustee, and title to all Improvements acquired hereafter will automatically so vest in the Board upon acquisition without action by the Trustee, (iii) all right, title and interest of the Board in the Acquisition Agreement and the Purchase Contract, but excluding certain rights relating to title, use and enjoyment of the Improvements and the right to receive notices; (iv) the Trustee's right, title and interest in and to the Purchase Contract and the right to receive moneys payable under it and to bring actions and proceedings under it; and (v) the Board's and the Trustee's rights in and to amounts on deposit from time to time in the funds and accounts created pursuant to the Indenture (other than the Rebate Fund).

Under the Acquisition Agreement, the Board's right, title and interest in and to the Improvements and in and to the Improvement Contracts will be assigned to the Trustee; *provided* that the Board will reserve, among other things, the rights to demand, accept and retain all rights in and to all property, data and service which the Contractors are obligated to provide pursuant to the Improvement Contracts and all rights under all warranty and indemnity provisions contained in the Improvement Contracts. In addition, the Certificates are secured by moneys and investments held by the depository of the Board in the Acquisition Fund created under the Indenture and by moneys and investments held by the Trustee under the Indenture, for the benefit of the Certificate Owners, subject to their use and application in accordance with the provisions of the Purchase Contract and the Indenture.

Initially capitalized terms used but not otherwise defined in the body of this Official Statement have the meanings set forth in "APPENDIX C – SUMMARY OF CERTAIN LEGAL DOCUMENTS."

THE BOARD OF TRUSTEES OF NORTHEASTERN ILLINOIS UNIVERSITY

The University is governed by the Board of Trustees, which is comprised of nine voting members appointed by the Governor of the State of Illinois, with the advice and consent of the Illinois Senate, and one voting student member, elected by the students, who serves a one-year term. No more than five of the members appointed by the Governor may be affiliated with the same political party. The Board is responsible for the general supervision and management of the University's educational program, its lands, buildings and other properties, and the control of the revenues and expenditures in support thereof.

Additional information regarding the Board and the University is set forth in "APPENDIX A – NORTHEASTERN ILLINOIS UNIVERSITY."

DESCRIPTION OF THE CERTIFICATES

GENERAL

The Certificates will be dated and will mature on the dates and in the amounts set forth on the cover page of this Official Statement. The Certificates will be issued in fully registered form through a book-entry system in denominations of \$5,000 or any integral multiple thereof.

Each Certificate represents an undivided proportionate interest in the principal portion of the Installment Payments due and payable on the maturity dates of the Certificates and in the interest portion of the Installment Payments due and payable semiannually, to and including such maturity date, at the rates set forth on the cover page of this Official Statement. Interest represented by the Certificates will be payable on April 1 and October 1, commencing April 1, 2011. The principal

represented by the Certificates will be payable when due upon presentation and surrender thereof at the designated corporate trust office of the Trustee or in accordance with the procedures described herein under “BOOK-ENTRY ONLY SYSTEM.” Interest will be paid by wire transfer under the circumstances described in the Indenture, or by check or draft of the Trustee mailed to the persons in whose names the Certificates are registered (the “Owners”) on the registration books maintained by the Trustee as of the fifteenth day of the month next preceding the applicable Interest Payment Date (a “Regular Record Date”) or, if applicable, a special record date established by the Trustee in accordance with the Indenture.

Each Certificate will accrue interest from the Interest Payment Date to the next date preceding the date of its execution, unless: (i) executed on an Interest Payment Date, in which case interest will accrue from such Interest Payment Date, (ii) executed prior to April 1, 2011, in which case interest accrues from the dated date of the Certificates, (iii) executed after a Regular Record Date and before the following Interest Payment Date, in which case interest shall be payable from such Interest Payment Date or (iv) payment of interest is in default, in which case interest is payable from the last Interest Payment Date on which interest has been paid.

REDEMPTION

Redemption Upon Event of Nonappropriation and Termination of Purchase Contract. The Certificates are subject to redemption, in whole, at the price of par (100%), plus accrued interest to the date fixed for redemption, on any date on which the Purchase Contract is terminated by the Board because (i) an Event of Nonappropriation has occurred, (ii) the Board has determined that there are not sufficient Legally Available Nonappropriated Funds to pay the portion of the Installment Payments coming due during the then-current fiscal year and (iii) the Board has exercised its option, pursuant to the Purchase Contract, to prepay the Certificates by the deposit of funds in the Installment Payment Fund sufficient, together with the amounts therein, to redeem such Certificates on such termination date at a price equal to the principal amount thereof plus accrued interest to the redemption date.

The Purchase Contract and the Board’s obligations to pay Installment Payments and Additional Payments thereunder are subject to termination 60 days after the Board certifies to the Trustee that the events described in clauses (i) and (ii) of the preceding paragraph have occurred.

Optional Redemption. The Certificates maturing on and after October 1, 2021 are subject to redemption on any date on or after October 1, 2020 at the price of 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption, in whole or in part, and if in part, by lot. Such redemption shall be at the option of the Board, upon at least 35 days’ prior written notice from the Board to the Trustee.

Mandatory Redemption of Term Certificates. If designated by the Purchaser pursuant to “Optional Designation of Term Certificates by the Purchaser” in the Official Notice of Sale, any such Term Certificates will be subject to mandatory redemption prior to maturity through the application of sinking fund payments, in integral multiples of \$5,000 selected by lot by the Trustee, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date fixed for redemption, in the following principal amounts on October 1, in each of the years set forth on the following table.

**Term Certificates
Due October 1, 20__**

<u>Date</u>	<u>Principal Amount</u>
10/01/20__	\$
10/01/20__ ⁽¹⁾	

**Term Certificates
Due October 1, 20__**

<u>Date</u>	<u>Principal Amount</u>
10/01/20__	\$
10/01/20__ ⁽¹⁾	

⁽¹⁾ Final Maturity

The principal amounts of such Term Certificates to be redeemed in each year as set forth in the immediately preceding table may be reduced through the earlier optional redemption thereof, with any partial optional redemptions of such Term Certificates credited against future sinking fund requirements as specified by the Board, or if the Board does not so specify, in inverse order of the sinking fund payment dates. In addition, on or prior to the 60th day preceding any sinking fund payment date, the Trustee may, and if directed by the Board shall, purchase Term Certificates of such maturity to be mandatorily redeemed in an amount not exceeding the amount of such Term Certificates required to be retired on such sinking fund payment date and at a price not exceeding par plus accrued interest. Any such Term Certificates so purchased shall be cancelled and the sinking fund redemption price thereof shall be credited against the sinking fund payment required on such next sinking fund payment date.

NOTICE OF REDEMPTION

The Trustee shall give notice of each redemption by mailing a copy of such notice, first class United States mail, postage prepaid, not less than 30 days nor more than 60 days before the redemption date, to all Owners of the Certificates which are to be redeemed at their last addresses appearing upon the Certificate Register. The notice shall identify the Certificates to be redeemed and shall state (i) the redemption date, (ii) the redemption price, (iii) that the Certificates called for redemption must be surrendered to collect the redemption price, (iv) the address at which the Certificates must be surrendered and (v) that interest on the Certificates called for redemption ceases to accrue on the redemption date.

With respect to any optional redemption of the Certificates, unless moneys sufficient to pay the principal of and interest on the Certificates to be redeemed shall have been received by the Trustee prior to the giving of such notice of redemption, such notice shall state that said redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for redemption. Such moneys shall be held uninvested or, at the direction of the Board Representative, shall be invested in United States Government Securities which mature on such date or dates as necessary to provide funds on a timely basis for such redemption. If such moneys are not received by the redemption date, such notice shall be of no force and effect, the Trustee shall not redeem such Certificates, the redemption price shall not be due and payable and the Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Certificates will not be redeemed.

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

PARTIAL REDEMPTION

Any partial redemption of Certificates shall be made only in authorized denominations. The portion of Certificates to be redeemed shall be selected by lot by the Trustee from among all Outstanding Certificates (or, so long as the Book-Entry System is in effect, beneficial ownership interests in the Certificates shall be selected for redemption in accordance with the rules and procedures established by the Securities Depository). Each Certificate shall be considered separate Certificates in the minimum authorized denominations for purposes of selecting Certificates to be redeemed.

TRANSFER AND EXCHANGE

See “BOOK-ENTRY ONLY SYSTEM” for a discussion of transfer and exchange of the beneficial ownership interests in the Certificates while they are in the book-entry system described therein.

ESTIMATED PAYMENT OF THE CERTIFICATES

The Purchase Contract requires that semiannual Installment Payments are to be made by the Board to the Trustee. Such Installment Payments are designed to be sufficient to meet the principal and interest payments due with respect to the Certificates during the term of the Purchase Contract. The following table shows the estimated principal and interest payments due with respect to the Certificates during each Fiscal Year. The interest payments below are shown not net of any interest subsidy payments that are expected to be received from the federal government as a result of the Certificates being designated as “Build America Bonds” under the Code (see “Tax Matters – Build America Program” herein). For purposes of the table, interest is estimated at ____%.

<u>Fiscal Year Ending</u> <u>(June 30)*</u>	<u>Principal**</u>	<u>Interest**</u>	<u>Total**</u>
2011	\$	\$	\$
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			

* Principal matures on the October 1 preceding the June 30 Fiscal Year end.

** Estimated, subject to change.

BOOK-ENTRY ONLY SYSTEM

GENERAL PROVISIONS

The following information concerning The Depository Trust Company, New York, New York (“DTC”) and its book-entry system has been furnished for use in this Official Statement by DTC. The Board, the University, the Financial Advisor, the Trustee and the Purchaser take no responsibility for the accuracy or completeness of such information.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Certificates. The Certificates 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 Certificate will be issued for each maturity of the Certificates, in the aggregate principal amount of each such maturity, and will be deposited with DTC.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Certificates may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults and proposed amendments to the documents. Beneficial Owners of the Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

While the Certificates are in the book-entry system, redemption notices shall be sent to Cede & Co. If less than all of the Certificates of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

Redemption proceeds, principal, and interest payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Board or the Trustee, on the 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 redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as Securities Depository with respect to the Certificates 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, certificates for the 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, certificates for the Certificates will be printed and delivered to DTC.

The Board will have no responsibility or obligation to any Securities Depository, any Participants in the book-entry system or the Beneficial Owners with respect to (i) the accuracy of any records maintained by the Securities Depository or any Participant; (ii) the payment by the Securities Depository or by any Participant of any amount due to any Beneficial Owner in respect of the principal

amount or redemption price of, or interest on, any Certificates; (iii) the delivery of any notice by the Securities Depository or any Participant; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Certificates; or (v) any other action taken by the Securities Depository or any Participant.

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 Indenture 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 Certificates that they be able to obtain certificated Certificates, the Board will notify DTC and the Direct Participants of the availability through DTC of certificated Certificates and the Certificates 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 Certificates 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 Certificates may be registered in whatever name or names registered owners of Certificates transferring or exchanging Certificates shall designate, in accordance with the provisions of the Indenture.

SECURITY FOR THE CERTIFICATES

GENERAL

Each Certificate evidences and represents an undivided proportionate interest in the Installment Payments required under the Purchase Contract to be paid by the Board to the Trustee. The Board has covenanted under the Purchase Contract to include in each of its annual budget appropriation requests to the Illinois General Assembly during each appropriation period a request for funds sufficient to pay that portion of the Installment Payments and Additional Payments due and payable during the next occurring fiscal year of the State to be paid from State-appropriated funds. The Board has further covenanted to include in each annual operating budget for the University an amount of Legally Available Nonappropriated Funds which, when combined with any such State-appropriated funds, will be sufficient to make the Installment Payments and Additional Payments when due in each fiscal year.

THE BOARD'S OBLIGATION TO MAKE INSTALLMENT PAYMENTS UNDER THE PURCHASE CONTRACT DOES NOT CONSTITUTE A DEBT OF THE BOARD OR THE STATE OF ILLINOIS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION. THE INSTALLMENT PAYMENTS REQUIRED UNDER THE PURCHASE CONTRACT INCURRED BY THE BOARD ARE NOT SECURED BY THE FULL FAITH AND CREDIT OF THE STATE AND ARE NOT REQUIRED TO BE REPAYED AND MAY NOT BE REPAYED, DIRECTLY OR INDIRECTLY, FROM TAX REVENUE. PAYMENT OF THE PRINCIPAL AND INTEREST REPRESENTED BY THE CERTIFICATES WILL BE MADE BY THE TRUSTEE SOLELY FROM (A) AMOUNTS DERIVED UNDER THE TERMS OF THE PURCHASE CONTRACT, INCLUDING INSTALLMENT PAYMENTS, (B) AMOUNTS FROM TIME TO TIME ON DEPOSIT WITH THE TRUSTEE OR HELD BY THE BOARD UNDER THE TERMS OF THE INDENTURE, AND (C) PROCEEDS FROM THE EXERCISE OF REMEDIES BY THE TRUSTEE UNDER THE INDENTURE.

The Board has the right to terminate the Purchase Contract and its obligation to pay Installment Payments, as described below under “– Termination of Purchase Contract.”

TERMINATION OF PURCHASE CONTRACT

Term of Agreement. The term of the Purchase Contract shall continue until October 1, 2028 (the “Expiration Date”) unless earlier terminated.

Termination of Purchase Contract Upon Nonappropriation and Nonavailability of Funds. The Purchase Contract and the Board’s obligation to pay Installment Payments and Additional Payments thereunder is subject to termination 60 days after the Board certifies to the Trustee that the General Assembly of the State has made a determination not to appropriate requested funds necessary to make that portion of the Installment Payments due during the then-current fiscal year payable from State-appropriated funds (an “Event of Nonappropriation”) and the Board has determined that there are not sufficient Legally Available Nonappropriated Funds to fund the portion of the Installment Payments coming due during the then-current fiscal year. The termination of the Purchase Contract would be effective on the date that is 60 days following such certification.

Prepayment Options. The Purchase Contract is subject to termination prior to its Expiration Date to the extent the Indenture is discharged by its terms. Such discharge may require that the Board exercise its option to prepay the Installment Payments in whole or in part in connection with an optional redemption of the Certificates as described above under the subheading “DESCRIPTION OF THE CERTIFICATES – Redemption – *Optional Redemption.*”

In addition, on or after an Event of Nonappropriation and determination by the Board of the existence of insufficient Legally Available Nonappropriated Funds, the Board may exercise its option to purchase all of the Improvements by paying the prepayment price of principal and accrued interest on all of the Certificates to the date that the Purchase Contract is to be terminated. See “PURCHASE CONTRACT – Purchase Option; Prepayment” in APPENDIX C hereto.

In the event the Purchase Contract is terminated, as described under the subheading “– *Termination of Purchase Contract Upon Nonappropriation and Nonavailability of Funds,*” above, and the Board does not exercise its option to prepay the outstanding Certificates in connection therewith, the Board will have no further payment obligations under the Purchase Contract. Upon such termination as a result of an Event of Nonappropriation or upon an Event of Default under the Indenture, the Trustee may exercise one or more of the remedies provided in the Indenture, and apply the proceeds thereof, if any, along with the moneys in the Installment Payment Fund and the Acquisition Fund, if any, to the payment of the Certificates. However, due to the nature of the Improvements, it is unlikely that revenues from the Trustee’s sale or rental of the Improvements would be sufficient to pay in full the principal of, premium, if any, and interest on, the outstanding Certificates.

For a further discussion of certain risks associated with the termination of the Purchase Contract, see “CERTIFICATE OWNERS’ RISKS - Termination of the Purchase Contract” and “- Limited Nature of the Improvements.”

SOURCES OF PAYMENTS

The Board is obligated to make Installment Payments either from funds derived from State appropriations or from Legally Available Nonappropriated Funds on an annual basis. The State

appropriated funds and the sources of revenue derived from Board activities are more fully described in APPENDIX A.

The Illinois Constitution of 1970 requires the General Assembly to appropriate moneys for the purpose of operating and maintaining all State institutions of higher learning. Such moneys are derived from taxation as well as from other sources as determined by the General Assembly to insure the proper maintenance of the institutions. State appropriated funds represent a significant percentage of the Board's revenues and for the fiscal year ended June 30, 2009, were approximately \$66,952,721, representing approximately 46.6% of the Board's revenue.

State appropriated funds approved for the University for Fiscal Year 2010 represent no change from the original appropriations approved for Fiscal Year 2009. In Fiscal Year 2010, the State has deferred release of approved appropriations to the public universities in Illinois. As of June 15, 2010, 68.8% of the appropriation requests sent to the State have been paid to the University. There can be no assurance that the full amount of the approved appropriations will be ultimately received or received in a timely fashion, or that approved appropriations will continue to be made at the current level.

The State Finance Act, 30 ILCS 105/13.5, provides that State appropriations for operations to the Board, and to the boards of all of the other public universities, shall identify the amounts appropriated for personal services, State contributions to social security for Medicare, contractual services, travel, commodities, equipment, operation of automotive equipment, telecommunications, awards and grants, and permanent improvements (each a line item), rather than provide for appropriations in a single, combined amount. The University's appropriation for Fiscal Year 2010 is provided as a single, combined amount rather than by line item.

The Board is authorized by law to retain all tuition ("Tuition") and fees ("Fees") in its treasury accounts. Tuition is deposited into an account known as the University Income Fund and Fees are deposited into the general fund of the University.

Outstanding revenue bonds of the Board that have a pledge on Tuition and certain Fees include the University Facilities System ("UFS") Revenue Bonds. Under the bond resolutions for the UFS Revenue Bonds, the Board is also required to transfer pledged Tuition and certain Fees to pay for the operating and maintenance costs for such system, to the extent system revenues, and other available funds, are insufficient therefor. There is currently \$17,520,000 of UFS Revenue Bonds outstanding.

The UFS consists of parking facilities, consisting of surface lots and a parking structure, the Student Union, the Bookstore and certain Vending Facilities.

The Board retains the option to issue additional bonds with a pledge of Tuition and certain Fees in accordance with the provisions of the resolutions authorizing the UFS Revenue Bonds.

OTHER LEGALLY AVAILABLE FUNDS

Legally Available Nonappropriated Funds include any budgeted legally available funds of the Board derived from sources other than State appropriations on an annual basis. Such funds include, but are not limited to, student tuition and fees (in excess of an amount not to exceed annual debt service and mandatory transfers in each Fiscal Year pursuant to the resolutions authorizing the UFS Revenue Bonds, which amount is pledged to the UFS Revenue Bonds), certain investment

income, and indirect cost recoveries on grants and contracts. None of the net revenues of the UFS are Legally Available Nonappropriated Funds.

Net Tuition and Fees were \$44,941,934 in Fiscal Year 2008 and \$48,615,540 in Fiscal Year 2009. Maximum annual debt service on the UFS Revenue Bonds in any future year is \$1,312,000 in Fiscal Year 2031.

The Certificates of Participation (Capital Improvement Projects), Series 2006, issued on behalf of the Board in the original principal amount of \$15,060,000, are currently outstanding in the principal amount of \$13,535,000.

Various factors outside the control of the Board may materially affect the funding levels from State appropriations and from the other sources referred to above. Public Act 93-0228, signed into law by the Governor of the State of Illinois on July 22, 2003, amends the Northeastern Illinois University Law (110 ILCS 680/25-1 et. seq.), and the laws of all of the other public universities in Illinois, to provide that, subject to certain conditions, for an undergraduate student who is an Illinois resident and who first enrolls at the University after the 2003-2004 academic year, the tuition charged for four continuous academic years following initial enrollment shall not exceed the amount that the student was charged at the time the student enrolled in the University.

The General Assembly could further change the process by which it makes appropriations for the Board. Any significant change in the level of State appropriations or Legally Available Nonappropriated Funds could affect the Board's ability to pay Installment Payments.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds for the Certificates are as follows:

Sources of Funds

Principal Amount of Certificates	\$
Plus Net Original Issue Premium (or Less Discount)	
Issuer Funds	
Estimated Investment Earnings ⁽¹⁾	
Total Sources of Funds	\$

Uses of Funds

Project Costs	\$
Purchaser's Discount	
Costs of Issuance	
Total Uses of Funds	\$

⁽¹⁾ Investment earnings during construction on amounts on deposit in the Acquisition Fund are estimated at ____%.

THE IMPROVEMENTS

The Improvements will consist of a variety of energy conservation measures and improvements that will result in energy cost savings to the University. A list of the individual components of the Improvements are listed in the following table:

Project Description	Estimated Cost
HTHW Boiler New Controls	\$102,699
HTHW Pipe Insulation	72,055
New CW Pumps & Filtration System	343,280
Lighting Efficiency Upgrades	1,691,613
Water Efficiency Upgrades	487,719
Control System Upgrades	2,336,916
D-1 Unit HW Coil & VFD	240,407
LWH Fan Motor VFD	130,587
Variable Air Volume at Library	626,577
PE Bldg Pool Pump VFD	46,671
Kitchen Hood Controls	61,489
	<hr/>
	\$6,140,013

These improvements will provide the University with a program for implementing comprehensive energy improvement measures on a guaranteed performance-contract basis. The Public University Energy Conservation Act (the “Act”) allows public universities to enter into guaranteed energy savings contracts with qualified providers. Under the terms of these contracts, Energy Service Companies (ESCO’s) perform energy audits and recommend energy conservation measures (e.g., lighting modifications, water conservation, chiller replacements, etc.) to reduce energy consumption. The University expects to enter into such a contract with NORESO as its ESCO for the above Improvements. The energy and operational savings generated from these energy conservation measures are then used by the University to pay for the project.

The Act requires the ESCO to guarantee that energy and/or operational cost savings will meet or exceed the costs of the project. Should the amount of projected energy savings guaranteed not be realized in a given year, the ESCO is required to reimburse the University for any shortfall under the terms of the contract. ESCO’s are also required to provide a sufficient bond to the University for faithful performance of all measures included in the contract.

A project of this type allows the University to reduce utility costs and use the savings to fund improvements to infrastructure and retrofit aging equipment as well as provide an opportunity to address some deferred maintenance issues without requiring additional funding from the State or students.

CERTIFICATE OWNERS’ RISKS

The purchase of the Certificates involves certain investment risks that are discussed throughout this Official Statement. Accordingly, each prospective Certificate Owner should make an independent evaluation of all of the information presented in this Official Statement in order to make an informed investment decision. Certain of the investment risks include but are not limited to those as set forth below.

LIMITED OBLIGATIONS

Each Certificate evidences a proportionate interest in the right to receive payments made by the Board under the Purchase Contract. The Board's obligation under the Purchase Contract will be from year to year only, and will not constitute a mandatory payment obligation of the Board in any subsequent fiscal year. Such obligations constitute currently budgeted operating expenditures by the Board and, in the opinion of Special Counsel, do not constitute a general obligation or other indebtedness of the State or the Board within the meaning of the Constitution or laws of the State.

TERMINATION OF THE PURCHASE CONTRACT

As described above under the subheading "SECURITY FOR THE CERTIFICATES – Termination of Purchase Contract," the Purchase Contract is subject to termination prior to the Expiration Date upon the occurrence of certain events. There is no assurance that the Purchase Contract will not be terminated prior to the Expiration Date.

In the event that the Purchase Contract is terminated and the Installment Payments are not prepaid by the Board in whole, the Trustee may use the moneys in the Installment Payment Fund, if any, the Acquisition Fund, if any, and its interest in the Improvement Contracts, to make payments on the Certificates. The Trustee may also take such action as may be necessary to enforce the payment of the Board's obligations under the Purchase Contract. Should an Event of Default occur, the Trustee may terminate the Purchase Contract and exercise remedies. No assurance can be made as to the amount of funds available from any source for the payment of the Certificates. Due to the nature of the Improvements, it is unlikely that revenues from the Trustee's exercise of such remedies would be sufficient to pay in full the principal, interest or premium, if any, with respect to the Certificates.

SOURCES OF PAYMENT

The sources of revenue available to make Installment Payments are more fully described under "SECURITY FOR THE CERTIFICATES – Sources of Payments" and in APPENDIX A. Various factors outside the control of the Board may materially alter the funding levels from the State and the timing of the Board's receipt of State-appropriated funds.

DELAYS IN EXERCISING REMEDIES

The enforceability of the Purchase Contract and the Indenture is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors' rights generally and of liens securing such rights, and the police powers of the State and its political subdivisions. Because of delays inherent in obtaining judicial remedies, it should not be assumed that these remedies could be accomplished rapidly. Any delays in the ability of the Trustee to pursue remedies may result in delays in payment of the Certificates.

LIMITED NATURE OF THE IMPROVEMENTS

The Improvements to be financed through the issuance of the Certificates constitute facilities, improvements and equipment that are designed for the purposes of the University and not for revenue generation. Due to the limited purpose of the Improvements, it is unlikely that the proceeds of any sale or rental by the Trustee of its interest in the Improvements upon an Event of Default under the Purchase Contract would be sufficient to pay in whole or in substantial part the principal of or interest on the outstanding Certificates.

DESTRUCTION OF THE IMPROVEMENTS

The Purchase Contract requires that the Board maintain a program of liability, property and casualty insurance and/or self-insurance of such types and in such amounts as are customary for similar institutions carrying on similar activities. Under the Purchase Contract, upon any damage to or destruction of any portion of the Improvements, the original cost of which, in the aggregate, exceeds \$250,000, the Board is required to take certain actions described in Appendix C – “Purchase Contract – Damage or Destruction of Improvements.” However, in the event of the destruction of a substantial portion of the Improvements and the occurrence of an Event of Default under the Purchase Contract, remedies relating to the sale or lease of the Trustee’s interest in the Improvements would be unavailable.

THE TRUSTEE

U.S. Bank National Association, the Trustee, is a national banking association organized under the laws of the United States. Its corporate trust headquarters are located at 209 South LaSalle Street, Chicago, Illinois. The Trustee will enter into the Acquisition Agreement, the Purchase Contract and the Indenture to facilitate the financing of the Improvements. The Trustee is not financially liable for the Installment Payments and the Certificate Owners will have no right to look to the Trustee for payment of the Certificates. The obligations of the Trustee with respect to the Certificates and the Improvements are limited to those specifically provided for in the Purchase Contract and the Indenture.

TAX MATTERS

TAXABLE CERTIFICATES

An interest portion of each Installment Payment made by the Board to the Trustee, as trustee for the owners of the Certificates, is includible in gross income of the owners thereof for federal income tax purposes. Ownership of the Certificates may result in other federal income tax consequences to certain taxpayers. Certificate owners should consult their own tax advisors with respect to the inclusion of interest on the Certificates in gross income for federal income tax purposes and any collateral tax consequences. An interest portion of each Installment Payment with respect to the Certificates is also not exempt from Illinois state income tax for Certificate owners who are residents of Illinois. Ownership of the Certificates may result in other state and local tax consequences to certain taxpayers, and Chapman and Cutler LLP, Special Counsel, expresses no opinion regarding any such consequences with respect to the Certificates.

BUILD AMERICA PROGRAM

As part of the Recovery Act, Congress added provisions to the Internal Revenue Code of 1986, as amended (the “Code”), that permit state or local governments to obtain certain tax advantages when issuing certain taxable obligations, referred to as “Build America Bonds.” A Build America Bond must satisfy certain requirements, including that the interest on the Build America Bonds would be, but for the issuer’s election to treat such bonds as Build America Bonds, excludible from gross income under Section 103 of the Code. The Board intends to make an irrevocable election to treat the Certificates as Build America Bonds. The Board also intends to make an irrevocable election to treat the Certificates as Build America Bonds that are “qualified bonds” as defined in the Code. As a result of these elections, an interest portion on the Certificates will be includible in gross income of the holders thereof for federal income tax purposes and the

holders of the Certificates will not be entitled to any tax credits as a result either of ownership of the Certificates or of receipt of any interest payments on the Certificates. Certificateholders should consult their tax advisors with respect to the inclusion of interest on the Certificates in gross income for federal income tax purposes.

No assurances are provided that the Board will receive any payments from the federal government with respect to the Certificates. The Board has not covenanted to maintain compliance with rules applicable to Build America Bonds.

LITIGATION

There is no litigation pending against the Board or the University, or to the knowledge of the Board threatened, which in any way questions or affects the validity or enforceability of the Certificates, the right of the Board to enter into the financing documents, the validity or enforceability of the financing documents or the consummation of the transactions described therein or herein. The Board is not aware of any litigation that, if decided adversely to the Board would, individually or in the aggregate, impair the Board's ability to comply with all the requirements set forth in the financing documents or have a material adverse impact on the Board's ability to meet debt service on the Certificates.

LEGAL MATTERS

Certain legal matters incidental to the authorization, validity and enforceability of the Purchase Contract and the authorization, issuance and sale of the Certificates are subject to the approving legal opinion of Chapman and Cutler LLP, as Special Counsel ("Special Counsel"). The proposed form of such opinion is attached hereto as APPENDIX D. Special Counsel has not been retained or consulted on disclosure matters and has not undertaken to review or verify the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Certificates and assumes no responsibility for the statements or information contained or incorporated in this Official Statement, except that _____. Certain legal matters will be passed upon for the Board by its counsel, Dunn, Willard, Arkell, Bugg & Patterson LLP, Bloomington, Illinois, and for the Trustee by its counsel, Reed Smith LLP, New York, New York.

PURCHASE

The Purchaser of the Certificates has agreed, subject to certain customary conditions precedent to closing, to purchase the Certificates from the Board at a purchase price of \$_____ (which is equal to the original principal amount of the Certificates, less an original issue discount of \$_____, plus a original issue premium of \$_____, and less an underwriting discount of \$_____). The Purchaser will be obligated to purchase all of the Certificates if any Certificates are purchased.

FINANCIAL ADVISOR

The Board has engaged John S. Vincent & Company LLC to serve as its financial advisor (the "Financial Advisor") on debt and capital related issues, including the issuance of the Certificates. The Financial Advisor's duties, responsibilities, and fees arise solely from that as financial advisor to the Board.

FINANCIAL STATEMENTS

The financial statements of the University for the year ended June 30, 2009 are set forth in APPENDIX B. These financial statements have been audited by E. C. Ortiz & Co. LLP, independent auditors, as set forth in their report thereon also set forth in APPENDIX B.

Audited financial statements for the University for the fiscal years ended June 30, 2008, 2007, 2006 and 2005 are on file with and may be obtained from the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system for municipal securities disclosure and such audited financial statements are incorporated in this Official Statement by reference thereto. Copies of such audited financial statements may also be obtained from the University’s Office of the Vice President for Finance and Administration, 5500 North St. Louis Avenue, Chicago, Illinois 60625-4699 or at the office of the University’s Financial Advisor, John S. Vincent & Company, LLC, 208 S. LaSalle Street, Suite 1625, Chicago, Illinois 60604.

DESCRIPTION OF RATINGS

Moody’s Investors Service and Standard & Poor’s, respectively, have assigned underlying ratings, respectively, of “___” and “___” to the Certificates.

Such ratings express only the views of above rating agencies. An explanation of the significance of each of the ratings may be obtained from the rating agency furnishing the same. The ratings are not a “market” rating nor a recommendation to buy, sell or hold the Certificates, and the ratings and the Certificates should be evaluated independently. There is no assurance that either of such ratings will continue for any given period of time or will not be revised, or withdrawn entirely by such rating agency, if, in its judgment, circumstances so warrant. Except as required under the Continuing Disclosure Agreement, the Board undertakes no responsibility either to bring to the attention of the Owners of the Certificates any proposed change in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In order to assist the Purchasers in complying with certain provisions of Rule 15c2-12 (the “Rule”) adopted by the Securities and Exchange Commission, under the Securities Exchange Act of 1934, the Board has agreed in a Continuing Disclosure Agreement to provide to certain parties certain annual financial information and operating data and notices of certain material events. The proposed form of the Continuing Disclosure Agreement is included as APPENDIX E to this Official Statement. The Board represents that it has not failed to comply in all material respects with each and every undertaking previously entered into by it pursuant to the Rule. The Continuing Disclosure Agreement may be enforced by any beneficial or registered Owner of Certificates, but the Board’s failure to comply will not be a default under the Indenture. A failure by the Board to comply with the Continuing Disclosure Agreement 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 Certificates in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Certificates and their market price.

ADDITIONAL INFORMATION

All of the summaries of the opinions, contracts, agreements, financial and statistical data, and other related documents described in this Official Statement are made subject to the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are publicly available for inspection at the offices of the Board's Financial Advisor, John S. Vincent & Company LLC, 208 South La Salle Street, Suite 1625, Chicago, Illinois 60604, or at the University's Office of the Vice President for Finance and Administration, 5500 North St. Louis Avenue, Chicago, Illinois 60625-4699.

CERTIFICATION

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

BOARD OF TRUSTEES OF NORTHEASTERN ILLINOIS UNIVERSITY

By: _____
Treasurer, Board of Trustees

APPENDIX A

NORTHEASTERN ILLINOIS UNIVERSITY

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APPENDIX A

NORTHEASTERN ILLINOIS UNIVERSITY

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NORTHEASTERN ILLINOIS UNIVERSITY

GENERAL

Northeastern Illinois University (the “University”) is an accredited public university serving the Chicago metropolitan area. Total graduate and undergraduate enrollment is more than 11,600. In addition to offering traditional programs in the arts, sciences, business, and education, the University has a strong commitment to innovative, non-traditional education and has been a leader in the development of special programs for adult learners.

Northeastern Illinois University traces its origin to the beginnings of teacher training in Illinois. Founded in September 1867 in Blue Island as Cook County’s first teacher training school, the institution has evolved into the comprehensive university that it is today. Its campus at 5500 North St. Louis Avenue opened in 1961.

In 1961, total enrollment was 1,348 students pursuing the bachelor of arts or bachelor of science degrees although the major concentration was primarily in education. Throughout the 1960’s, enrollment increased, programs were expanded, and the institution’s mission broadened. In 1971, with a total enrollment of approximately 7,000, the college became Northeastern Illinois University.

Today, the 67-acre main campus is an attractively landscaped urban oasis near the north branch of the Chicago River. Its location eight miles northwest of downtown Chicago, only twenty minutes from O’Hare Airport, and convenient to expressways and public transportation, makes it an ideal campus for commuter students. The University has no student housing facilities and none are anticipated.

The main campus consists of 18 modern buildings totaling more than 1,000,000 square feet. Instruction is supported by conventional as well as technology-enhanced classrooms, a modern four-story Library with access to local, regional and Internet resources and a wide assortment of traditional and computer laboratories. A redesigned Student Union, a modern Physical Education Complex and a state-of-the-art Fine Arts Center, containing both academic and performance space, complete the opportunities for an excellent well-rounded education. Satellite campuses El Centro de Recursos Educativos, the Carruther’s Center for Inner City Studies and the Chicago Teacher’s Center enhance the University’s ability to serve the entire metropolitan area.

MISSION STATEMENT

Northeastern Illinois University, as a public comprehensive university with locations throughout Chicago, provides an exceptional environment for learning, teaching, and scholarship. We prepare a diverse community of students for leadership and service in our region and in a dynamic multicultural world.

BOARD OF TRUSTEES

The University is governed by its Board of Trustees which is composed of nine voting members appointed by the Governor of the State of Illinois, with the advice and consent of the Illinois Senate, and one voting student member, elected by the students, who serves a one-year term. No more than five of the members appointed by the Governor may be affiliated with the same political party. The Board is responsible for the general supervision and management of the University’s educational programs, its land, buildings and other properties.

The current Board members are set forth below:

<i>Board of Trustees</i>	<i>Term Expires</i>
Carlos Azcoitia, Chair	2011
Carole Balzekas	2007
Grace Dawson, Secretary	2011
Walter W. Dudycz	2009
Omar Duque	2011
Edward G. Dykla	2007
Marvin Garcia	2013
Jin Lee, Vice Chair	2009
Cheryl Rose Devenny (Student Member)	2011
(Vacant Position)	--

PRINCIPAL OFFICERS OF THE UNIVERSITY

The current officers of the University are set forth below:

Principal Officers of the University

Sharon K. Hahs, Ph.D.	President
Lawrence P. Frank, Ph.D.	Provost & Vice President for Academic Affairs
Mark D. Wilcockson, M.B.A., C.P.A.	Vice President for Finance and Administration
Carla Knorowski, Ph.D.	Vice President for Institutional Advancement

Sharon K. Hahs. Dr. Hahs became President of the University in February 2007. Prior to that appointment she had more than 30 years experience in higher education, most recently having served as Provost and Vice Chancellor for Academic Affairs and Director of Special Projects at Southern Illinois University Edwardsville. Dr. Hahs earned her Ph.D. and M.S. in inorganic chemistry from the University of New Mexico and her B.A. in chemistry from Illinois Wesleyan University, Bloomington, Illinois. Dr. Hahs was a member of the chemistry faculty at Metropolitan State College in Denver from 1974-84, where she was promoted to Associate Professor and Professor. She also served as Special Assistant to the Vice President for Academic Affairs for the 1982-83 academic year.

The President of the University is accountable to the Northeastern Illinois University Board of Trustees for the administration of the institution and has full power and responsibilities within the framework of board policies for the organization, management, direction, and supervision of the University.

Lawrence P. Frank. Dr. Frank has been the University Provost and Vice President for Academic Affairs since 2002. Dr. Frank received a bachelor's degree from Northwestern University and master's and doctoral degrees in political science from Columbia University. Before joining the University, Dr. Frank was the Dean of the School of Arts and Sciences at Saint Xavier University, Chicago, Illinois, and served as a faculty member and administrator at Roosevelt University, Chicago, Illinois and St. Lawrence University, Canton, New York, and as a visiting lecturer and professor at several universities.

The Provost and Vice President for Academic Affairs is responsible for instruction, academic programs and academic support services. Academic programs are offered through the College of Arts and Sciences, College of Education, College of Business and Management and Graduate College. Instructional support services are provided by the Library. In addition, Academic Affairs

is administratively responsible for the Carruther's Center for Inner City Studies, the Center for Teaching and Learning, and the Offices of Academic Development, Admissions and Records, Institutional Studies and Planning, and Sponsored Programs.

Mark D. Wilcockson. Mark D. Wilcockson was appointed University Vice President for Finance and Administration in 2000. Mr. Wilcockson served as the Assistant Director of the Illinois Board of Higher Education from April 1984 to July 1988 and as Associate Director of the Illinois Board of Higher Education from July 1988 to August 2000. In such roles, Mr. Wilcockson provided staff leadership in statewide higher education budget analysis and development, policy and analytical studies, grants administration, internal auditing and liaison with external auditors. Mr. Wilcockson, a Certified Public Accountant, received a Bachelor of Arts in accounting and a Master of Business Administration from Sangamon State University, now the University of Illinois, Springfield.

The Vice President for Finance and Administration provides support to the University community through the management of units that contribute to the daily operation of the University. These activities include Facilities Management, University Budgets, Internal Audits and Financial and Administrative Affairs, which encompasses Auxiliaries and Support Services (Bookstore, Child Care Center, Copier Services, Mailing/Shipping and Receiving, Motor Pool, and University Police); Bursar; Controller; Human Resources; Purchasing and University Technology Services.

Carla Knorowsk. Dr. Knorowski became Vice President for Advancement in January 2008. Prior to her appointment she had over 20 years of demonstrated success in public higher education advancement and other nonprofit institutional development, most recently serving as managing director of development at the Chicago Humanities Festival, a \$3.2 million nonprofit arts and humanities organization. Prior to that, she served in various capacities at the University of Illinois at Chicago, including director of advancement and external affairs, vice president and associate chancellor for alumni affairs, and associate dean for development and external affairs.

The Vice President for Institutional Advancement serves as the campus' senior advancement and communications officer. Institutional Advancement is responsible for strengthening and advancing Northeastern through strategic initiatives, programs and campaigns executed by the unit's Offices of Alumni Relations, Development, Marketing and Public Relations. Through these offices, Institutional Advancement seeks to raise awareness for and build and enhance the University's reputation within the community, across the nation and around the world; promote programs and events; publicize accomplishments of faculty, staff and student; raise funds beyond those traditionally provided by the State of Illinois; provide programs for and services to alumni; present opportunities for alumni of the University to reconnect with their alma mater and support it through advocacy, volunteerism, or philanthropy.

ACADEMIC PROGRAMS

The University offers undergraduate and graduate programs in arts and sciences, business and management and education. In addition to degree programs, the University offers many courses and programs of study in in-service education through late afternoon, evening, and Saturday classes, summer sessions, and extension courses. The degree and other programs offered by the University are as follows:

Undergraduate Programs:

African and African-American Studies	Economics	Music
Anthropology	English	Philosophy
Art	Environmental Studies	Physics
Asian Studies	Geography	Political Science
Biology	History	Psychology
Chemistry	Justice Studies	Social Work
Communication, Media & Theatre	Linguistics	Sociology
Computer Science	Latino and Latin American Studies	Speech and Performing Arts
Earth Science	Mathematics	Women's Studies
		World Languages and Cultures

Graduate Programs:

Accounting	Geography and Environmental Studies
Biology	Gerontology
Bilingual/Bicultural	Gifted Education
Business Administration	History
Chemistry	Human Resource Development
Communication, Media & Theatre	Inner City Studies
Computer Science	Language Arts
Counseling	Elementary Education
Community Counseling	Secondary Education
Family Counseling	Latin American Literature and Cultures
Rehabilitation Counseling	Linguistics
School Counseling	Linguistics/TESL Concentration
Educational Leadership	Mathematics
School Leadership	Mathematics for Elementary School Teachers
Higher Education Leadership	Music
English	Political Science
Literature	Reading
Composition/Writing	Special Education
Exercise Science	Initial Certification
	Early Childhood Special Education
	LBS II

ACCREDITATION

The University is accredited by the Higher Learning Commission of the North Central Association and the National Council for Accreditation of Teacher Education. Teacher education programs are recognized by the Illinois State Board of Education.

The University is officially recognized by the Illinois State Board of Education and is approved for veterans training under the provisions of the various federal laws providing educational benefits to former members of the Armed Forces.

A number of individual academic programs have been accredited or otherwise approved by their respective disciplinary professional organization. The Social Work program is accredited by the Council on Social Work Education. The Counselor Education programs are accredited by the Council for the Accreditation of Counseling and Related Educational Programs. The undergraduate Chemistry program is an American Chemical Society "Approved" program. The College of Business and Management is seeking formal pre-accreditation status with the Association to Advance Collegiate Schools of Business (AACSB International).

STUDENT ENROLLMENT

Total University enrollment for the 2009 fall semester was 11,631, consisting of 5,777 full-time and 5,854 part-time students. There were 9,191 undergraduate and 2,440 graduate students. A full-time student for the Fall and Spring semesters is an undergraduate enrolled for 12 or more credit hours or a graduate student enrolled for nine or more credit hours.

The following table sets forth the University's full-time and part-time headcount, undergraduate and graduate headcount and full-time equivalent enrollment of all students (graduate and undergraduate) for the Fall semester of each of the last five calendar years:

	Fall Semester				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Full-time	5,777	5,377	5,452	5,640	5,674
Part-time	<u>5,854</u>	<u>5,816</u>	<u>6,192</u>	<u>6,416</u>	<u>6,553</u>
Total:	11,631	11,193	11,644	12,056	12,227
Undergraduate	9,191	8,987	9,115	9,257	9,418
Graduate	<u>2,440</u>	<u>2,206</u>	<u>2,529</u>	<u>2,799</u>	<u>2,809</u>
Total:	11,631	11,193	11,644	12,056	12,227
Full-time equivalent	7,510	7,132	7,275	7,534	7,664

The following table sets forth the University's enrollment in terms of total credit hours for each of the five Fiscal Years ended June 30, 2005 through 2009.

	Fiscal Year Ended June 30				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Total Credit Hours	234,191	236,564	243,106	249,990	246,551

MATRICULATION

The table below shows applications, acceptances and enrollment for incoming freshmen and transfer students for the past six academic years, based on Fall semester enrollments.

	Freshmen					
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Applications received	4,035	3,785	3,601	3,562	3,071	2,733
Applications approved	2,997	2,691	2,465	2,571	2,298	2,075
Enrolled	1,071	999	957	1,114	1,058	1,062

	Transfer Students					
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Applications received	2,217	2,135	2,127	2,125	2,011	2,135
Applications approved	1,796	1,500	1,561	1,602	1,541	1,672
Enrolled	1,398	1,127	1,170	1,119	1,200	1,216

TUITION AND FEES

Set forth below are the tuition and fees charged by the University in the Fall semester of the academic years 2006 through 2010 on a per credit hour basis (up to 16 credit hours per semester) for full-time undergraduate students who are Illinois residents.

	Fall Semester				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Tuition (Continuing)	210.00	190.00	170.00	156.00	136.00
Tuition (Newly Enrolled Fall 2006) ¹	210.00	175.00	175.00	175.00	175.00
Tuition (Newly Enrolled Fall 2007) ¹	195.00	195.00	195.00	195.00	-
Tuition (Newly Enrolled Fall 2008) ¹	220.00	220.00	220.00	-	-
Tuition (Newly Enrolled Fall 2009) ¹	245.00	245.00	-	-	-
Tuition (Newly Enrolled Fall 2010) ¹	260.00	-	-	-	-
Mandatory Fees					
Activity Fee	3.80	3.70	3.60	2.95	2.40
Student Union	6.75	6.75	6.75	6.60	6.45
Campus Recreation Fee	3.60	3.60	3.60	3.50	2.95
Performing Arts Fee	0.80	0.70	0.70	0.65	0.60
Student Health Service Fee	1.70	1.65	1.65	1.50	1.20
Computer Resource Fee	15.75	14.50	12.50	9.50	6.50
Academic Enhancement Fee	7.50	7.50	7.50	5.00	4.00
Clean/Renewable Energy Fee	3.00	3.00	3.00	-	-
Parking Fee (waivable)	<u>12.00</u>	<u>11.45</u>	<u>10.70</u>	<u>10.10</u>	<u>9.60</u>
Total Mandatory Fees	54.90	52.85	50.00	39.80	33.70
Health Insurance Fee ²	528.25	528.25	474.00	474.00	452.25

¹ Per Public Act 93-0028, Illinois undergraduate students newly enrolled starting Fall 2004 will have their tuition held constant for a period of four continuous academic years.

² Assessed to all Undergraduate students enrolled in 12 or more credit hours who do not provide evidence of other health insurance coverage. Amount shown is the charge per semester.

FINANCIAL AID TO STUDENTS

Approximately 64% of the University's student body receives some form of financial assistance. Such financial aid includes employment, loans, scholarships, grants, and tuition waivers whose funding sources are through various federal, State, institutional, and other programs. Total financial aid expenditures in Fiscal Year 2009 totaled \$35,098,430 of which 25% was funded from federal sources, 60% from the State, 12% from the University and 3% from other sources.

The following table sets forth the source of funding of financial aid expenditures for the past five Fiscal Years ending June 30 for which information is available.

	Fiscal Year ended June 30				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
SOURCE:					
Federal	\$ 8,607,623	\$ 10,340,745	\$ 9,705,686	\$ 9,579,722	\$ 9,824,614
State	21,232,790	23,856,231	22,530,152	19,692,885	15,778,925
University	4,148,748	4,931,607	4,487,706	4,280,735	3,572,587
Other	<u>1,109,269</u>	<u>1,005,118</u>	<u>985,747</u>	<u>984,635</u>	<u>595,431</u>
	\$ 35,098,430	\$ 40,133,701	\$ 37,709,291	\$ 34,538,000	\$ 29,771,557

2010 BUDGET AND STATE APPROPRIATIONS

The University annually receives appropriations from the General Assembly of the State, which are to be applied to the educational and general expenditures of the University. In addition, payments are made by the State on behalf of the University for employee benefits and retirement contributions.

On July 15, 2009, the Governor approved a Fiscal Year 2010 state budget. The Fiscal Year 2010 State general funds budget approved by the General Assembly for the University totaled \$43,401,900. The approved general funds for operations represented no change from Fiscal Year 2009 original appropriations. The University sends vouchers to the State for payment of personal services and other goods and services to be paid from State appropriated funds. Through June 15, 2010, approximately \$28.4 million, or 68.8% of the amount vouchered, of the FY2010 appropriation has been received by the University.

The following table sets forth the State funding received by the University for the past five Fiscal Years:

	Fiscal Year ended June 30				
	(in 000's)*				
	<u>2009**</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
State appropriations – general revenue fund	\$ 44,043	\$ 40,745	\$ 39,994	\$ 39,168	\$ 39,204
Payments on behalf of University	<u>22,910</u>	<u>21,449</u>	<u>18,562</u>	<u>16,208</u>	<u>17,437</u>
Total	\$ 66,953	\$ 62,194	\$ 58,557	\$ 55,376	\$ 56,641

Source: Compiled from audited Financial Reports of the University for Fiscal Years 2005-2009.

* May not sum to total due to rounding.

** The actual state appropriations to the general revenue fund for Fiscal Year 2009 include the original approved appropriation of \$43.4M minus a 2.5% rescission of \$1.1M plus a net addition of \$1.7M from other sources.

In addition, for Fiscal Years 2009, 2008, 2007, 2006 and 2005 the State provided approximately \$1.6 million, \$2.3 million, \$0.4 million, \$0.6 million and \$2.9 million, respectively, in Capital Funds for University projects.

There can be no assurance that State appropriations will continue to be made at the current level or be received in a timely fashion.

FACULTY AND STAFF [Update, as needed]

As of the Fall term 2009, the University's faculty totaled ___ members, ___ of which are full time. Of the total faculty, approximately ___% are tenured or tenured track. The faculty-student ratio based on ___ full-time equivalent faculty and _____ full-time equivalent students is _____.

The University employs a staff of ___ full-time employees. Of this total, ___ are full-time Civil Service and the remaining ___ are permanent, full-time administrators and professional staff.

The majority of faculty and staff of the University are represented by five different unions. The faculty, some administrative and professional staff and some Civil Service classifications are represented by the University Professionals of Illinois AFT-IFT, AFL-CIO, Local 4100. Building service workers are represented by Local 714, International Brotherhood of Teamsters. Plant operating engineers are represented by the International Union of Operating Engineers, AFL-CIO, Local 399. Council 31 of the American Federation of State, County and Municipal Employees, AFL-CIO, Local 1989 represents the clerical and paraprofessional workers. The Fraternal Order of Police represents employees in the Police Officer I classification.

The University characterizes its relationship with all of these unions as good. The contracts now in place have varied termination dates. Last year the University Professionals of Illinois went on strike; however, the University remained open. The strike ended with a four-year agreement without a wage re-opener during the term on the contract.

EMPLOYEE BENEFITS

The University provides all full-time continuing employees with health, dental, and life insurance coverage with nominal employee-paid premiums. Those same coverages are available for the employee's dependents at group rates. The part-time continuing staff who have a 50% or higher appointment also are eligible to participate in this same insurance program.

Educational benefits also are available to permanent employees of the University. For full-time employees, the University waives the tuition payment for the first six credit hours per term. State law requires a 50% tuition waiver for children of employees of public universities with at least seven years of service.

Employees also are provided the opportunity to participate in tax deferred savings programs. In addition, dependent upon an employee's classification and status, sick leave and vacation time are also available.

All employees of the University are covered by the Illinois Workers' Compensation Act and can receive payment for medical expenses and/or salary compensation for on-the-job injuries. By law, the University is required to participate in the State Universities Retirement System of Illinois and Medicare Tax of the FICA program.

STATE UNIVERSITIES RETIREMENT SYSTEM OF ILLINOIS[Update, as needed]

Retirement benefits are provided for substantially all University employees under a contributory retirement plan administered by the State Universities Retirement System of Illinois

(the “Retirement System”). Approximately _____ employees of the University participated in the Retirement System as of _____, 20___. Historically, employer contributions to the Retirement System with respect to University employees have not constituted an operating expense of the System. The liabilities of the State Universities Retirement System relating to payments to University participants are not liabilities of the Board, but are liabilities of the State Universities Retirement System, again subject to continued annual appropriations by the General Assembly of the State.

FINANCIAL CONDITION OF THE UNIVERSITY

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

Included in APPENDIX B is the most recent Financial Audit of the University for Fiscal Year 2009.

REVENUES AND EXPENDITURES OF THE UNIVERSITY
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 THRU 2009

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating Revenue:				
Student Tuition and Fees, net of scholarship allowance	\$ 42,672,062	\$ 40,447,226	\$ 34,477,189	\$ 32,821,397
Federal Grants and Contracts ⁽¹⁾	12,607,691	14,962,034	24,393,435	21,046,482
State and Local Grants	3,061,082	3,469,916	5,179,911	4,133,940
Nongovernmental Grants and Contracts	1,489,238	1,613,907	1,174,018	1,402,805
Auxiliary Enterprises	3,434,342	3,333,719	3,283,405	3,297,405
Other Operating Revenue	3,290,560	2,995,344	2,943,430	2,664,272
Total Operating Revenue	66,554,975	66,822,146	71,451,388	65,366,301
Operating Expenses:				
Instruction	61,354,540	57,031,681	41,004,674	40,342,794
Research	1,005,011	953,381	771,010	158,458
Public Service	14,502,092	17,738,913	19,354,940	15,223,591
Academic Support	9,015,138	8,926,086	6,402,891	6,435,117
Student Services and Programs	11,022,575	10,298,189	8,856,022	8,233,391
Institutional Support ⁽²⁾	10,191,864	10,393,188	31,301,841	28,299,628
Operation and Maintenance of Plant	12,552,318	12,190,804	9,877,389	10,097,128
Scholarships and Fellowships	5,348,939	4,592,734	4,914,597	4,905,792
Auxiliary Enterprises	3,752,658	4,171,490	2,719,513	2,481,931
Depreciation Expense	5,336,575	5,228,066	4,897,271	4,169,179
Other Operating Expenses	1,915,830	3,841,645	2,857,162	1,607,214
Total Operating Expenses	135,997,540	135,366,177	132,957,310	121,954,223
Operating Loss	(69,442,565)	(68,544,031)	(61,505,922)	(56,587,922)
Non-Operating Revenues (Expenses):				
State Appropriations				
General Revenue Fund	44,043,061	40,745,238	39,994,182	39,168,216
Payments on Behalf of the University	22,909,660	21,448,970	18,562,423	16,207,855
Federal Pell grant ⁽¹⁾	10,300,329	9,065,767	-0-	-0-
Gifts and Donations	71,745	148,330	100,000	100,000
Investment Income	(209,171)	608,814	1,414,600	557,334
Interest on Indebtedness	(1,533,100)	(1,571,749)	(1,600,052)	(1,180,342)
Other Non-operating Revenues (Expenses)	80,234	283,531	151,803	586,370
Net Non-operating Revenues	75,662,758	70,728,901	58,622,956	55,439,433
Income before other Revenues, Expenses Gains or Losses	6,220,193	2,184,870	(2,882,966)	(1,148,489)
(Loss) on Sale Of Capital Assets	8,938	(32,780)	(22,007)	10,908
Capital Additions provided by State of Illinois	1,617,304	2,328,793	391,902	616,636
Increase in Net Assets	7,846,435	4,480,883	(2,513,071)	(520,945)
Net Assets				
Net Assets – Beginning of Year	89,413,428	84,932,545	87,445,616	87,966,561
Net Assets – End of the Year	\$ 97,259,863	\$ 89,413,428	\$ 84,932,545	\$ 87,445,616

⁽¹⁾ Commencing in Fiscal Year 2008, the University began classifying Pell grants as non-operating grants rather than operating grants.

⁽²⁾ Commencing in Fiscal Year 2008, on behalf payments (representing health care and retirement costs) and computing services costs which were presented under institutional support in the prior year financial statements have been allocated to all other functional expense categories.

FUND BALANCES OF THE UNIVERSITY

Prior to adopting the New Financial Reporting Model in Fiscal Year 2002, the University prepared its financial statements in accordance with the principles of fund accounting. Under the previous financial statement presentation, resources for various purposes were classified into funds in accordance with the activities or objectives specified. In addition, the University accounted for its finances within current and noncurrent fund groups. Current funds were defined as either unrestricted and available for operating purposes or other uses as determined by the Board or restricted and available for specific operating purposes. Noncurrent funds included loan funds, endowment and similar funds and plant funds. Loan funds represented student loans or funds held specifically for making loans to students. The following table sets forth a Historical Summary of Fund Balances of the University for Fiscal Years 2005 through 2009.

	Fund Balances of the University as of June 30				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Current Fund – Unrestricted ⁽³⁾	\$ 5,954,798	\$ 487,938	\$ (787,237)	\$ (1,082,026)	\$ (1,857,657)
Compensated Absences ⁽¹⁾	<u>9,391,229</u>	<u>10,574,229</u>	<u>11,292,529</u>	<u>11,251,004</u>	<u>11,553,035</u>
Adjusted Unrestricted					
Current Funds	\$ 15,346,027	\$ 11,062,167	\$ 10,505,292	\$ 10,168,978	\$ 9,695,378
Loan Funds	\$ 2,611,264	\$ 2,740,454	\$ 2,805,227	\$ 2,871,705	\$ 2,921,166
Plant Funds ^{(2) (3)}	\$ 87,909,950	\$ 85,594,463	\$ 81,915,894	\$ 84,066,068	\$ 85,634,269
Total Funds (Excluding					
Restricted Current Funds)	\$ 96,476,012	\$ 88,822,855	\$ 83,933,884	\$ 85,855,747	\$ 86,697,778

⁽¹⁾ Compensated Absences are accumulated unpaid vacation and sick leave which is recognized as an expense and accrued when earned by employees, per FASB 43. The FASB 43 presentation requirements result in a reduction of current fund balances. An adjustment for compensated absences is made above to reflect Current Funds on an actual cash flow basis. Actual cash outlays for compensated absences in Fiscal Year 2009 totaled \$980,052 while an additional (\$202,948) was accrued.

⁽²⁾ Adjusted to reflect the cumulative impact of prior years depreciation, as required by GASB 35.

⁽³⁾ Commencing in Fiscal Year 2008, certain non-capital related debts, which were presented under invested in capital assets, net of related debts and some other restricted net assets in the prior year financial statements have been reclassified to unrestricted net assets.

APPENDIX B

FINANCIAL AUDIT FROM
THE FINANCIAL STATEMENT REPORT OF NORTHEASTERN ILLINOIS UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2009

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**State of Illinois
Northeastern Illinois University
Financial Audit
For the Year Ended June 30, 2009**

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Related Report Published under a Separate Cover

Northeastern Illinois University
Compliance Examination (In Accordance with the Single Audit Act
and OMB Circular A-133) for the Year Ended June 30, 2009

**State of Illinois
Northeastern Illinois University
Financial Audit
For the Year Ended June 30, 2009**

Agency Officials

President	Dr. Sharon Hahs
Vice President for Finance and Administration	Mr. Mark Wilcockson, CPA
Associate Vice President - Financial and Administrative Affairs	Mr. David Jonaitis
Director of Financial Affairs / Controller	Ms. Peggy Ho
Director of Internal Audit	Mr. Ronald Cierny, CPA
Executive Director - Office of University Budgets	Ms. Helen Ang

Agency offices are located at:

5500 North St. Louis Avenue
Chicago, Illinois 60625

**State of Illinois
Northeastern Illinois University
Financial Audit
For the Year Ended June 30, 2009**

Financial Statement Report

Summary

The audit of the accompanying basic financial statements of Northeastern Illinois University was performed by E.C. Ortiz and Co., LLP.

Based on their audit, the auditors expressed an unqualified opinion on the University's basic financial statements.

The auditors reported that the supplementary information presented in this section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and the auditors express no opinion on them.

Summary of Findings

The auditors identified matters involving the University's internal control over financial reporting that they considered to be significant deficiencies. The significant deficiencies are described in the accompanying Schedule of Findings on pages 53-59 of this report, as finding 09-1, *Controls for Reporting Accrued Compensated Absences*, finding 09-2, *Financial Adjustments*, and finding 09-3, *Student Receivables Not Reconciled Timely*. The auditors also considered finding 09-1 to be a material weakness.

Exit Conference

The University waived having an exit conference in a letter dated November 25, 2009, from the University's Vice President for Finance and Administration, Mark Wilcockson.

The responses to the recommendations were provided by Mark Wilcockson in a letter dated December 8, 2009.



INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying basic financial statements of the business-type activities of Northeastern Illinois University (University) and its aggregate discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the University's June 30, 2008 financial statements and, in our report dated January 22, 2009, we expressed an unqualified opinion on those financial statements. We did not audit the financial statements of the aggregate discretely presented component unit, as described in Note 1 of the financial statements. Those statements were audited by other auditors whose report thereon has been provided to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the aggregate discretely presented component unit, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate discretely presented component unit of Northeastern Illinois University, as of June 30, 2009, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2009 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The *Management's Discussion and Analysis* on pages 6 through 17 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Northeastern Illinois University's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, as listed in the table of contents, has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we express no opinion on it.

E.C. Arviz & Co., LLP
December 15, 2009

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

This section of Northeastern Illinois University's (University) annual report presents management's discussion and analysis of the University's financial position and activities during the fiscal year ended June 30, 2009 with comparative information for the year ended June 30, 2008. The discussion and analysis is designed to focus on current activities and currently known facts. Please read it in conjunction with the University's financial statements and related footnote disclosures. This discussion and analysis is focused on the University, a discussion and analysis of the University's Foundation can be found in the separately issued financial statements of the University's Foundation.

USING THIS ANNUAL REPORT

The University's annual report contains three financial statements: The Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. These financial statements are prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements - and Management Discussion and Analysis - for Public Colleges and Universities*, as amended by GASB Statements No. 37 and 38. These statements establish standards for external financial reporting and provide a consolidated perspective of the University's assets, liabilities, net assets, revenues, expenses, and cash flows.

The **Statement of Net Assets** presents the assets, liabilities, and net assets of the University as of the end of the fiscal year using the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided, and expenses and liabilities are recognized when a service is delivered to the University, regardless of when cash is exchanged. Net assets, the difference between total assets and total liabilities, is one indicator of the overall strength of the institution. Except for capital assets, all other assets and liabilities are measured at a point in time using current values. Capital assets are recorded at historical cost less an allowance for depreciation. For comparison purposes, comparative data are provided for the prior year.

The **Statement of Revenues, Expenses and Changes in Net Assets** presents the University's results of operations, as well as the nonoperating revenues and expenses for the fiscal year. Operating revenues are generated by providing goods and services to various customers and constituencies of the University. Operating expenses are incurred when goods and services are provided by vendors and employees for the overall operations of the University. Nonoperating revenues and expenses include resources provided by the State and other nonoperating transactions. For comparison purposes, comparative data are provided for the prior year.

The **Statement of Cash Flows** presents the receipt and use of cash and cash equivalents in the University's operating, financing, and investing activities during the fiscal year and provides a view of the University's ability to meet financial obligations as they mature. For comparison purposes, comparative data are provided for the prior year.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

The **Notes to Financial Statements** are a crucial component of the report because they include important background and financial information that may not be reflected on the face of the statements. Details on the University's accounting policies, long-term debt obligations, cash holdings, capital assets, and other important areas are presented in the footnotes.

FINANCIAL HIGHLIGHTS

Highlights of the University's financial position for the fiscal year ended June 30, 2009 are presented below:

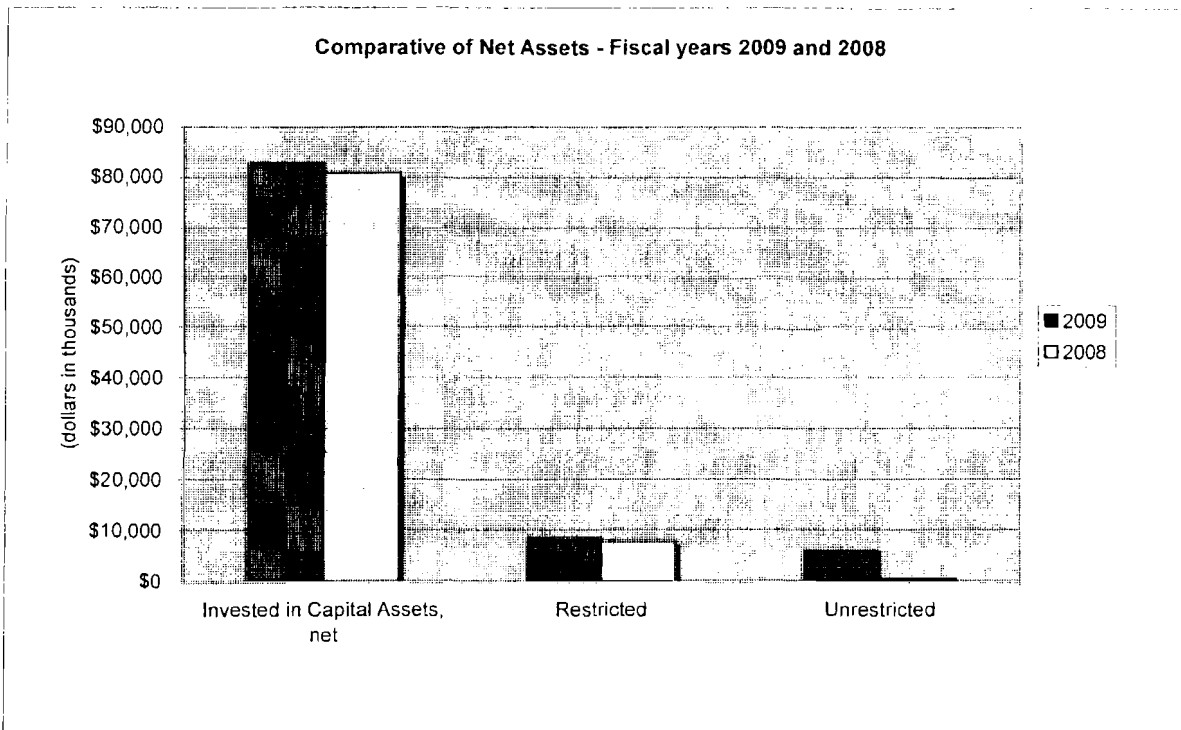
- The University has total assets of \$151.3 million, including current assets of \$32.7 million and noncurrent assets of \$118.6 million.
- The University has total liabilities of \$54.1 million, including current liabilities of \$12.4 million and noncurrent liabilities of \$41.7 million.
- The University's total net assets increased over the prior year by \$7.8 million to \$97.3 million, including an increase of \$1.8 million in net capital assets, an increase of \$0.6 million in restricted net assets and an increase of \$5.4 million in unrestricted net assets.
- The total operating revenues of the University were \$66.6 million, including \$42.7 million in student tuition and fees, net of scholarship allowances, and \$17.2 million in grants and contracts.
- The total operating expenses of the University were \$136.0 million, including \$61.4 million in instruction.
- The operating loss of \$69.4 million was completely funded by nonoperating revenues, including State appropriations, gifts and donations, investment income, payments on behalf of the University, Federal Pell Grant revenue, and other nonoperating revenues. As a result, net income before other revenues, expenses, gains and losses totaled \$6.2 million. This amount includes \$5.3 million in depreciation expense.

FINANCIAL ANALYSIS

Following are condensed financial statements. Certain significant items are discussed in further detail following each respective statement.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

Statement of Net Assets



Condensed Statement of Net Assets

As of June 30, 2009 and 2008

(dollars in thousands)

	2009	2008	Increase (Decrease)	Percent Change
ASSETS				
Current Assets	\$ 32,671	\$ 25,910	\$ 6,761	26.1%
Non-current Assets				
Restricted cash and cash equivalent	7,321	9,009	(1,688)	-18.7%
Restricted investment	2,269	3,833	(1,564)	-40.8%
Receivables, net	2,455	2,559	(104)	-4.1%
Unamortized bond issue costs	690	723	(33)	-4.6%
Capital assets, net	105,930	104,389	1,541	1.5%
Total Assets	151,336	146,423	4,913	3.4%

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

	2009	2008	Increase (Decrease)	Percent Change
LIABILITIES				
Current Liabilities	12,394	13,077	(683)	-5.2%
Non-current Liabilities				
Liability for compensated absences	8,211	9,491	(1,280)	-13.5%
Revenue Bonds Payable	20,010	20,395	(385)	-1.9%
Certificates of Participation	13,461	14,046	(585)	-4.2%
Total Liabilities	54,076	57,009	(2,933)	-5.1%
NET ASSETS				
Invested in Capital Assets, net	82,812	80,997	1,815	2.2%
Restricted	8,493	7,928	565	7.1%
Unrestricted	5,955	488	5,467	1120.3%
Total Net Assets	\$ 97,260	\$ 89,413	\$ 7,847	8.8%

Current Assets - The majority of the Current Assets of the University consists of cash and cash equivalents of \$21.2 million, and net receivables of \$10.9 million, including \$5.6 million in grants receivables, \$1.6 million in tuition and fees receivables, and \$3.6 million in other receivables. Total current assets increased by \$6.8 million from the prior year. This increase was primarily due to the \$5.7 million increase in cash and cash equivalents, and \$1.0 million increase in receivables. The increase in cash and cash equivalents was due to the \$2.2 million increase in tuition and fees and the \$3.3 million increase in State appropriation, while the operating expenses stayed in the same level as the prior year. The increase in receivables was mainly due to the \$3.2 million increase in other receivables, and \$1.8 million decrease in grant receivables. The increase in other receivables was due to the slow payment of appropriated funds from the State of Illinois. The decrease in grant receivables was due to the timing of the collections and non-renewal of several Federal and State grants.

Noncurrent Assets - As of June 30, 2009, the University had total noncurrent assets of \$118.6 million compared with \$120.5 million at June 30, 2008. This net decrease of \$1.9 million was primarily due to the 1.7 million decrease in restricted cash and cash equivalents, \$1.6 million decrease in restricted investment, and \$1.5 million increase in capital assets. The decrease in restricted cash and cash equivalents reflects spending from the proceeds of the 2006 Certificate of Participation. The decrease in restricted investments was due to the liquidation of some investments because of the market turmoil. The increase in capital assets was mainly due to the renovation of Building CBM. The University's net investment in capital assets is as follows:

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

**Capital Assets, Net
As of June 30, 2009 and 2008
(dollars in thousands)**

	2009	2008	Increase (Decrease)	Percent Change
Capital Assets				
Land and Land Improvements	\$ 8,008	\$ 7,971	\$ 37	0.5%
Site Improvements	6,148	5,940	208	3.5%
Building	123,624	122,886	738	0.6%
Equipment and Historical Treasures	14,312	13,994	318	2.3%
Library Books	21,242	20,500	742	3.6%
Construction in Progress	7,156	2,680	4,476	167.0%
Total	180,490	173,971	6,519	3.7%
Less: Accumulated Depreciation	74,560	69,581	4,979	7.2%
Net Capital Assets	<u>\$ 105,930</u>	<u>\$ 104,390</u>	<u>\$ 1,540</u>	<u>1.5%</u>

Current Liabilities - Current liabilities consist primarily of accounts payable and accrued liabilities of \$6.3 million, deferred revenues for summer tuition and grants of \$3.9 million, and the current portion of the liability for compensated absences of \$1.2 million. Total current liabilities as of June 30, 2009 were \$12.4 million.

Noncurrent Liabilities - Noncurrent liabilities consist of long-term debt and other obligations for which the principal is due more than one year from the statement of net assets date. Long-term debt and obligations totaled \$41.7 million at June 30, 2009 as compared to \$43.9 million at June 30, 2008. The decrease of \$2.2 million was due to the \$1.3 million decrease in liability for compensated absences, and the \$0.9 million decrease in revenue bonds and certificates of participation outstanding. The University's current revenue bonds payable consists of University Facilities Revenue Bonds Series 1973, University Facilities System Revenue Bonds Series 1997, and University Facilities System Revenue Bonds Series 2004.

Fiscal year 2009 principal repayments for the three revenue bonds and the Certificates of Participation are as follows:

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

Debt Type	Principal paid in FY 2009
Revenue Bonds Series 1973	\$ 145,000
Revenue Bonds Series 1997	215,000
Revenue Bonds Series 2004*	-
Certificates of Participation 2006	<u>570,000</u>
Total Principal Paid	<u>\$ 930,000</u>

** No principal repayment until year 2014*

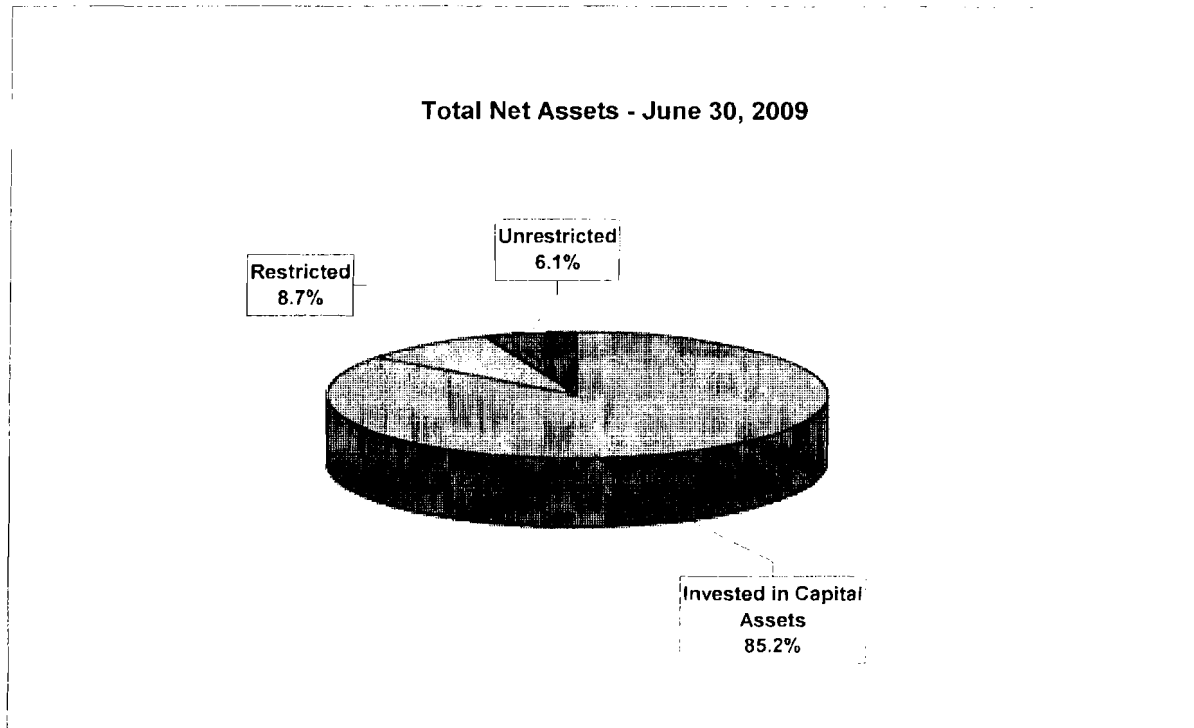
Total Net Assets - Net assets are divided into three major categories. The first category, invested in capital assets, net of related debts, reports the University's net equity in property and equipment. The second category, restricted net assets, reports net assets that are owned by the University, but the use or purpose of the funds is restricted by an external source or entity. The third category is unrestricted net assets, which are available to be used for any lawful purpose of the University. The total net assets increased by \$7.8 million over the prior year. This increase was primarily due to a \$1.8 million increase in invested in capital assets, net of related debt, and a \$5.5 million increase in unrestricted net assets. The increase in unrestricted net assets is due mainly to a \$2.2 million increase in tuition and fee revenue, and a \$3.3 million increase in State appropriations while operating expenses remained the same level, as mentioned previously. The following is a breakdown of the \$8.5 million restricted net assets:

**Restricted Net Assets
As of June 30, 2009 and 2008
(dollars in thousands)**

	2009	2008
Grants and Contracts	\$ 784	\$ 591
Student loans	2,611	2,740
Debt Service	3,063	2,466
Other	<u>2,035</u>	<u>2,131</u> *
Total Restricted Net Assets	<u>\$ 8,493</u>	<u>\$ 7,928</u>

** Certain noncapital assets related debts, which were originally presented under other restricted net assets resulting in a negative amount in the prior year financial statements have been reclassified to unrestricted net assets. This reclassification has no overall effect to the total net assets.*

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**



Statement of Revenues, Expenses, and Changes in Net Assets

**Condensed Statement of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2009 and 2008
(dollars in thousands)**

	2009	2008	Increase (Decrease)	Percent Change
OPERATING REVENUES				
Net Tuition and Fees	\$ 42,672	\$ 40,447	\$ 2,225	5.5%
Grants and Contracts	17,158	20,046	(2,888)	-14.4%
Auxilliary Enterprises	3,434	3,334	100	3.0%
Other	3,291	2,995	296	9.9%
Total Operating Revenues	66,555	66,822	(267)	-0.4%
OPERATING EXPENSES				
Instruction	61,354	57,032	4,322	7.6%
Public Service	14,502	17,739	(3,237)	-18.2%
Academic Support	9,015	8,926	89	1.0%
Student Services and Programs	11,022	10,298	724	7.0%
Institutional Support	10,192	10,393	(201)	-1.9%

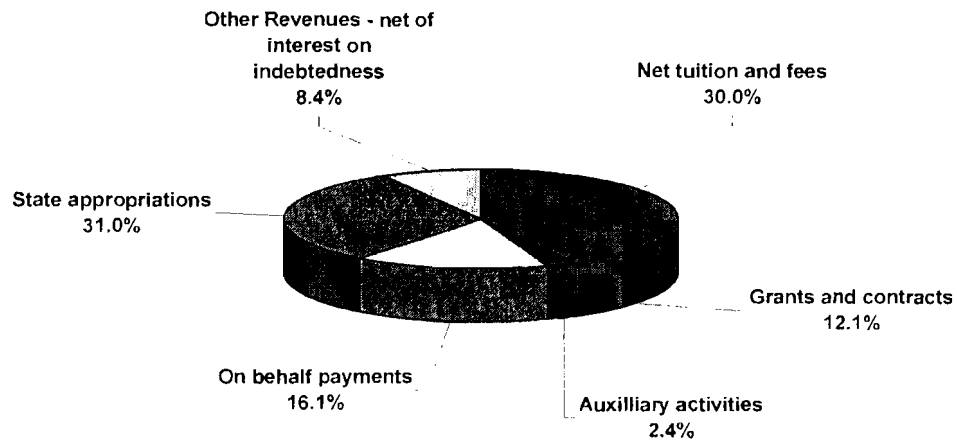
**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

	2009	2008	Increase (Decrease)	Percent Change
Operations and Maintenance of Plant	12,552	12,191	361	3.0%
Depreciation Expense	5,337	5,228	109	2.1%
Auxiliary	3,753	4,171	(418)	-10.0%
Other	8,270	9,388	(1,118)	-11.9%
Total Operating Expenses	135,997	135,366	631	0.5%
Operating Loss	(69,442)	(68,544)	(898)	1.3%
NON-OPERATING REVENUES (EXPENSES)				
State Appropriations	44,043	40,745	3,298	8.1%
Payments on Behalf of the University	22,910	21,449	1,461	6.8%
Pell Grant	10,300	9,066	1,234	13.6%
Other Non-Operating Revenues	(57)	1,041	(1,098)	-105.5%
Other Non-Operating Expenses	(1,533)	(1,572)	39	-2.5%
Total Non-Operating Revenues	75,663	70,729	4,934	7.0%
NET INCOME	6,221	2,185	4,036	184.7%
Gain/(Loss) on Disposal of Capital Assets	9	(33)	42	-127.3%
Capital Additions Provided by State of Illinois	1,617	2,328	(711)	-30.5%
CHANGES IN NET ASSETS	7,847	4,480	3,367	75.1%
NET ASSETS, BEGINNING OF YEAR	89,413	84,933	4,480	5.3%
NET ASSETS, END OF YEAR	<u>\$ 97,260</u>	<u>\$ 89,413</u>	<u>\$ 7,847</u>	<u>8.8%</u>

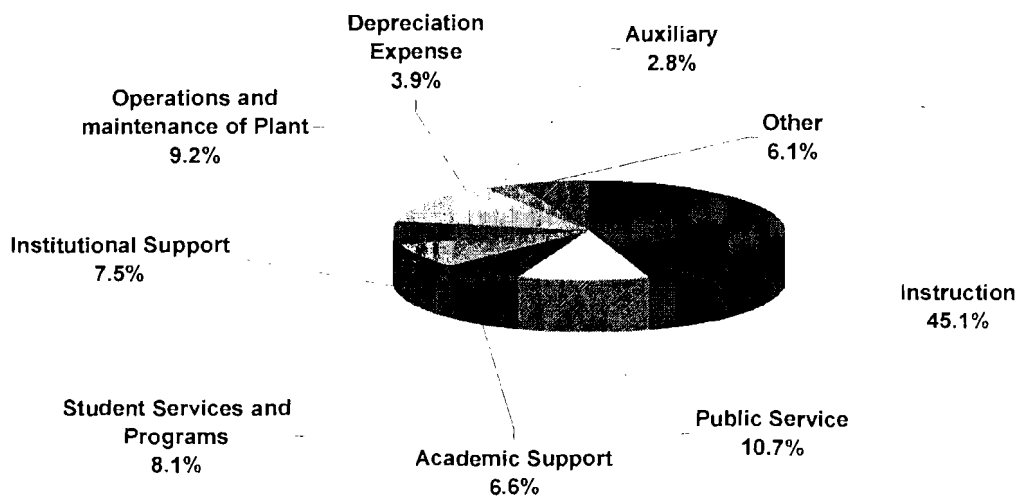
Note: PELL grant revenues which were reported as operating revenues in the prior year financial statements have been reclassified to non-operating revenues. Payments on-behalf of the University and computer services, which were presented under Institutional Support in the prior year financial statements, have been allocated to other functional categories. This re-allocation of costs was a result of the re-accreditation visit and review by the Higher Learning Commission Evaluation team.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

Total Revenue by Source - June 30, 2009



Operating Expenses - June 30, 2009



**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

Operating Revenues - Total operating revenues stayed nearly level with the prior year, decreasing by less than one percent. This is the result of the increase in tuition and fees of \$2.2 million and the decline in grant and contract awards of \$2.9 million due to the non-renewal of certain federal and state grants.

Operating Expenses - Instruction accounted for the largest portion of operating expenses at \$61.4 million. Public service is the next largest at \$14.5 million. These two sources, plus student service at \$11.0 million, operation and maintenance at \$12.6 million, institutional support at \$10.2 million, and academic support at \$9.0 million, account for approximately 87 percent of the operating expenses of the University. Operating expenses increased by \$0.6 million. This increase is the result of three items: instruction increased by \$4.3 million, mainly due to a \$1.2 million increase in salary expenses; a \$1.5 million increase in payments on behalf of the University for health insurance and retirement benefits; and \$1.0 million in grant expenditures associated with Hispanic Serving Institution Initiative. In addition, public service decreased by \$3.2 million, which is in line with the decrease of federal and state grant awards, and other expenses decreased by \$1.1 million, mainly due to the decrease in expenses of the ERP project which was substantially completed in fiscal year 2008.

Non-operating Revenues (Expenses) - This consists of State appropriations, on behalf payments, Federal Pell grant revenue, investment income, and other nonoperating revenues, less interest on indebtedness. Total nonoperating revenues increased by \$4.9 million. This is due primarily to the increase of \$3.3 million in State appropriations, and the increase of \$1.5 million in payments on behalf of the University.

Statement of Cash Flows

**Condensed Statement of Cash Flows
For the Years Ended June 30, 2009 and 2008
(dollars in thousands)**

	<u>2009</u>	<u>2008</u>
Cash received from operations	\$ 68,250	\$ 67,617*
Cash expended for operations	(109,754)	(110,448)
Net cash used by operating activities	(41,504)	(42,831)
Net cash provided by noncapital financing activities	51,220	50,038*
Net cash used by capital financing activities	(7,047)	(5,379)
Net cash provided by investing activities	1,354	3,122
Net increase in cash	4,023	4,950
Cash - beginning of the year	24,506	19,556
Cash - end of the year	\$ 28,529	\$ 24,506

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

** Certain cash received from operations has been reclassified to cash provided by noncapital financing activities. This is the result of the reclassification of Federal Pell grant from operating revenues to nonoperating revenues.*

The primary cash receipts from operating activities consist of tuition and fees of \$42.5 million, and grants and contracts of \$18.5 million. Cash outlays included payments to employees of \$75.3 million, payments for fringe benefits of \$5.5 million, and payments to suppliers of \$23.2 million.

The State appropriation of \$40.7 million is the primary source of noncapital financing activities. Accounting standards require the University to reflect this source of revenue as nonoperating even though the University's budget depends on this to support operations.

The main capital financing activities included purchases of capital assets and construction costs of \$4.6 million, and debt service payment of \$2.5 million.

Investing activities reflect purchases, sales, and interest income earned on investments. The decrease in interest rate, the maturity of investments of proceeds from Certificates of Participation issued in fiscal year 2006, and unrealized market fluctuation resulted in a decrease of \$0.8 million in investment income.

SIGNIFICANT FINANCIAL EVENTS IMPACTING FUTURE PERIODS

For the State of Illinois, revenues from sales taxes and income taxes, two of the major sources of funding for State operations, continue to decline. This means that increasing or even level support from the State of Illinois for Northeastern Illinois University operations is unlikely.

From fiscal year 2002 to the current fiscal year 2010, State general funds appropriation to Northeastern for ongoing operations decreased \$2.0 million, or 4.4 percent, without adjusting for inflation. During this period, the share of operating expenses paid by students through their tuition charges increased from 31 percent of the University's operating budget to 46 percent. In addition, the current fiscal year 2010 operating budgets for Illinois public universities include an infusion of federal stimulus money that will not be available in the following year.

The balancing of University spending priorities, decreasing State funding, and increasing student charges will continue to be the focus for future periods.

Northeastern Illinois University prepared for the impact of these challenges in several ways. Most importantly, the University community engaged in an inclusive strategic planning process, the result of which is a comprehensive strategic plan endorsed by our Board of Trustees that prioritizes our goals, objectives and spending priorities for the next several years. That plan will guide our decisions in future periods, regardless of the level of state funding.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

Student recruitment, retention, and success are the highest priorities in University's strategic plan. While there are many facets of these student initiatives, for planning purposes, a steady or increasing student population has a significant positive impact on academic and fiscal planning. The University's Enrollment Planning Council developed and implemented strategies to strengthen enrollments and the results are evident in our latest enrollment numbers. These efforts will have a positive financial impact on future periods.

A third area to mention is progress the University has made in the development area. The University set a high priority on strengthening the institutional advancement function and the results are evident. This past year, the University Foundation, for the first time, exceeded \$1.0 million in planned and actual giving. While not directly benefiting the University's operating budget, the availability of additional student scholarships will strengthen our student recruitment and retention efforts and make Northeastern a more affordable University for students to access higher education. These efforts also will have a positive financial impact on future periods.

CONTACTING NEIU'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of Northeastern Illinois University's finances and to show the University's stewardship and accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mark Wilcockson, Vice President for Finance and Administration, or Peggy Ho, Director of Financial Affairs/Controller, at 5500 N. St. Louis Avenue, Chicago, IL 60625.

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
STATEMENT OF NET ASSETS

	JUNE 30,			
	2009		(Comparative totals only) 2008	
	University	Foundation	University	Foundation
ASSETS				
<i>Current assets:</i>				
Cash and cash equivalents	\$ 21,208,527	\$ 904,711	\$ 15,496,863	\$ 146,924
Short-term investments	-	513,795	-	1,669,330
Receivables				
Grants	5,560,856	-	7,413,893	-
Student loans (net of allowance for doubtful accounts of \$354,214 in 2009 and \$321,482 in 2008)	91,042	-	72,591	-
Tuition and fees (net of allowance for doubtful accounts of \$1,631,832 in 2009 and \$502,142 in 2008)	1,588,412	-	1,967,034	-
Other receivables (net of allowance for doubtful accounts of \$660,365 in 2009 and \$747,449 in 2008)	3,609,829	6,882	394,684	215,831
Inventories	12,708	-	57,396	-
Deferred charges	566,436	-	474,324	-
Other assets	32,827	5,464	32,827	3,085
<i>Total current assets</i>	<u>32,670,637</u>	<u>1,430,852</u>	<u>25,909,612</u>	<u>2,035,170</u>
<i>Noncurrent assets:</i>				
Restricted cash and cash equivalents	7,320,742	-	9,008,711	-
Restricted investments	2,269,474	2,655,764	3,832,664	2,537,686
Receivables				
Student loans (net of allowance for doubtful accounts of \$494,657 in 2009 and \$429,997 in 2008)	2,236,646	-	2,426,081	-
Tuition and fees (net of allowance for doubtful accounts of \$1,224,387 in 2009 and \$917,565 in 2008)	218,365	-	132,849	-
Unamortized bond issue costs	690,012	-	722,839	-
Capital assets				
Land and land improvements	8,007,817	-	7,971,117	-
Site improvements (net of accumulated depreciation of \$3,699,284 in 2009 and \$3,459,153 in 2008)	2,448,878	-	2,481,096	-
Buildings and building improvements (net of accumulated depreciation of \$41,944,569 in 2009 and \$39,179,865 in 2008)	81,679,278	-	83,706,463	-
Equipment (net of accumulated depreciation of \$11,071,320 in 2009 and \$9,985,089 in 2008)	3,157,492	-	3,960,181	-
Nondepreciable historical treasures and works of art	83,330	-	48,330	-
Library books (net of accumulated depreciation of \$17,844,992 in 2009 and \$16,957,004 in 2008)	3,397,371	-	3,542,938	-
Construction in progress	7,155,489	-	2,679,693	-
Other assets	-	18,286	-	18,286
<i>Total noncurrent assets</i>	<u>118,664,894</u>	<u>2,674,050</u>	<u>120,512,962</u>	<u>2,555,972</u>
<i>Total assets</i>	<u>151,335,531</u>	<u>4,104,902</u>	<u>146,422,574</u>	<u>4,591,142</u>

See accompanying notes to basic financial statements

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
STATEMENT OF NET ASSETS

	JUNE 30,			
	2009		(Comparative totals only) 2008	
	University	Foundation	University	Foundation
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable and accrued liabilities	6,327,449	8,344	6,460,540	20,407
Deferred revenues	3,856,323	465,367	4,500,183	752,753
Liability for compensated absences	1,180,750	-	1,083,407	-
Revenue bonds payable	385,000	-	360,000	-
Certificates of participation, net	585,284	-	565,284	-
Funds held in custody for others	59,230	-	107,472	-
<i>Total current liabilities</i>	<u>12,394,036</u>	<u>473,711</u>	<u>13,076,886</u>	<u>773,160</u>
<i>Noncurrent liabilities:</i>				
Liability for compensated absences	8,210,479	-	9,490,822	-
Revenue bonds payable	20,010,000	-	20,395,000	-
Certificates of participation, net	13,461,153	-	14,046,438	-
<i>Total noncurrent liabilities</i>	<u>41,681,632</u>	<u>-</u>	<u>43,932,260</u>	<u>-</u>
<i>Total liabilities</i>	<u>54,075,668</u>	<u>473,711</u>	<u>57,009,146</u>	<u>773,160</u>
NET ASSETS				
Invested in capital assets, net of related debts	82,811,609	-	80,997,297	-
Restricted for:				
Nonexpendable				
Scholarships and charitable trust	-	2,655,764	-	2,537,686
Expendable				
Grants and contracts	783,851	-	590,573	-
Student loans	2,611,264	-	2,740,454	-
Debt service	3,062,854	-	2,466,486	-
Other	2,035,487	696,617	2,130,680	848,717
Unrestricted	5,954,798	278,810	487,938	431,579
<i>Total net assets</i>	<u>\$ 97,259,863</u>	<u>\$ 3,631,191</u>	<u>\$ 89,413,428</u>	<u>\$ 3,817,982</u>

See accompanying notes to basic financial statements

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

	FOR THE YEAR ENDED JUNE 30,			
			(Comparative totals only)	
	2009		2008	
	University	Foundation	University	Foundation
OPERATING REVENUES				
Student tuition and fees (net of scholarship allowances of \$8,766,737 in 2009 and \$8,331,457 in 2008)	\$ 42,672,062	\$ -	\$ 40,447,226	\$ -
Federal grants and contracts	12,607,691	-	14,962,034	-
State and local grants	3,061,082	-	3,469,916	-
Nongovernmental grants and contracts	1,489,238	-	1,613,907	-
Auxiliary enterprises	3,434,342	-	3,333,719	-
Other operating revenues	3,290,560	(23,599)	2,995,344	112,206
<i>Total operating revenues</i>	<u>66,554,975</u>	<u>(23,599)</u>	<u>66,822,146</u>	<u>112,206</u>
OPERATING EXPENSES				
Instruction	61,354,540	-	57,031,681	-
Research	1,005,011	-	953,381	-
Public service	14,502,092	-	17,738,913	-
Academic support	9,015,138	-	8,926,086	-
Student services and programs	11,022,575	-	10,298,189	-
Institutional support	10,191,864	-	10,393,188	-
Operation and maintenance of plant	12,552,318	-	12,190,804	-
Scholarships and fellowships	5,348,939	-	4,592,734	-
Auxiliary enterprises	3,752,658	-	4,171,490	-
Depreciation expense	5,336,575	-	5,228,066	-
Other operating expenses	1,915,830	789,376	3,841,645	635,269
<i>Total operating expenses</i>	<u>135,997,540</u>	<u>789,376</u>	<u>135,366,177</u>	<u>635,269</u>
<i>Operating loss</i>	<u>(69,442,565)</u>	<u>(812,975)</u>	<u>(68,544,031)</u>	<u>(523,063)</u>
NONOPERATING REVENUES (EXPENSES)				
State appropriations - general revenue fund	44,043,061	-	40,745,238	-
Payments on behalf of the University	22,909,660	-	21,448,970	-
Federal Pell grant	10,300,329	-	9,065,767	-
Gifts and donations	71,745	-	148,330	-
Investment income (loss)	(209,171)	-	608,814	-
Interest on indebtedness	(1,533,100)	-	(1,571,749)	-
Other nonoperating revenues	80,234	-	283,531	-
<i>Net nonoperating revenues</i>	<u>75,662,758</u>	<u>-</u>	<u>70,728,901</u>	<u>-</u>
<i>Income (loss) before other revenues, expenses, gains and losses</i>	<u>6,220,193</u>	<u>(812,975)</u>	<u>2,184,870</u>	<u>(523,063)</u>
Additions to permanent endowments	-	626,184	-	265,144
Gain (loss) on disposal of capital assets	8,938	-	(32,780)	-
Capital additions provided by State of Illinois	1,617,304	-	2,328,793	-
<i>Increase (decrease) in Net Assets</i>	<u>7,846,435</u>	<u>(186,791)</u>	<u>4,480,883</u>	<u>(257,919)</u>
NET ASSETS				
Net assets - beginning of year	89,413,428	3,817,982	84,932,545	4,075,901
Net assets - end of year	<u>\$ 97,259,863</u>	<u>\$ 3,631,191</u>	<u>\$ 89,413,428</u>	<u>\$ 3,817,982</u>

See accompanying notes to basic financial statements

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
STATEMENT OF CASH FLOWS**

	FOR THE YEAR ENDED JUNE 30,			
			(Comparative Totals Only)	
	2009		2008	
	University	Foundation	University	Foundation
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	\$ 42,469,012	\$ -	\$ 42,348,878	\$ -
Grants and contracts	18,546,741	-	18,308,534	-
Payments to employees	(75,252,258)	-	(75,322,850)	-
Payments for fringe benefits	(5,521,401)	-	(3,915,153)	-
Payments to suppliers	(23,159,419)	(727,138)	(25,744,639)	(464,737)
Payments for scholarships and fellowships	(5,517,111)	-	(4,839,103)	-
Loans issued to students	(303,403)	-	(626,356)	-
Collections of loans from students	283,938	-	487,287	-
Auxiliary enterprises	3,445,564	-	3,328,863	-
Other receipts	3,504,799	660,537	3,143,068	500,987
Net cash provided by (used in) operating activities	(41,503,538)	(66,601)	(42,831,471)	36,250
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	40,744,117	-	40,745,238	-
Federal Pell grant	10,478,731	-	8,974,343	-
Gifts	45	-	100,000	-
Agency transactions	(48,242)	-	(4,974)	-
Other noncapital financing activities	45,234	626,184	223,669	265,144
Net cash provided by noncapital financing activities	51,219,885	626,184	50,038,276	265,144
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Purchases of capital assets and construction	(4,568,337)	-	(3,090,060)	-
Principal paid on capital debt and leases	(930,000)	-	(705,000)	-
Interest paid on capital debt and leases	(1,548,334)	-	(1,584,304)	-
Cash used in capital financing activities	(7,046,671)	-	(5,379,364)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	1,563,190	198,204	3,163,390	288,171
Interest on investments	(209,171)	-	608,814	-
Purchases of investments	-	-	(649,640)	(609,030)
Net cash provided by (used in) investing activities	1,354,019	198,204	3,122,564	(320,859)
Net increase (decrease) in cash and cash equivalents	4,023,695	757,787	4,950,005	(19,465)
Cash and cash equivalents - beginning of year	24,505,574	146,924	19,555,569	166,389
Cash and cash equivalents - end of year	\$ 28,529,269	\$ 904,711	\$ 24,505,574	\$ 146,924
Reconciliation of operating loss to net cash provided by (used in) operating activities:				
Operating loss	\$ (69,442,565)	\$ (812,975)	\$ (68,544,031)	\$ (523,063)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Payment on-behalf of the University	22,909,660	-	21,448,970	-
Unrealized loss (gain) on changes in market value of investments	-	838,128	-	592,516
Realized loss (gain) on sale of investments	-	1,125	-	(46,668)
Depreciation expense	5,336,575	-	5,228,066	-
Changes in assets and liabilities:				
Receivables, net	2,257,524	208,949	(61,970)	(2,433)
Deferred charges and other assets	(54,570)	(2,379)	37,191	1,668
Inventories	44,688	-	7,463	-
Accounts payable and accrued liabilities	(783,656)	(12,063)	(1,166,058)	14,365
Accrued salaries and wages	55,666	-	390,621	-
Liability for compensated absences	(1,183,000)	-	(718,300)	-
Deferred revenues	(643,860)	(287,386)	546,577	(135)
Net cash provided by (used in) operating activities	\$ (41,503,538)	\$ (66,601)	\$ (42,831,471)	\$ 36,250
Noncash operating, investing and capital financing activities:				
On-behalf payments for fringe benefits	\$ 22,909,660	\$ -	\$ 21,448,970	\$ -
Capital asset acquisition via capital appropriations	1,617,304	-	2,328,793	-
	\$ 24,526,964	\$ -	\$ 23,777,763	\$ -

See accompanying notes to basic financial statements

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

1. Summary of Significant Accounting Policies

The significant accounting policies followed by Northeastern Illinois University (the “University” or “NEIU”) are presented below to assist the reader in evaluating the financial statements and accompanying notes.

Reporting Entity

Northeastern Illinois University, an agency of the State of Illinois, with a primary focus on postsecondary institution, research and public service, is located in Chicago, Illinois. The governing body of the University is the Board of Trustees of Northeastern Illinois University created in January 1996, as a result of legislation to reorganize governance of state public universities. Northeastern Illinois University is the oversight unit, which includes all applicable funds, departments and entities for which the University is considered financially accountable and over which the University exercises oversight responsibility. Oversight responsibility is defined to include, but is not limited to, the following considerations: financial interdependency, designation of management, ability to significantly influence operations, accountability for fiscal matters, the scope of an organization’s public service, and/or special financing relationships. As required by generally accepted accounting principles, these financial statements present the financial position and financial activities of the University and its component units, Northeastern Illinois University Foundation (the Foundation) and Northeastern Illinois Alumni Association (the Association). However, there were no fiscal activities under the Association during fiscal year 2009.

The Foundation is a University Related Organization as defined under University Guidelines adopted by the State of Illinois Legislative Audit Commission in 1982 and amended September 1997. The Foundation was formed for the purpose of providing fund raising and other assistance to the University in order to attract private gifts to support the University’s instructional, research, and public service activities. In this capacity, the Foundation solicits, receives, holds, and administers gifts for the benefit of the University. An audit of the Foundation’s financial statement for the fiscal year ended June 30, 2009 was conducted by an independent certified public accountant. Complete financial statements for the Foundation may be obtained by writing to the NEIU Foundation, Vice President for Institutional Advancement, Northeastern Illinois University, 5500 North St. Louis Ave., Chicago, Illinois 60625.

The Northeastern Illinois Alumni Association is also a University Related Organization as defined under University Guidelines adopted by the State of Illinois Legislative Audit Commission in 1982 and amended September 1997. The Association was formed for the purpose of reconnecting with and engaging Northeastern Illinois University alumni with the University to engender more volunteerism, advocacy and support. Specifically it was

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FOR THE YEAR ENDED JUNE 30, 2009**

founded "to aid in the development of Northeastern Illinois University as an institution of higher education, making a maximum contribution to excellence in higher education by securing for said University the contribution of knowledge, skill, support and loyalty of the thousands of her former students who call her Alma Mater." In this capacity, the Association hosts social and advocacy events, solicits memberships in the association to further alumni activities, and offers opportunities for volunteerism on projects all of which benefit Northeastern Illinois University. The Association was reestablished on October 15, 2008 through the Illinois Office of the Secretary of State.

The University is a component unit of the State of Illinois for financial reporting purposes. The financial balances and activities included in these financial statements are, therefore, also included in the State's comprehensive annual financial report.

Basis of Accounting

The financial statements of the University are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred. All significant intra-agency transactions have been eliminated.

The University follows all applicable Financial Accounting Standards Board (FASB) statements issued prior to December 1, 1989, to the extent that those standards do not conflict with or contradict guidance of the GASB. The University has elected not to apply FASB pronouncements issued after November 30, 1989.

The financial statements are prepared in accordance with GASB No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, and follow the special purpose governments engaged only in "business-type" activities requirements, which requires the following components of the University's financial statements:

Management's Discussion and Analysis

This provides an objective analysis of the University's financial activities based on facts, decisions and conditions.

**STATE OF ILLINOIS
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

Basic financial statements including a Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and Statement of Cash Flows

- The Statement of Net Assets details current assets/liabilities and noncurrent assets/liabilities. In general, current assets are those that are available to satisfy current liabilities. Current liabilities are those that will be paid within one year of the date of the Statement of Net Assets. Other assets and liabilities due beyond one year are noncurrent. Net Assets are divided into three major categories: 1) Invested in capital assets, net of related debt, 2) Restricted net assets, and 3) Unrestricted net assets.
- The Statement of Revenues, Expenses and Changes in Net Assets provides operating and nonoperating revenues and expenses, and displays the net income or loss from operations and total changes in net assets.
- The Statement of Cash Flows details the change in the cash and cash equivalents balance for the fiscal year and is prepared using the direct method. Cash and cash equivalents include bank accounts and investments with original maturities of ninety days or less at the time of purchase, primarily U.S. Treasury bills and money market funds. This statement provides information related to cash receipts and cash payments during the year. The statement also helps users evaluate the University's ability to meet financial obligations as they mature.

Notes to Basic Financial Statements

This provides additional analysis of the University's Basic Financial Statements.

Operating and Nonoperating Revenues

Operating revenues of the University consist of student tuition and fees, grants and contracts, student union sales and services, parking revenues, and other operating revenues. Transactions relating to capital or financing activities, noncapital financing activities, investing activities, State appropriations, Federal Pell grant, and State on behalf payments for retirement and health care costs are components of nonoperating income. Restricted and unrestricted resources are used at the discretion of the University, within the proper guidelines. The University first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

Auxiliary Enterprises

The auxiliary enterprises are primarily composed of the student union, child care, and parking operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

The University changed its estimation methods to derive the current portion of compensated absences starting in Fiscal Year 2008.

Reclassifications

Certain non-capital related debts, which were originally presented under invested in capital assets, net of related debts and other restricted net assets in the prior year financial statements have been reclassified to unrestricted net assets. Federal Pell grant revenues, which were originally presented as operating revenues under Federal grants and contracts in the prior year financial statements have been reclassified to nonoperating revenues. On behalf payments representing health care and retirement costs and computing services costs which were originally presented under institutional support in the prior year financial statements have been allocated to all other functional expense categories.

Cash and Cash Equivalents

Cash and cash equivalents include bank accounts and investments with original maturities of ninety days or less at the time of purchase, primarily U.S. Treasury bills and money market funds.

Investments and Marketable Securities

The University accounts for its investments and marketable securities at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. For the joint investing activity of the University, interest and dividends on investments are allocated to funds which participated in the investment purchase according to the fund's appropriate share of the total investment.

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NORTHEASTERN ILLINOIS UNIVERSITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

Restricted Assets

Restricted assets consist of cash and investments that are externally restricted by outside sources classified as noncurrent in the Statement of Net Assets.

Inventories

Inventories are carried at the lower of cost (determined by the first-in and first-out or average cost method depending on the nature of the inventory item) or market.

Unamortized Bond Issue Costs

Amortization of unamortized bond issue costs is calculated on a straight-line basis over the term of the related debts.

Certificates of Participation

Certificates of participation are stated at face value net of unamortized original issue discount.

Capital Assets

Capital assets reported in the Statement of Net Assets are recorded at actual cost at the time of acquisition or fair value at the date of donation. The University follows the capitalization policy established by the Comptroller of the State of Illinois as follows:

<u>Classification</u>	<u>Capitalized Threshold</u>	<u>Estimated Useful Life (in years)</u>
Land	\$ 100,000	Indefinite
Land improvements	25,000	Indefinite
Site improvements	25,000	5-50
Buildings	100,000	50
Building improvements	25,000	10-45
Equipment	5,000	3-25
Nondepreciable historical treasures/works of art	5,000	Indefinite
Software/License Fees	50,000	5
Library books	5,000*	7

* Library books consist of a large number of items with modest values reported on a composite basis.

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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. There is no depreciation recorded for assets that are capitalized during the first year.

Revenue Recognition

Appropriations made from the State of Illinois General Revenue and Capital Development Funds for the benefit of the University are recognized as nonoperating revenues to the extent expended, limited to available appropriations.

Tuition and fees, except for the Summer Session, are recognized as revenues as they are assessed. Tuition and fees are reduced by scholarship discounts and allowances of \$8,766,737 for fiscal year 2009. The Summer Session tuition and fees are allocated between fiscal years based on when the revenue is earned. The portion of Summer Session tuition and fees applicable to the following fiscal year is deferred. The value of tuition and fee exemptions awarded to graduate assistants, staff members and others is calculated at the applicable tuition rates. These exemptions amounted to \$3,103,663 in fiscal year 2009.

Restricted funds which are received or receivable from external sources are recognized as revenues to the extent of related expenses or satisfaction of eligibility requirements on the accrual basis. This is based on the terms of the agreement. Advances are classified as deferred revenues.

Certain revenue sources that the University relies on to provide funding for operations including State appropriations, Federal Pell grant, on behalf payments, gifts, and investment income are defined by GASB Statement No. 35 as nonoperating. In addition, transactions related to capital and financing activities are components of nonoperating revenues.

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the University reported on behalf payments totaling \$22,909,660 representing \$15,085,530 and \$7,824,130 respectively, for health care and retirement costs. These costs are reflected as nonoperating revenues and operating expenses with revenues reported as payments on behalf of the University and expenses allocated to each of the functional categories.

Adoption of Governmental Accounting Standards Board (GASB) Statement No. 48

In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement establishes criteria to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing. The requirements of this Statement are effective for periods

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NORTHEASTERN ILLINOIS UNIVERSITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

beginning after December 15, 2006. The University adopted the Statement in fiscal year 2008 and included it in Note 5 - University Facilities System Revenue Bonds.

2. Cash and Investments

The University uses the "pooled cash" method of accounting for substantially all of its operating cash and investments. The following table is a reconciliation of deposits and investments held by the University and University's Foundation as shown on the Statement of Net Assets as of June 30, 2009:

	<u>University</u>	<u>Foundation</u>
Carrying amounts of deposits	\$ 10,245,430	\$ 904,711
Carrying amounts of investments	<u>20,553,313</u>	<u>3,169,559</u>
	<u>\$ 30,798,743</u>	<u>\$ 4,074,270</u>
Cash and cash equivalents	\$ 21,208,527	\$ 904,711
Restricted cash and cash equivalents	7,320,742	-
Short-term investments	-	513,795
Long-term investments	<u>2,269,474</u>	<u>2,655,764</u>
	<u>\$ 30,798,743</u>	<u>\$ 4,074,270</u>

Deposits

The University utilizes several different bank accounts for the various activities of the University. The book balance of such accounts is \$10,245,430 at June 30, 2009, while the bank balance was \$12,081,906. The difference between the above amounts primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2009.

Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, the University's deposits may not be recovered. The University's policy for reducing its exposure to the risk is to require deposits in excess of the federally insured amount to be collateralized to the extent of 110 percent. As of June 30, 2009, the University's deposits were covered by the Federal Deposit Insurance Corporation (FDIC) and by collateral held by the financial institution in the University's name. The University therefore, has no custodial credit risk in its deposits.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
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FOR THE YEAR ENDED JUNE 30, 2009**

Investments

The University's established investment policy follows the State of Illinois Public Funds Investment Act and the covenants provided from the University's bond issuance activities, which authorize the University to purchase certain obligations of the U. S. Treasury, federal agencies and instrumentalities; certificates of deposit and time deposits covered by Federal depository insurance; commercial paper of U.S. corporations with assets exceeding \$500,000,000, if such paper is rated at the highest classification established by at least two standard rating services; money market funds; and the Illinois Funds.

The University has pooled its investments, except for certain funds that are required by bond resolution to be in separate accounts. Investments are stated at fair value. Net income from investments of pooled funds is allocated and credited to the original sources of the funds or is remitted to the University's Income Fund. The following table presents the fair value of investments held by the University and University's Foundation at June 30, 2009:

<u>Investment Type</u>	<u>University</u>	<u>Foundation</u>
Illinois Funds	\$ 18,283,839	\$ -
U.S. Treasury Notes	404,774	-
U.S. Agency Obligations	1,620,212	-
Certificate of Deposit	244,488	-
Mutual Funds	-	3,169,559
Total	<u>\$ 20,553,313</u>	<u>\$ 3,169,559</u>

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the susceptibility of its fair value to changes in market interest rates. The University's policy for reducing its exposure to the risk is to structure the University's portfolio so that securities mature to meet the University's cash requirements for ongoing operations. Also, the investment returns are evaluated and tracked monthly against appropriate performance benchmarks and reported quarterly to the Vice President for Finance and Administration/Board Treasurer. As of June 30, 2009, the University had the following investments subject to Interest Rate Risk based on the assumption that the callable investments will not be called.

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Investment Type	Fair Value	Maturity		Weighted Average Maturity (years)
		Less Than 1 Year	1 - 5 years	
Illinois Funds	\$18,283,839	\$18,283,839	\$ -	0.03
U. S. Treasury Notes	404,774	404,774	-	0.96
U. S. Agency Obligations	1,620,212	-	1,620,212	2.70
Certificate of Deposit	244,488	-	244,488	4.00
Total	<u>\$20,553,313</u>	<u>\$18,688,613</u>	<u>\$ 1,864,700</u>	

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's policy for managing its exposure to the risk is to limit investments to those allowable by the Illinois Public Funds Investment Act. As of June 30, 2009, the University had quality ratings as shown in the table below:

	<u>Total</u>	<u>Standard & Poor's</u>	<u>Moody's</u>	<u>Fitch</u>
Certificate of Deposit	\$ 244,488	AA-	Aa2	-
Illinois Fund	18,283,839	AAA	-	-
U.S. Agency Obligations				
Federal Home Loan Bank	743,957	AAA	-	-
Fannie Mae	876,255	AAA	Aaa	AAA

Concentration of Credit Risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's policy for mitigating the risk is to diversify the investment portfolio so that the failure of any one issue will not place an undue financial burden on the University. As of June 30, 2009, the University did not have any investments representing 5% or more of total assets in any single issuer.

Custodial Credit Risk for investments is the risk that, in the event of a failure of the counterparty, the University will not be able to recover the value of the investments that are in the possession of an outside party. The University minimizes its custodial credit risk by establishing limitations on the types of investments held with qualifying institutions. As of June 30, 2009, University's investments in the U.S. Treasury and U.S. Agency Securities were registered with securities in the University's name. Investments in external investment

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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The University therefore, has no custodial credit risk in its investment portfolio.

3. Capital Assets

Details of the University's investment in capital assets at June 30, 2009 are as follows:

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Transfers</u>	<u>Reductions</u>	<u>June 30, 2009</u>
Cost:					
Land and land improvements	\$ 7,971,117	\$ 36,700	\$ -	\$ -	\$ 8,007,817
Site improvements	5,940,249	33,551	174,362	-	6,148,162
Building and building improvements	122,886,328	731,982	5,537	-	123,623,847
Equipment	13,945,270	618,313	-	334,771	14,228,812
Non-depreciable historical treasures and works of art	48,330	35,000	-	-	83,330
Library books	20,499,942	766,235	-	23,814	21,242,363
Construction in progress	2,679,693	4,655,695	(179,899)	-	7,155,489
Total	<u>173,970,929</u>	<u>6,877,476</u>	<u>-</u>	<u>358,585</u>	<u>180,489,820</u>
Less accumulated depreciation:					
Site improvements	3,459,153	240,131	-	-	3,699,284
Building and building improvements	39,179,865	2,764,704	-	-	41,944,569
Equipment	9,985,089	1,419,938	-	333,707	11,071,320
Library books	16,957,004	911,802	-	23,814	17,844,992
Total	<u>69,581,111</u>	<u>5,336,575</u>	<u>-</u>	<u>357,521</u>	<u>74,560,165</u>
Capital assets - net	<u>\$104,389,818</u>	<u>\$ 1,540,901</u>	<u>\$ -</u>	<u>\$ 1,064</u>	<u>\$105,929,655</u>

Included in the additions to site improvements, building and building improvements, and construction in progress at June 30, 2009 are expenditures totaling \$ 1,617,304 incurred by the Illinois Capital Development Board for construction projects on behalf of the University.

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4. Long-Term Debt and Other Liabilities

Long-term debt and other liabilities consist of the following as of June 30, 2009:

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2009</u>
Compensated Absences	\$ 10,574,229	693,090	\$ 1,876,090	\$ 9,391,229
Revenue Bonds Series 1973	1,015,000	-	145,000	870,000
Revenue Bonds Series 1997	2,770,000	-	215,000	2,555,000
Revenue Bonds Series 2004	16,970,000	-	-	16,970,000
Certificates of Participation (COP)				
Series 2006	14,695,000	-	570,000	14,125,000
COP Discount	(83,278)	-	(4,715)	(78,563)
Subtotal	45,940,951	\$ 693,090	\$ 2,801,375	43,832,666
Less: current portion	2,008,691			2,151,034
Total noncurrent liabilities	\$ 43,932,260			\$ 41,681,632

5. University Facilities System Revenue Bonds

Revenue Bonds Payable and Interest Subsidy

At June 30, 2009, bonds payable consist of University Facilities Revenue Bond Series 1973, University Facilities System Revenue Bond Series 1997 and University Facilities System Revenue Bond Series 2004.

Series 1973

The University Facilities Revenue Bonds Series of 1973 were sold during 1974 in the amount of \$3,075,000, (\$870,000 of which are outstanding at June 30, 2009), and were used to finance the construction of the University's Student Union Building. The bonds and related interest are not general obligations of the University since they are payable from and secured by a first lien on and the pledge of net revenues to be derived from certain student fees and operations of the University's Student Union, pledged fees and tuition, and funds held in the Bond Reserve Account. The restricted fund balances are legally restricted under the University Facilities Revenue Bonds indenture.

The bonds mature in increasing principal amounts ranging from \$155,000 due on July 1, 2009 to \$195,000 due on July 1, 2013. Interest is payable semi-annually, on January 1 and July 1, at the rate of 6.2 percent, with an average effective rate of approximately 6.2 percent. Future aggregate annual payments applicable to revenue bonds at June 30, 2009 are:

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<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2010	\$155,000	\$ 49,135
2011	165,000	39,215
2012	170,000	28,830
2013	185,000	17,825
2014	195,000	6,045
Total	<u>\$870,000</u>	<u>\$141,050</u>

The Board of Trustees has the right, after providing proper notice to bondholders, to call the bonds for redemption prior to their maturity, in whole or in part, on July 1, 2009, or on any interest payment date thereafter, at the principal amount redeemed, together with the unpaid interest accrued thereon, plus a premium applied to the principal amounts redeemed at par.

The U.S. Department of Housing and Urban Development has made a grant under which it has guaranteed to pay an annual debt service subsidy on the bonds subject to its audit and approval. During the year ended June 30, 2009, \$70,000 of such subsidy was included in other nonoperating revenues.

Series 1997

The University Facilities System Revenue Bonds Series 1997, dated March 1, were sold in April 1997, in the amount of \$4,505,000 (\$2,555,000 of which were outstanding at June 30, 2009). The proceeds of the bond issue were used to finance the costs of constructing improvements to the University's Student Union, prepay outstanding lease obligations of the Board related to System renovation (parking lots), fund a deposit to the Bond Reserve Account, provide capitalized interest on the bonds through July 1, 1997 and pay certain expenses incurred in connection with the issuance of the bonds. The bonds are obligations of the Board payable only in accordance with the terms of the indenture and are not obligations of the State of Illinois. The 1997 Bonds are issued as Parity Bonds to the 1973 Bonds, and are secured by a pledge of and lien on the Net Revenues of the System, the pledged fees and tuition, and the funds held in the Bond Reserve Account.

The Bonds mature in increasing principal amounts ranging from \$230,000 due on July 1, 2009 to \$350,000 due on July 1, 2017. Interest is payable semi-annually, on January 1 and July 1, at rates between 5.35 percent and 5.625 percent, with an average effective rate of approximately 5.564 percent. Future aggregate annual payments applicable to the Series 1997 Bonds at June 30, 2009 are:

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<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 230,000	\$ 136,274
2011	240,000	123,701
2012	250,000	110,250
2013	265,000	95,766
2014	280,000	80,437
2015-2018	1,290,000	150,188
Total	<u>\$2,555,000</u>	<u>\$ 696,616</u>

The bonds maturing on or after July 1, 2008 are subject to redemption at the option of the Board on or after July 1, 2008 as a whole or in part at any time and, if in part, in the maturities designated by the Board and within any maturity in integral multiples of \$5,000 at the respective premium redemption prices set forth below, plus accrued interest to the date fixed for redemption:

1 percent if redeemed July 1, 2008 through June 30, 2009; and
at par after June 30, 2009

Series 2004

The University Facilities System Revenue Bond Series 2004, dated April 1, 2004, were sold in April 2004, in the amount of \$16,970,000, all of which were outstanding at June 30, 2009. The proceeds from the sale of the bonds were used to finance the construction of a multi-level parking structure on the University's campus, fund a deposit to the Bond Reserve Account, provide capitalized interest on the bonds through January 1, 2005 and pay certain expenses incurred in connection with the issuance of the bonds. The bonds are obligations of the Board payable only in accordance with the term of the indenture and are not obligations of the State of Illinois. The 2004 Bonds were issued as Parity Bonds to the 1973 Bonds and 1997 Bonds, and are secured by a pledge of lien on the Net Revenues of the System, the pledged fees and tuition, and the funds held in the Bond Reserve Account.

The Bonds mature in increasing principal amounts ranging from \$215,000 due on July 1, 2014 to \$1,255,000 due on July 1, 2035. Interest is payable semi-annually, on January 1 and July 1, at rates between 3.45 percent and 4.50 percent, with an average effective rate of approximately 4.166 percent. Future aggregate annual payments applicable to the Series 2004 Bonds at June 30, 2009 are:

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<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ -	\$ 726,790
2011	-	726,790
2012	-	726,790
2013	-	726,790
2014	-	726,790
2015-2019	1,515,000	3,526,189
2020-2024	3,465,000	3,009,379
2025-2029	4,255,000	2,196,990
2030-2034	5,280,000	1,157,928
2035-2036	2,455,000	111,712
Total	<u>\$16,970,000</u>	<u>\$13,636,148</u>

The Series 2004 Bonds are subject to redemption on or after January 1, 2014, at the option of the Board, from moneys available therefore, in whole or in part at any time and, if in part, in the maturities designated by the Board and within a single maturity in integral multiples of \$5,000 in such manner as the Bond Registrar may deem fair and appropriate, at a redemption price of par (100%), plus accrued interest to the date fixed for redemption.

Operation of the Project

The resolutions by which the University Facilities Revenue Bonds were authorized provides that bond proceeds and gross revenues from the Student Union and parking facilities operations, including student fees, are to be deposited to the University accounts and used only in the manner and order as follows:

Revenue Fund Account

Gross revenues received from the operations of the University's Student Union and parking facilities, student fees, interest income and any interest subsidy received from the U.S. Department of Housing and Urban Development may be used to make required deposits to accounts shown below or may be used for any lawful purpose as the Board of Trustees directs after all yearly required deposits have been met.

Operation and Maintenance Account

The operation and maintenance account receives monthly from the revenue fund account such amounts as are necessary to pay for the operation and maintenance of the University's Student Union and parking facilities.

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Bond Accounts

The bond accounts receive monthly one-sixth of the interest and one-twelfth of the principal next coming due on the bonds, to be used solely for the purpose of paying bond principal and interest.

Bond Reserve Accounts

The bond reserve accounts are to be used solely to pay bond principal and interest when there would otherwise be a default. At June 30, 2009, the maximum funding requirements have been met.

Renewal and Replacement Reserve Account

Commencing on July 1, 1975, the renewal and replacement reserve account is to receive semi-annually not less than \$25,000 until \$500,000 has been accumulated in the account. These deposits are to be used solely for the purpose of paying the cost of extraordinary repairs, upkeep and replacements in, on, or about the facilities used by the University's Student Union operation, including the furnishings and equipment therein, except that the funds in the account may be used to the extent necessary to prevent or remedy a default in payment of bond interest or principal. During 2009, \$43,500 was credited to the renewal and replacement reserve account. At June 30, 2009, the fund balance in this account was \$500,000.

Non-Instructional Facilities (Development) Reserve Account

On or before the close of each fiscal year, the Treasurer will, from the funds remaining in the revenue fund, credit to the non-instructional facilities reserve account such funds, or such portion thereof as is available for transfer, as have been approved by the Board for expenditure or planned for expenditure for new space or construction in, or in addition to, a facility constituting a part of the system, and contiguous real estate thereto, consistent with the purpose and mission of that facility. Monies or investments to the credit of such accounts are not pledged as security for the payment of the bonds or parity bonds. At June 30, 2009, the fund balance in this account was \$1,003,269.

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Equipment Reserve Account

On or before the close of each fiscal year, the Treasurer will, from the funds remaining in the revenue fund, credit to the equipment reserve account such funds as have been approved by the Board for expenditures in connection with the acquisition of movable equipment to be installed in the facilities constituting the system. Monies or investments to the credit of the equipment reserve account are not pledged as security for the payment of the bonds or parity bonds. At June 30, 2009, the fund balance in this account was \$134,885.

The following are the financial statements for the University Facilities Revenue Bond Funds:

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*University Facilities Revenue Bond Funds
Statement of Net Assets
June 30, 2009*

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,526,014
Receivables	
Tuition and fees - net	124,002
Parking fines - net	91,550
Other receivables - net	110,428
Inventories	703
Other assets	18,823
Total current assets	<u>1,871,520</u>

Noncurrent assets

Restricted cash and cash equivalents	2,722,918
Investments	2,269,474
Receivables	
Tuition and fees - net	10,807
Unamortized bond issue costs	470,584
Capital assets	
Site improvements - net	1,853,637
Buildings - net	17,185,822
Equipment - net	125,845
Total noncurrent assets	<u>24,639,087</u>
Total assets	<u>26,510,607</u>

LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities	708,590
Deferred revenues	454,540
Liability for compensated absences	26,360
Revenue bonds payable	385,000
Total current liabilities	<u>1,574,490</u>

Noncurrent liabilities

Liability for compensated absences	1,108
Revenue bonds payable	20,010,000
Total noncurrent liabilities	<u>20,011,108</u>
Total liabilities	<u>21,585,598</u>

NET ASSETS

Invested in capital assets - net of related debt	(740,288)
Restricted for:	
Expendable	
Capital projects	1,816,147
Debt service	1,672,126
Unrestricted	2,177,024
Total net assets	<u>\$ 4,925,009</u>

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*University Facilities Revenue Bond Funds
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2009*

OPERATING REVENUES

Student fees	\$ 1,415,921
Vending services	98,527
Rental and use fees	18,152
Bookstore commission	412,857
Parking revenue	2,151,519
Other operating revenues	76,673
Total operating revenues	<u>4,173,649</u>

OPERATING EXPENSES

Personal services	1,288,075
Contractual services	791,963
Commodities and supplies	93,426
Vending cost of sales	11,115
Telecommunications	21,005
Depreciation	708,039
Other operating expenses	509,850
Total operating expenses	<u>3,423,473</u>
Operating income	<u>750,176</u>

NONOPERATING REVENUES (EXPENSES)

Investment income	126,365
Interest on indebtedness	(923,156)
Federal grants - HUD	70,000
Net nonoperating expenses	<u>(726,791)</u>
Total increase in net assets	<u>23,385</u>

NET ASSETS

Net assets - beginning of year	4,901,624
Net assets - end of year	<u>\$ 4,925,009</u>

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*University Facilities Revenue Bond Funds
Statement of Cash Flows
For the Year Ended June 30, 2009*

CASH FLOWS FROM OPERATING ACTIVITIES

Student fees	\$ 1,484,821
Payment for salaries & benefits	(1,282,103)
Payment for suppliers	(1,193,691)
Vending services	103,796
Rental and use fees	18,878
Bookstore commission	412,857
Parking revenue	2,288,777
Other revenues	76,673
Other payments	(419,481)
Net cash provided by operating activities	<u>1,490,527</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY

Federal grants - HUD	35,000
Cash provided by noncapital financing activity	<u>35,000</u>

CASH FLOWS FROM CAPITAL ACTIVITIES

Purchases of capital assets and construction	(55,087)
Principal paid on capital debt	(360,000)
Interest paid on capital debt	(923,156)
Cash used in capital financing activities	<u>(1,338,243)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturities of investments	810,588
Interest on investments	126,365
Cash provided by investing activities	<u>936,953</u>

Net increase in cash and cash equivalents	1,124,237
Cash and cash equivalents - beginning of the year	3,124,695
Cash and cash equivalents - end of year	<u>\$ 4,248,932</u>

Reconciliation of operating income to

Net cash provided by operating activities:

Operating income	\$ 750,176
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	708,039
Changes in asset and liabilities:	
Receivables - net	(56,881)
Inventories	3,195
Unamortized bond issue cost	18,824
Accounts payable and accrued liabilities	(198,367)
Accrued liability for compensated absences	2,342
Deferred revenues	263,199
Net cash provided by operating activities	<u>\$ 1,490,527</u>

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Pledged Revenues & Debt Service Requirements

The University has pledged specific revenues, net of specified operating expenses, to repay the principal and interest of revenue bonds. The following is a schedule of the pledged revenues and related debt:

PLEGDED REVENUES					
Bond Issues	Purpose	Source of Revenue Pledged	Future Revenues Pledged	Term of Commitment	Debt Service to Pledged Revenues (Current Year)
Facilities Revenue Bonds Series 1973	Construction of the University's Student Union Building	Net revenues of the University Facilities System*, student tuition and fees	\$ 1,011,050	2013	100.00%
Facilities Revenue Bonds Series 1997	Renovation of Student Union Building, prepay outstanding lease obligations to improve the University's Parking lot	Net revenues of the University Facilities System*, student tuition and fees	3,251,616	2017	100.00%
Facilities Revenue Bonds Series 2004	Construction of a multi-level parking structure	Net revenues of the University Facilities System*, student tuition and fees	30,606,148	2035	100.00%
Total Future Revenues Pledged			<u>\$ 34,868,814</u>		

* The University Facilities System consists of the Student Union, all parking facilities, the University's vending facilities, the University bookstore, and any equipment or improvements pertaining thereto.

6. Certificates of Participation

On March 1, 2006, the University issued Certificates of Participation Series 2006, in the amount of \$15,060,000 with an original issue discount of \$94,315, to finance the acquisition, development and implementation of an enterprise resource planning system. The Board is obligated to make installment payments either from funds derived from State appropriations or from legally available nonappropriated funds on an annual basis. The Board's obligation to pay installment payments is subject to termination 60 days after the Board certifies to the Trustee that: 1) the General Assembly of the State has made a determination not to appropriate requested funds necessary to make the installment payments from State-appropriated funds, and 2) the Board has determined that there are not sufficient legally available non-appropriated funds to pay the installment payments. The Board has the option to terminate the Purchase Contract on October 1, 2010, and on any date on or after October 1, 2015, upon written notice to the Trustee at least 60 days prior to the termination date.

The certificates mature in increasing principal amounts ranging from \$590,000 due on October 1, 2009 to \$1,155,000 due on October 1, 2025 at rates between 3.50 percent and 4.75 percent. Future aggregate annual payments applicable to the certificates of participation at June 30, 2009 are:

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<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 590,000	\$ 594,631
2011	610,000	573,250
2012	635,000	550,288
2013	660,000	525,594
2014	685,000	499,106
2015-2019	3,875,000	2,045,641
2020-2024	4,810,000	1,108,487
2025-2026	2,260,000	108,538
Total	<u>\$14,125,000</u>	<u>\$ 6,005,535</u>

7. Northeastern Illinois University Foundation Agreement

On July 1, 2005, the University entered into an agreement with Northeastern Illinois University Foundation. The Foundation is a separate non-profit organization incorporated in the State of Illinois and a University related organization under University Guidelines, 1982 (amended 1997). Under the terms of the contract, the Foundation aids and assists the University in developing facilities for broader educational opportunities for the service to its students, alumni, and citizens of the State of Illinois and of the United States by encouraging gifts of money, property, works of art, historical and other material having educational, artistic and historical value. In turn, the University will furnish certain services necessary to the operation of the Foundation. The contract may be cancelled upon 90 days written notice by either party.

During fiscal year 2009, certain funds and in-kind services of the University with an estimated value of \$120,117 were provided to the Foundation without charge. In turn, during fiscal year 2009, the Foundation gave the University \$309,085 in funds considered unrestricted for purposes of the University Guidelines computation. In addition, the Foundation gave the University non-qualifying restricted and unrestricted funds of approximately \$298,638 in fiscal year 2009 for scholarships and awards.

8. Pension, Compensated Absences and Postemployment Benefits

State Universities Retirement System

Plan Description

The University contributes to the State Universities Retirement System of Illinois (SURS), a cost-sharing, multiple-employer defined-benefit pension plan with a special funding situation whereby the State of Illinois makes substantially all

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actuarially determined required contributions on behalf of the participating employers. SURS was established on July 21, 1941, to provide retirement annuities and other benefits for staff members and employees of the state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the State's financial reports as a pension trust fund. SURS is governed by Section 5/15, Chapter 40, of the Illinois Compiled Statutes. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SURS, 1901 Fox Drive, Champaign, IL 61820 or by calling 1-800-275-7877.

Funding Policy

Plan members are required to contribute 8.0 percent of their annual covered salary and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The rate for the fiscal year ending June 30, 2009 was 9.94 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. The University's contributions to SURS for the years ended June 30, 2009, 2008, and 2007 were \$8,331,736, \$6,671,847 and \$5,080,008 respectively, equal to the required contributions for each year.

Medicare

University employees hired prior to April 1, 1986 are exempt from contributions required under the Federal Insurance Contribution Act. Employees hired after March 31, 1986 are required to contribute 1.45 percent of their gross salary for Medicare. The University is required to match this contribution.

Tax-Sheltered Retirement Plans

Employees may also elect to participate in certain tax-sheltered retirement plans. These voluntary plans permit employees to designate a part of their earnings into tax-sheltered investments and thus defer federal and state income taxes on their contributions and the accumulated earnings under the plans. Participation and the level of employee contributions are voluntary. The employer is not required to make contributions to these plans.

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Compensated Absences

It is the policy of the University to accrue vacation pay as earned. As of June 30, 2009, the accrued liability for this benefit was \$4,910,635, and is included in the liability for compensated absences.

As a result of Illinois Public Act 83-976, the University is required to compensate certain employees for sick leave benefits earned after January 1, 1984. Sick leave earned by these employees after this date will accumulate without limit and are payable upon termination of employment for one-half of the unused amount. As of January 1, 1998 per 30 ILCS 105/14a, sick leave benefits earned after that date are no longer compensable upon termination of employment. All prior earned benefits will still be paid. As of June 30, 2009, the accrued liability of this benefit was \$4,480,594, and is included in the liability for compensated absences.

Postemployment Benefits

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services along with the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes \$5,000.

The State pays the University's portion of employer costs for the benefits provided. The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expenditure by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or

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component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Ave., Springfield, Illinois, 62763-3838.

9. Operating Leases

The University leases various buildings and equipment under operating lease agreements. Total rental expense for the year ended June 30, 2009 under these agreements was \$585,253. Minimum lease payments for the years ending June 30 are:

<u>Fiscal Year</u>	<u>Principal</u>
2010	\$ 638,124
2011	551,443
2012	499,927
2013	274,005
2014	22,834
	<u>\$ 1,986,333</u>

10. Self-Insurance

The University participates in the State University Risk Management Association (SURMA), a self-insurance pool. Through its participation in SURMA, IPHEC (Illinois Public Higher Education Consortium) and MHEC (Midwest Higher Education Commission), the University has contracted with commercial carriers to provide general liability insurance. The University's general liability coverage has a \$250,000 self-insured retention level, which is covered by SURMA under the same coverage restrictions as the general liability coverage. In most cases, participant contributions to SURMA are based upon actuarial valuations. Additionally, the University purchases property insurance coverage for the replacement value of the University's property.

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11. Beverage Contract

The University has entered into a sponsorship contract with the Pepsi-Cola General Bottlers Illinois, LLC (Vendor) to provide beverages for its employees, visitors, faculty, and students. This is a ten year agreement commencing December 18, 2007. Under the agreement, the University receives 50% of the total revenue derived by the Vendor from the vending machines installed and serviced on each respective University campus. Such payments will be paid no less frequently than monthly and will be accompanied by appropriate documentation verifying the receipts and commission amounts. The commission received from the Vendor for the fiscal year 2009 was \$70,645. Under the contract, the Vendor extended terms made during its negotiations with the Illinois Department of Revenue regarding marketing monies due to the University on an annual basis. The Vendor agreed to allocate statewide \$440,000 of marketing money. The University's share of the marketing money is 3.5948% of the total allocated statewide, or \$15,817. Payment of these funds is due at the beginning of each year throughout the term of the contract. The Vendor also agreed to honor the agreement made during negotiations with the Illinois Department of Revenue regarding the guaranteed annual vending commitment, which for the University is \$13,631. This amount will increase in direct proportion to any price increases implemented by the Vendor during the life of this agreement.

12. Operating Expenses by Natural Classification

Operating expenses by natural classification for the year ended June 30, 2009 are summarized as follows:

	Compensation and Benefits	Supplies and Services	Scholarships	Depreciation	Total
Instruction	\$ 57,198,918	\$ 4,061,211	\$ 94,411	\$ -	\$ 61,354,540
Research	767,175	236,906	930	-	1,005,011
Public service	8,966,613	5,492,064	43,415	-	14,502,092
Academic support	7,497,619	1,517,519	-	-	9,015,138
Student services	7,059,716	3,946,746	16,113	-	11,022,575
Institutional support	8,761,794	1,430,070	-	-	10,191,864
Operation and maintenance of plant	8,506,963	4,045,355	-	-	12,552,318
Scholarships and fellowships	-	-	5,348,939	-	5,348,939
Auxiliary	2,782,975	967,728	1,955	-	3,752,658
Depreciation	-	-	-	5,336,575	5,336,575
Other operating expenses	597,359	1,318,471	-	-	1,915,830
Total	<u>\$ 102,139,132</u>	<u>\$ 23,016,070</u>	<u>\$ 5,505,763</u>	<u>\$ 5,336,575</u>	<u>\$135,997,540</u>

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

13. Commitments and Contingencies

At June 30, 2009, the University had a commitment for the construction project for the renovation of Building CBM of \$897,488.

Substantial amounts are received and expended by the University under federal and state grants and contracts. This funding relates to research, public services, and other programs, and is subject to audit under OMB Circular A-133, and disallowance by the granting agency. The University believes that any liabilities arising from subsequent audits will not have a material effect on the University's financial position.

14. Subsequent Event

In April 1997, Northeastern issued \$4,505,000 in revenue bonds primarily to fund substantial improvements to the University's student union (then known as the Commuter Center). At that time, an option was included in the bond structure to allow for the redemption of the bonds prior to maturity. This option was effective on July 1, 2007, at a redemption price of 102% of the principal amount of bonds redeemed, with such redemption price declining to 100% (or par) on July 1, 2009.

As of July 1, 2009, the interest rates on the \$2,325,000 (after payment of the principal made on July 1, 2009 in the amount of \$230,000) of remaining outstanding Series 1997 Bonds ranged from 5.35%, for the July 2010 maturity, to 5.625%, for the July 2011 through July 2017 maturities, the final maturity of the issue. In the market, yields at the time on comparable tax-exempt bonds for the same maturities would sell for yields ranging from 1.50% to 3.25%.

On August 21, 2009, the University redeemed the outstanding bonds, resulting in a positive cash flow of \$607,330 over the remaining years of the bonds (scheduled bond and interest payments less bond redemption cost). Below are the sources of funds used for the bond redemptions.

**Sources of Auxiliary Funds for
Bond Redemption - 1997 Series**

Series 1997 Debt Service Reserve Fund	\$ 273,120
Series 1997 Bond Account	120,713
Non-instructional Auxiliary Facilities Reserve	1,432,985
Student Union Operation Account	426,323
Parking Operating Account	89,931
Total Sources of Funds	<u>\$ 2,343,072</u>

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
JUNE 30, 2009**

**UNIVERSITY FACILITIES REVENUE BOND FUNDS
INSURANCE IN FORCE
(Unaudited)**

<u>Type of Coverage</u>	<u>Required Coverage</u>	<u>Coverage in Force</u> ^(a)
Fire and lightning, extended coverage	Not stipulated	\$100,000,000 Primary
Use and occupancy insurance (Business interruption)	None ^(b)	Actual sustained within Policy limits ^(c)
General liability insurance	\$100,000/person \$300,000/accident	\$10,650,000/occurrence \$19,650,000/aggregate
Corporate surety bonds	\$4,334,007 ^(d)	\$5,000,000 ^(e)
Each University employee Blanket crime policy	None	\$2,000,000

(a) This statement is prepared from the policies and is intended only as a descriptive summary. The auditors do not express an opinion as to the adequacy of the coverage.

(b) Excess of debt service requirements for the year ended June 30, 2009 over cash and short-term investments in the Bond Account and Bond Reserve at June 30, 2009. -

(c) Estimate of coverage is directly related to loss of fcc income.

(d) The sum of the amounts established to be deposited in the Revenue Fund Account during the succeeding fiscal year.

(e) This is a combination of bond and crime policies.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
JUNE 30, 2009**

**UNIVERSITY FACILITIES REVENUE BOND FUNDS
RATES AND CHARGES
(Unaudited)**

The Board of Trustees of Northeastern Illinois University is responsible for establishing rates and charges for the use of the University's Student Union. This income is pledged for payment of the University's Student Union operating expenses and making reserve deposits and bond payments in accordance with the bond indenture.

Effective the fall semester of 2008, students enrolling at Northeastern Illinois University pay a fee of \$6.75 per credit hour for the right to use the University's Student Union.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
JUNE 30, 2009**

**UNIVERSITY FACILITIES REVENUE BOND FUNDS
SUMMARY OF RESERVES FOR DEBT SERVICE
AND RENEWAL AND REPLACEMENT
(Unaudited)**

The comparison of the maximum reserve requirements with the actual amounts transferred to the bond account and the three reserve accounts established under the bond indenture as of June 30, 2009 is as follows:

	<u>Balance of Assets Reserved</u>	<u>Deposits Required to Date</u>	<u>Maximum Reserve Requirement</u>
Bond account ^(a)	\$ 845,259	\$ 845,259	\$ 845,259
Bond reserve account	1,288,446	1,288,446	1,288,446
Renewal and replacement reserve account ^(b)	500,000	1,700,000	500,000
Non-instructional facilities reserve account	1,003,269	1,003,269	1,003,269
Equipment reserve account	134,885	134,885	134,885

Notes:

- (a) The amounts required for the deposit in the bond account were remitted from the revenue fund account to the Trustee, U.S. Bank National Association, for payment of the bond principal and interest installments coming due on July 1, 2009.
- (b) Total expenditures for extraordinary repairs, as defined in the bond indenture, as of June 30, 2009, amounted to \$1,624,892. Amounts used in this manner are to be replaced in the reserve by extending the periodic payments until the maximum is accumulated.



E.C. ORTIZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With *Government Auditing Standards***

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of the business-type activities of the Northeastern Illinois University (University) and its aggregate discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 15, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the University's discretely presented component unit, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented,

or detected and corrected on a timely basis. We consider the deficiencies described in finding 09-1 in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in findings 09-2 and 09-3 in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the University's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, Board of Trustees, University management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

E.C. Ortiz & Co., LLP
December 15, 2009

**State of Illinois
Northeastern Illinois University
For the Year Ended June 30, 2009
Schedule of Findings**

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*

09-1 *Controls for Reporting Accrued Compensated Absences*

The Northeastern Illinois University (University) did not have adequate controls in place for identifying and reporting the University's liability for accrued compensated absences.

The University began maintaining its records of employees' vested vacation and sick time in its new Human Resources (HR) Banner information system. At the end of the fiscal year, the HR department queried the system in order to extract data, which is then used to adjust the accrued compensated absences liability on the University's financial statements.

The liability for accrued compensated absences reported on the University's financial statements amounted to \$9,391,229 at June 30, 2009. Based on our review of the Leave Liability Report (Report), we noted the following:

- The salary rates used in the calculation of accrued compensated absences for 45 employees included the across-the-board increase effective July 1, 2009 resulting in an overstatement of \$8,086 in the accrued compensated absences liability.
- Vacation leave accruals for bi-weekly employees were not calculated based on the actual hours in pay status in accordance with the University policy resulting in an overstatement of \$15,275 in the accrued compensated absences liability.
- Four (4) employees with compensable vacation leave balances were not included in the Report resulting in an understatement of \$9,482 in the accrued compensated absences liability.

Based on our detailed testing of vacation and sick leave balances for 30 employees, we noted the following errors:

- Comparison of the salary rates used for June 30, 2008 and 2009 calculation of the accrued compensated absences showed that salary rates used for prior year accruals were incorrect. The error was caused by inaccurately using 75 hours per pay period instead of 81.25 hours in the calculation of rates per hour for some semi-monthly employees. The 75 hours is the default used in the Banner

**State of Illinois
Northeastern Illinois University
For the Year Ended June 30, 2009
Schedule of Findings**

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS* (Continued)

information system applicable to bi-weekly employees and should have been modified for semi-monthly employees. The effect on the previously issued 2008 financial statements would be an overstatement of the accrued compensated absences liability in the amount of \$674,082.

- Sick leave balances for 6 employees who were not eligible for accrual were included in the Report resulting in an overstatement of \$24,619 in the accrued compensated absences liability.
- Vacation usages for 7 employees for various months during the year were either incorrectly posted or not recorded in the Banner information system resulting in a net overstatement of \$332 in the accrued compensated absences liability.
- Vacation leave accruals for 3 employees during the year were either incorrectly calculated or not recorded in the Banner information system resulting in a net understatement of \$1,140 in the accrued compensated absences liability.

A net adjusting entry of \$636,392 was proposed to correct the current year understated compensated sick and vacation expenses associated with the exceptions noted. The University did not adjust the financial statements. The amount was determined not to materially affect the financial statements and the adjustment has been included on the auditor's schedule of proposed adjustments.

Proper internal controls require management to establish appropriate procedures to ensure that accurate financial statements are presented in accordance with generally accepted accounting principles. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that financial data is properly recorded and accounted for to permit the preparation of reliable financial reports.

University officials indicated that the errors noted in the Report were mainly due to the implementation of the new information system used to accumulate the information for the accrued compensated absences liability and oversight.

Failure to implement proper internal control procedures may result in a material misstatement in the University's financial statements. (Finding Code Nos. 09-1, 08-1)

**State of Illinois
Northeastern Illinois University
For the Year Ended June 30, 2009
Schedule of Findings**

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS* (Continued)

Recommendation

We recommend the University implement adequate internal controls to ensure that financial information is complete and accurate. Specifically, the HR department should verify the information extracted from the system prior to submitting the Report to the auditors for their review.

University Response

The University concurs with this recommendation. Improvements in internal controls were made and the fiscal year 2009 liability for compensated absences is fairly stated.

**State of Illinois
Northeastern Illinois University
For the Year Ended June 30, 2009
Schedule of Findings**

CURRENT FINDINGS - GOVERNMENT AUDITING STANDARDS (Continued)

09-2 Financial Adjustments

The Northeastern Illinois University (University) did not identify errors in the draft financial statements provided to auditors.

We noted the following in our audit of the financial statements originally submitted by the University to the Office of the State Comptroller:

- The unapplied payments at yearend consisting of student tuition and fees, financial aid, and tuition waivers totaling \$722,529 were presented as accounts payable in the Statement of Net Assets instead of being offset against student receivables. The University subsequently made the necessary adjustments in the financial statements.
- The fiscal year 2010 portion of the Summer tuition waivers totaling \$194,726 was presented as part of the student receivables in the Statement of Net Assets instead of deferred charges. The University subsequently made the necessary adjustments in the financial statements.
- The state and local grant revenues include erroneous accrual for 2 local grants considered as “fee for service type” grants wherein revenues are recorded upon receipt of the grant amount. However at yearend, the University recorded accrued revenues for the excess of total expenses over amounts collected resulting in an overstatement of \$247,987 in the grants receivable and state and local grant revenues. This amount was not adjusted since it was determined to be immaterial in relation to the financial statements.

During our detailed testing of vouchers as part of the compliance examination, we also noted the following:

- A voucher amounting to \$25,873 for the purchase of books received by the University during fiscal year 2008 was recorded as a fiscal year 2009 expense. This amount was not adjusted since it was determined to be immaterial in relation to the financial statements.
- Four (2%) vouchers incurred and paid subsequent to fiscal year 2009 totaling \$77,958 initially accrued as fiscal year 2009 expenses were reversed against a prepaid expense account instead of the related payable account. The University subsequently made the necessary adjustments in the financial statements.

**State of Illinois
Northeastern Illinois University
For the Year Ended June 30, 2009
Schedule of Findings**

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS* (Continued)

Management has the ultimate responsibility for the University's internal control over financial reporting. This responsibility should include an adequate system of review of the completeness and accuracy of the University's financial statements to ensure that the financial statements are presented in accordance with accounting principles generally accepted in the United States of America.

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that financial data is properly recorded and accounted for to permit the preparation of reliable financial reports.

According to University management, the exceptions noted were due to the implementation of the new information system and oversight.

Failure to implement proper internal control procedures may result in a material misstatement in the University's financial statements. (Finding Code No. 09-2)

Recommendation

We recommend the University review its current process for the preparation and review of the annual financial statements to ensure that financial information is complete and accurate in accordance with generally accepted accounting principles.

University Response

The University concurs with this recommendation.

**State of Illinois
Northeastern Illinois University
For the Year Ended June 30, 2009
Schedule of Findings**

CURRENT FINDINGS - GOVERNMENT AUDITING STANDARDS (Continued)

09-3 *Student Receivables Not Reconciled Timely*

Northeastern Illinois University (University) did not perform reconciliations of its student receivables on a timely basis.

The Student module of the University's Banner information system went live in March 2008, beginning with Summer 2008 enrollment. Interface of the transactions from the Student module to the Finance module in Banner to generate accounting entries started in June 2008. The University's Bursar's Office did not perform timely reconciliations to ensure that all transactions from the Student module were fed to the Finance module.

During our walkthrough review of the University's tuition and fees revenue process performed in May 2009, we noted that the feed error report generated from Banner showed that tuition and fees revenue from Spring 2009 enrollment of approximately \$738,291 was not fed from the Student module to the Finance module. This resulted in an understatement of the tuition and fees revenue and the related receivables. The University subsequently corrected this error in Banner.

Sound internal controls require management to establish appropriate procedures to ensure that accurate financial statements are presented in accordance with generally accepted accounting principles. Receivables should be reconciled on a timely basis to ensure prompt disposition of errors.

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that financial data is properly recorded and accounted for to permit the preparation of reliable financial reports.

University officials indicated that the condition noted above was mainly due to the implementation of the new Banner information system.

Failure to perform timely reconciliations may result in a material misstatement in the University's financial statements. (Finding Code No. 09-3)

Recommendation

We recommend the University perform timely reconciliations of student receivables to ensure that financial information is complete and accurate.

**State of Illinois
Northeastern Illinois University
For the Year Ended June 30, 2009
Schedule of Findings**

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS* (Continued)

University Response

The University concurs with this recommendation.

APPENDIX C

SUMMARY OF CERTAIN LEGAL DOCUMENTS

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APPENDIX C

SUMMARY OF CERTAIN LEGAL DOCUMENTS

The following are brief summaries of the provisions of the Purchase Contract, the Acquisition Agreement and the Indenture. These summaries are not intended to be definitive. Reference is made to the complete documents for the complete terms thereof. Copies of the documents are available as set forth in the Official Statement under the heading “ADDITIONAL INFORMATION.”

CERTAIN DEFINITIONS

“Acquisition Agreement” means the Acquisition Agreement dated as of August 1, 2010, by and between the Trustee and the Board, and any duly authorized and executed amendment thereto.

“Acquisition Costs” means the price paid or to be paid by the Trustee to cause the acquisition, development and implementation of the Improvements in accordance with the Acquisition Agreement, together with all other costs and expenses incidental to such acquisition, development and implementation, including but not limited to capitalized interest for a period determined by the Board Representative and the salaries of certain designated employees of the Board employed in connection with the acquisition, development and implementation of the Improvements prior to the date the related Improvements are placed in service.

“Acquisition Fund” means the fund by that name established and held in trust by the Board as agent of the Trustee pursuant to the Indenture for the purpose of paying Acquisition Costs.

“Additional Payments” means all costs and expenses incurred by the Trustee to comply with the provisions of the Indenture, including without limitation, all costs and expenses of auditors, engineers, accountants and legal counsel, if necessary, but excluding Delivery Costs (which shall be paid by the Board from moneys deposited in the Acquisition Fund), any advances by the Trustee to the Board and amounts incurred by the Trustee in order to discharge or remove any pledge, lien, charge, encumbrance or claim with respect to the Improvements, all of which are required to be paid by the Board under the Purchase Contract.

“Board Representative” means the Chairman, the Secretary or the Treasurer of the Board or any other person authorized by resolution of the Board to act on behalf of the Board under or with respect to the Indenture and the Purchase Contract.

“Certificates” means the \$6,105,000^{*} aggregate principal amount of the Northeastern Illinois University Certificates of Participation (Energy Conservation Projects), Series 2010 (Build America Program – Taxable).

“Code” means the Internal Revenue Code of 1986, as amended and supplemented from time to time, and any applicable regulations thereunder.

“Construction Contract” means any construction contract or contracts between the Board (acting in its capacity as the Trustee’s agent pursuant to the Purchase Contract) or the Trustee and

^{*} Preliminary, subject to change.

any Contractor and between any Contractor or subcontractor and its immediate subcontractor regarding the Improvements.

“Contractor” means any contractor designated as a contractor by the Board (acting in its capacity as the Trustee’s agent pursuant to the Purchase Contract) or the Trustee.

“Event of Default” means an event of default under the Purchase Contract, as defined therein, and, in addition, if the Purchase Contract has terminated pursuant thereto, the failure of the Trustee to receive, from amounts previously appropriated by the State, when combined with Legally Available Nonappropriated Funds, an amount sufficient to pay principal of or interest on the Certificates on any date payment thereof is due. An Event of Default shall not mean the Board’s failure to obtain final appropriation by the State of Installment Payments and Additional Payments during the next occurring fiscal year of the State.

“Event of Nonappropriation” is defined in the body of this Official Statement under the subheading “SECURITY FOR THE CERTIFICATES – Termination of Purchase Contract.”

“Favorable Opinion of Special Counsel” means, with respect to any action the occurrence of which requires such an opinion, an unqualified opinion of counsel delivered by Special Counsel, to the effect that such action will not impair the exclusion of the interest component of Installment Payments paid with respect to the Certificates from gross income for purposes of federal income taxation (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Certificates). See also the information in this APPENDIX C under “INDENTURE – Form of Opinion of Special Counsel.”

“Improvement Contract” means any contract between the Board (acting in its capacity as the Trustee’s agent pursuant to the Purchase Contract) or the Trustee and any Contractor providing for the acquisition, development, implementation and delivery of the Improvements; provided, however, that in connection with development and implementation services, including but not limited to the services of employees of the Board, such services must be performed prior to the date the related Improvements are placed in service. A copy of each Contract is or will be on file with the Board.

“Improvements” means all property, improvements, equipment, services and facilities sold to the Board pursuant to the Purchase Contract as more fully described in the Indenture, as may be supplemented or amended as set forth in the Purchase Contract.

“Indenture” means the Indenture of Trust, dated as of August 1, 2010, by and between the Board and the Trustee, together with any amendments or supplements thereto permitted to be made thereunder.

“Installment Payment Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Installment Payments” means all payments required to be paid by the Board on any date pursuant to the Purchase Contract.

“Interest Payment Date” means each of the dates on which interest is due and payable with respect to the Certificates as provided in the Indenture.

“Legally Available Nonappropriated Funds” means budgeted legally available funds of the Board derived from sources other than State appropriations on an annual basis.

“Outstanding,” when used with reference to the Certificates, means, as of any date of determination, all Certificates theretofore executed and delivered except:

(a) Certificates theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(b) Certificates which are deemed paid and no longer Outstanding as provided in the Indenture;

(c) Certificates in lieu of which other Certificates shall have been issued pursuant to the provisions of the Indenture relating to Certificates destroyed, stolen or lost, unless evidence satisfactory to the Trustee has been received that any such Certificate is held by a bona fide purchaser; and

(d) Certificates owned or held by or for the account of the Board or by any person directly or indirectly controlled by, or under direct or indirect common control with the Board (except any Certificates held in any pension or retirement fund), which shall not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Certificates provided for in the Indenture, and shall not be entitled to vote upon, consent to, or take any other action provided for in the Indenture, unless all Outstanding Certificates are so held by the Board.

“Owner” or “Certificate Owner” or “Owner of a Certificate”, or any similar term, when used with respect to a Certificate means the person in whose name such Certificate shall be registered.

“Permitted Encumbrances” means, as of any particular time: (i) the Purchase Contract; (ii) rights, reservations, covenants, conditions or restrictions which exist as of the date of issuance of the Certificates; and (iii) leases, encumbrances and other rights, reservations, covenants, conditions or restrictions to which the Trustee and the Board consent in writing.

“Permitted Investments” means investments which are permitted under the statutes of the State of Illinois providing for the investment of funds of the Board, as such statutes may be amended from time to time.

“Prepayment” means any payment applied towards the prepayment of the Installment Payments, in whole or in part, pursuant to the Purchase Contract as a prepayment of the Installment Payments.

“Purchase Contract” means the Installment Purchase Contract, dated as of August 1, 2010, by and between the Board and the Trustee, together with any duly authorized and executed amendment thereto.

“State” means the State of Illinois.

“Tax Certificate” means any agreement or certificate of the Board which the Board may execute in order to establish and maintain the exclusion from gross income for federal income tax purposes of the interest component of the Installment Payments payable with respect to the Certificates.

PURCHASE CONTRACT

PURCHASE OF IMPROVEMENTS

The Trustee agrees to sell the Improvements to the Board pursuant to the terms and conditions set forth in the Purchase Contract. The term of the Purchase Contract begins on August 1, 2010 and continues through and including October 1, 2028, unless terminated or renewed and extended prior thereto (the "Expiration Date"). (See "SECURITY FOR THE CERTIFICATES – Termination of Purchase Contract" in the body of this Official Statement.) If the Indenture shall be discharged by its terms prior to the Expiration Date, the term of the Purchase Contract shall thereupon end.

No later than the business day before October 1 and April 1 of each fiscal year, the Board shall deposit with the Trustee from the appropriations made to the Board, the full amount of funds necessary, when combined with Legally Available Nonappropriated Funds, to make all Installment Payments coming due on such dates. The Board's obligation to make Installment Payments under the Purchase Contract shall not be subject to the Board's acceptance or use of the Improvements. The Board's failure to provide for such payments to the Trustee may immediately terminate all of the Board's right, title and interest in and payment obligations under the Purchase Contract and to all of the Improvements.

INSTALLMENT PAYMENTS

The Board has agreed to pay, as payment for the purchase price of the Improvements, the Installment Payments. The Board has also agreed to pay the Additional Payments when due.

OPERATION AND MAINTENANCE; MODIFICATION OF IMPROVEMENTS; LIENS

The Board, at its own expense, has agreed to pay for, or otherwise arrange for the payment of, all operation, improvement, repair and maintenance of the Improvements.

The Board and any lessee has the power to make additions, modifications and improvements to the Improvements which do not damage any Improvements or reduce their value to a value substantially less than that which existed prior to such addition, modification or improvement. Any such additions, modifications or improvements shall thereafter comprise part of the Improvements and become subject to the Purchase Contract. The Board must pay or cause to be paid all taxes, assessments, utility and other charges with respect to the Improvements.

The Board must not, directly or indirectly, create, incur, assume or suffer to exist any pledge, lien, charge, encumbrance or claim on or with respect to the Improvements, other than the respective rights of the Trustee and the Board as provided in the Purchase Contract and Permitted Encumbrances. Except as expressly provided in the Purchase Contract, the Board must promptly, at its own expense, take such action as may be necessary to duly discharge, contest or remove any such pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same arises at any time. The Board shall reimburse the Trustee for any expense incurred by it in order to discharge or remove any such pledge, lien, charge, encumbrance or claim.

INSURANCE

The Board is required to maintain, or cause to be maintained, throughout the term of the Purchase Contract, a program of liability insurance and/or self-insurance as authorized under the laws of the State to assume such risks, and of such types and in such amounts as are customary for similar institutions carrying on similar activities.

The Board is required to maintain property insurance with a commercial insurer rated “B+” or better by Best or in the two highest rating categories of S&P and Moody’s, but only with respect to that portion of the Improvements constituting hardware or peripheral equipment, in an amount equal to the replacement cost of such Improvements so insured. The Purchase Contract does not require the Board to procure or maintain, or cause to be procured and maintained, any property insurance against loss or damage to any Improvements not constituting hardware or peripheral equipment.

PURCHASE OPTION; PREPAYMENT

On or after an Event of Nonappropriation, the Board may, or upon termination or failure to renew the Purchase Contract the Board shall, exercise its option to purchase all of the Improvements by paying the Prepayment price of principal and accrued interest on all of the Certificates to the date the Purchase Contract is terminated. Such amount will be deposited by the Trustee in the Installment Payment Fund and applied to the redemption of the Certificates in accordance with the Indenture.

SECURITY DEPOSIT

The Board may on any date secure the payment of all or any portion of Installment Payments by a deposit with the Trustee of cash or direct non-callable obligations of the United States of America, together with cash, if required, in such amount as will, together with interest to accrue thereon, be fully sufficient to pay all or any portion of unpaid Installment Payments on their respective Installment Payment Dates. In the event of a deposit sufficient to pay, or provide for the payment of, all unpaid Installment Payments, all obligations of the Board under the Purchase Contract, and all security provided by the Purchase Contract for said obligations, shall cease and terminate, excepting only the obligations of the Board to make, or cause to be made, Installment Payments from such deposit. This deposit will be deemed to be and will constitute a special fund for the payment of Installment Payments in accordance with the Purchase Contract.

ASSIGNMENT AND LEASING

The Board may not assign any of its rights in the Purchase Contract. Except for leases by the Board for occasional de minimus use that is permitted under the terms of the Tax Certificate, the Improvements may be leased in whole or in part by the Board only with the written consent of the Trustee and only under the conditions contained in the Purchase Contract, including the condition that the Board furnish the Trustee with a Favorable Opinion of Special Counsel with respect to any such lease.

EVENTS OF DEFAULT

Each of the following constitutes an “event of default” under the Purchase Contract:

- (i) failure by the Board to make any Installment Payment or other payment required under the Purchase Contract, including, without limitation, any mandatory prepayment, when due;
- (ii) failure by the Board to observe and perform any covenant, agreement or condition on its part to be observed or performed under the Purchase Contract or the Indenture, other than a default described in (i) above, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the Board by the Trustee or the Owners of not less than 25% in aggregate principal amount of

Certificates then Outstanding; *provided*, if the failure stated in the notice can be corrected, but not within the applicable period, the Trustee or such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Board within the applicable period and diligently pursued until the default is corrected; or

(iii) certain events relating to bankruptcy of the Board or the inability of the Board to pay its debts.

Upon the occurrence and continuation of any event of default, the Trustee may exercise any and all remedies available pursuant to law or granted pursuant to the Purchase Contract, including, but not limited, to the right to sue the Board for any amounts appropriated by the General Assembly of the State for the payment of Installment Payments and Additional Payments but not paid by the Board to the Trustee.

Upon the occurrence of an event of default under the Purchase Contract, title to the Improvements is subject to vesting in the Trustee pursuant to the pursuit of remedies and the Trustee at its option may terminate the Purchase Contract and lease or sell all or any portion of its interests in the Improvements. Any amounts received by the Trustee from such leasing or sale of the Improvements shall be credited towards the Board's unpaid Installment Payments and Additional Payments. Any net proceeds of sale, lease or other disposition of the Improvements are required to be deposited in the Installment Payment Fund and applied to Installment Payments in order of payment date. Pursuant to the Indenture, in an event of default, all remedies shall be exercised by the Trustee and the Certificate Owners as provided in the Indenture.

INDENTURE

PLEDGE AND SECURITY

Pursuant to the Indenture, the Trustee has established a trust to receive and to hold as security for the Owners of the Certificates, a security interest in the following:

A. All right, title and interest of the Trustee in and to the Improvements and the Acquisition Agreement.

B. All right, title and interest of the Board in and to the Improvements now or hereafter acquired by the Board, and in and to the Improvement Contracts between the Board and any Contractor, and any duly authorized and executed amendments thereto, including the right to (i) acquire each item of Improvements; (ii) take title to such Improvements; (iii) be named the purchaser in any bill or bills of sale to be delivered by the Contractors; (iv) all claims for damages with respect to each item of Improvements arising as a result of any default by the respective Contractor; and (v) compel performance of the terms of the Improvement Contracts with respect to such Improvements; *provided* that title to and possession of the Improvements in existence on the date of delivery of the Purchase Contract will automatically thereafter vest in the Board without action by the Trustee, and title to and possession of all Improvements acquired after the date of delivery of the Purchase Contract shall automatically so vest in the Board upon acquisition without action by the Trustee.

With respect to each item of Improvements, so long, and only so long, as such item of Improvements shall be subject to the Purchase Contract and the Board shall be entitled to possession of such Improvements thereunder, the Board has reserved (a) the rights to

demand, accept and retain all rights in and to all property, data and service which the Contractors are obligated to provide, or do provide, pursuant to the Improvement Contracts, (b) all rights, if any, with respect to spare parts as provided in the Improvement Contracts, (c) the right to obtain instructions and data pursuant to the Improvement Contracts and (d) the rights under all warranty and indemnity provisions contained in the Improvement Contracts.

C. All right, title and interest of the Board in the Acquisition Agreement and the Purchase Contract, but excluding the Board's option to terminate or renew the Purchase Contract, certain of the Board's rights relating to title, use and enjoyment of the Improvements (as detailed in the Indenture), and the right of the Board to receive all notices, certificates, requests, directions and other communications under the Indenture and the Purchase Contract.

D. All right, title and interest of the Trustee in and to the Purchase Contract and the present and continuing right to (i) make claim for, collect or cause to be collected, receive or cause to be received all revenues, receipts and other sums of money payable or receivable thereunder, including, but not limited to the Installment Payments and the Additional Payments, (ii) bring actions and proceedings thereunder or for the enforcement thereof and (iii) do any and all things which the Trustee is or may become entitled to do thereunder; provided that this clause shall not transfer, impair or diminish any right of the Trustee under any of the granted instruments for indemnification, reimbursement of fees, costs and expenses or to receive notices or approve amendments.

E. All right, title and interest of the Board in and to amounts on deposit from time to time in the funds and accounts created pursuant to the Indenture (other than the Rebate Fund), subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

F. All right, title and interest of the Trustee in and to amounts on deposit from time to time in the funds and accounts created pursuant to the Indenture (other than the Rebate Fund), subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

All rights granted in the Indenture shall be administered by the Trustee according to the provisions of the Indenture and for the equal and proportionate benefit of the Owners of Certificates.

TRUSTEE

The Trustee is appointed pursuant to the Indenture and is authorized to execute and deliver the Certificates and to act as a depository of amounts held thereunder. The Trustee is required to make deposits into and withdrawals from funds, and invest amounts held under the Indenture in accordance with the Board's instructions.

FORM OF OPINION OF SPECIAL COUNSEL

In situations where a Favorable Opinion of Special Counsel or an opinion of Special Counsel is required or requested to be delivered under the Indenture or under the Purchase Contract after the date of delivery of the Certificates, the Trustee shall accept (unless otherwise directed by the Board) an opinion in such form and with such disclosures as may be required so that such

opinion will not be treated as a “covered opinion” for purposes of the United States Treasury Department regulations governing practice before the Internal Revenue Service (Circular 230), 31 CFR Part 10.

FUNDS

The Indenture creates the Acquisition Fund to be held in trust by the Board as agent of the Trustee and the Installment Payment Fund to be held in trust by the Trustee. An amount equal to accrued interest on the Certificates shall be deposited into the Installment Payment Fund. The balance of the net proceeds of the sale of the Certificates shall be deposited in the Acquisition Fund.

Acquisition Fund. Moneys in the Acquisition Fund shall be disbursed by the Board pursuant to the Indenture to pay Acquisition Costs and the Delivery Costs.

Following the completion of the Improvements, moneys remaining in the Acquisition Fund shall be deposited in the Installment Payment Fund and used to pay interest on or principal of the Certificates, as determined by the Board Representative. If an Event of Default occurs and is continuing, an Event of Nonappropriation occurs, or the Purchase Contract is terminated, the moneys in the Acquisition Fund shall be paid by the Board to the Trustee and applied in accordance with the Indenture.

Installment Payment Fund. The Trustee shall deposit into the Installment Payment Fund all Installment Payments, Additional Payments and Prepayments received by the Trustee, including any other moneys required to be deposited therein pursuant to the Purchase Contract or the Indenture. Moneys on deposit in the Installment Payment Fund shall be used to pay principal of, premium, if any, and interest on the Certificates as the same become due and payable.

Any surplus remaining in the Installment Payment Fund after the redemption or payment of all Certificates by the Board, including accrued interest, if any, and payment of any applicable fees to the Trustee, or provision for such redemption or payment has been made to the satisfaction of the Trustee, shall be withdrawn by the Trustee and remitted to the Board.

Investments. The Trustee is required to invest and reinvest all moneys held under the Indenture upon order of the Board Representative in Permitted Investments. The maturity date or the date on which any Permitted Investment may be redeemed at the option of the holder thereof must coincide as nearly as practicable with (but in no event shall be later than) the date or dates on which moneys in the funds or accounts for which the investments were made will be required for the purposes thereof. Moneys in the Acquisition Fund shall be invested by the Board in Permitted Investments. Any earnings on the investment of moneys in the Installment Payment Fund shall be retained in the Installment Payment Fund as a credit against the Installment Payments or Additional Payments next due and owing by the Board. Investment earnings on moneys in the Acquisition Fund shall be retained therein until the Improvements have been acquired, developed and implemented, and any surplus therein at such time shall be deposited into the Installment Payment Fund and used to pay interest or principal on the Certificates, as determined by the Board Representative.

EVENT OF DEFAULT

Upon the occurrence of an Event of Default, the Trustee may and shall, at the direction of Owners of not less than 25% in aggregate principal amount of the Certificates then Outstanding, by written notice to the Board, exercise any and all remedies available at law or granted pursuant to the

Purchase Contract, including declaring the principal portion of the Installment Payments to be immediately due and payable, whereupon that portion of the principal portion of the Installment Payments coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in the Indenture or the Certificates to the contrary notwithstanding.

No Owner of any Certificate may institute any suit, action or proceeding in equity or at law for any remedy under or upon the Indenture unless (a) such Owner has previously given written notice to the Trustee of such an Event of Default; (b) the Owners of not less than 25% in aggregate principal amount of all of the Certificates then Outstanding have made written request of the Trustee to exercise such powers; (c) said Owners have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days following receipt of such written request and such tender of indemnity.

APPLICATION OF FUNDS

All moneys received by the Trustee pursuant to any right given or action taken under certain provisions of the Indenture or the Purchase Contract shall be applied by the Trustee in the following order, upon presentation of the Certificates, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of amounts, if any, payable pursuant to the Tax Certificate;

Second, to the payment of the costs and expenses of the Trustee and of the Certificate Owners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel;

Third, to the payment of the whole amount then owing and unpaid with respect to the Certificates for principal and interest, with interest on the overdue principal and, to the extent lawful, installments of interest at the rate borne by the related Certificates (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

AMENDMENT

The Indenture, the Acquisition Agreement and the Purchase Contract may be amended by agreement among the parties thereto without the consent of the Owners of the Certificates, but only to the extent permitted by law and only as follows:

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

(b) to add to the covenants and agreements of the Board contained in the Indenture or of the Trustee contained in any document, other covenants or agreements thereafter to be observed, or to assign or pledge additional security for any of the Certificates, or to surrender any right or power reserved or conferred upon the Board or the

Trustee, which in the judgment of the Trustee is not materially adverse to the Owners of the Certificates;

(c) to confirm as further assurance, any ownership, pledge of or lien on the trust assets or any other moneys, securities or funds subject or to be subjected to the Indenture;

(d) to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended, if applicable to the Indenture;

(e) to modify, alter, amend or supplement the Indenture, the Purchase Contract or any supplemental indenture in any other respect which in the judgment of the Trustee is not materially adverse to the Owners of the Certificates;

(f) to provide for a new Securities Depository to accept Certificates;

(g) to modify or eliminate the Book-Entry System for any of the Certificates;

(h) to secure or maintain ratings on the Certificates from Moody's and/or S&P;

(i) to provide for the appointment of a successor Trustee; and

(j) to provide for any additional procedures, covenants or agreements necessary to maintain the exclusion of the interest component payable on the Certificates from the federal gross income of the Owners thereof.

Any other amendment shall require the written consents of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding.

Unless approved in writing by the Owners of all the Certificates affected thereby, nothing contained in the Indenture shall permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of, or premium if any, or interest on, any Outstanding Certificate, or a reduction in the principal amount or redemption price of any Outstanding Certificate or the rate of interest thereon, or (ii) the creation of a claim or lien upon, or a pledge of, the trust estate ranking prior to or on a parity with the claim, lien or pledge created by the Indenture, or (iii) a reduction in the aggregate principal amount of Certificates the consent of the Owners of which is required for any such supplemental agreement.

No amendment shall be effective unless the Trustee shall have received a Favorable Opinion of Special Counsel with respect to such amendment. In addition, the Trustee may, but shall not be required to, rely on an Opinion of Counsel in connection with a supplement to the Indenture or to assign or pledge additional security for any of the Certificates, or to surrender any right or power reserved or conferred upon the Board or on the Trustee proposed to be entered into pursuant to paragraph (b) above.

Notwithstanding the foregoing, under certain circumstances described in the Purchase Contract, amendments to the description of the Improvements in the Indenture and in the Purchase Contract may be made solely at the direction of the Board Representative.

DEFEASANCE

Upon payment of all Outstanding Certificates, either at or before maturity, or upon the irrevocable deposit with the Trustee of money or direct non-callable obligations of the United States of America sufficient with other available funds without reinvestment to pay and discharge all Certificates (including all principal and interest) at or before maturity, the Indenture shall be

terminated, except for the obligations of the Trustee to make payments on the Certificates from such funds.

Any Certificate or portion thereof in authorized denominations may be paid and discharged as provided in the preceding paragraph; *provided, however*, that if any such Certificate or portion thereof is to be redeemed, notice of such redemption shall have been given in accordance with the provisions of the Indenture or the Board shall have submitted to the Trustee instructions expressed to be irrevocable as to the date upon which such Certificate or portion thereof is to be redeemed and as to the giving of notice of such redemption; and *provided further*, that if any such Certificate or portion thereof will not mature or be redeemed within 60 days of the deposit of the moneys or government obligations referred to in the preceding paragraph, the Trustee shall give notice of such deposit by first class mail to the Owners.

ACQUISITION AGREEMENT

Under the Acquisition Agreement, the Board assigns, conveys, transfers and sets over to the Trustee all of the Board's right, title and interest in and to the Improvements and in and to the Improvement Contracts, including the right to (a) acquire each item of Improvements; (b) take title to such Improvements; (c) be named the purchaser in any bill or bills of sale to be delivered by the Contractors; (d) all claims for damages with respect to each item of Improvements arising as a result of any default by the respective Contractor; and (e) compel performance of the terms of the Improvement Contracts with respect to such Improvements; *provided* that title to and possession of the Improvements in existence on the date of delivery of the Purchase Contract will automatically thereafter vest in the Board without action by the Trustee, and title to and possession of all Improvements acquired after the date of delivery of the Purchase Contract will automatically so vest in the Board upon acquisition without action by the Trustee.

With respect to each item of Improvements, so long, and only so long, as such item of Improvements shall be subject to the Purchase Contract, the Board reserves (a) the rights to demand, accept and retain all rights in and to all property, data and service which the Contractors are obligated to provide, or do provide, pursuant to the Improvement Contracts, (b) all rights, if any, with respect to spare parts as provided in the Improvement Contracts, (c) the right to obtain instructions and data pursuant to the Improvement Contracts and (d) the rights under all warranty and indemnity provisions contained in the Improvement Contracts.

APPENDIX D

PROPOSED FORM OF OPINION OF SPECIAL COUNSEL

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APPENDIX D

Upon the issuance of the Certificates, Chapman and Cutler LLP, Special Counsel, proposes to issue its approving opinion in substantially the following form:

[To be Dated the Closing Date]

Board of Trustees of
Northeastern Illinois University
5500 North St. Louis Avenue
Chicago, Illinois 60625-4699

U. S. Bank National Association,
as Trustee
209 South LaSalle Street, Suite 300
Chicago, Illinois 60604

Ladies and Gentlemen:

We have acted as Special Counsel in connection with the execution and delivery on the date hereof of the Acquisition Agreement, the Purchase Contract and the Indenture, each as defined in the Indenture of Trust, dated as of August 1, 2010, by and between the Board of Trustees of Northeastern Illinois University (the “*Board*”) and U.S. Bank National Association, as Trustee. (The Acquisition Agreement, the Purchase Contract and the Indenture are hereinafter collectively referred to as the “*Documents*”).

The Purchase Contract provides for the construction, acquisition and equipping by the Board of improvements (the “*Improvements*”), more fully described in Exhibit B to the Purchase Contract, in consideration of the Board’s agreement to make certain payments specified in the Purchase Contract (the “*Installment Payments*”). In the event the Board makes each of the Installment Payments when due and otherwise performs its obligations under the Purchase Contract, the Board will acquire the Improvements free and clear of any security interest of the Trustee, or its successors or assigns, without the payment of any additional consideration.

In connection with our engagement, we have reviewed the following documents and other matters:

- (a) Executed counterparts of the Documents, including all exhibits thereto.
- (b) The proceedings of the Board authorizing the execution, delivery and performance of the Documents and the other documents contemplated thereby to be executed by the Board in connection therewith.

(c) The opinion of Dunn, Willard, Arkell, Bugg & Patterson, Bloomington, Illinois, Counsel to the Board, dated the date hereof.

(d) The form of the \$6,105,000* aggregate principal amount of the Certificates of Participation (Energy Conservation Project), Series 2010 (Build America Program - Taxable).

(e) Such other documents, certificates and other matters of fact and law as we considered necessary in connection with the opinions expressed herein.

In connection with our examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to the original documents of all documents submitted to us as certified or photostatic copies, the authenticity of the originals of such latter documents, the genuineness of all signatures appearing thereon and the correctness and accuracy of all statements of fact and representations contained therein.

Based upon the foregoing, it is our opinion, and we herewith advise you, that:

1. The Board is duly organized and validly existing as a body corporate under the Constitution and laws of the State of Illinois, and has all requisite power and authority thereunder to enter into and perform its covenants and agreements under the Documents.

2. The Documents have been duly authorized, validly executed and delivered by the Board and constitute valid and binding obligations of the Board enforceable against the Board in accordance with their respective terms.

3. The Certificates have been validly executed and delivered by the Trustee pursuant to the Indenture and are valid evidences of undivided proportionate interests in certain payments, including the Installment Payments, to be made by the Board pursuant to the Purchase Contract.

4. It is our opinion that, under present law, an interest portion of each Installment Payment made by the Board to the Trustee, as trustee for the owners of the Certificates, is includible in gross income of the owners thereof for federal income tax purposes. Certificate owners should consult their own tax advisors with respect to the inclusion of interest on the Certificates in gross income for federal income tax purposes and any collateral tax consequences of ownership of the Certificates. It is also our opinion that an interest portion of each Installment Payment is not exempt from Illinois state income tax for Certificate owners who are residents of Illinois. Ownership of the Certificates may result in other state and local tax consequences to certain taxpayers, and, except for the statement above concerning Illinois income tax, we express no opinion regarding any state or local consequences arising with respect to the Certificates.

The rights of the owners of the Certificates and the enforceability of the Certificates and the Documents may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

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

* Preliminary, subject to change.

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 on 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.

Respectfully submitted,

APPENDIX E

FORM OF THE CONTINUING DISCLOSURE AGREEMENT

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APPENDIX E

FORM OF THE CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the “Agreement”) is executed and delivered by the Board of Trustees (the “Board”) of Northeastern Illinois University (the “University”) in connection with the issuance of \$6,105,000* aggregate principal amount of Certificates of Participation (Energy Conservation Project), Series 2010, (Build America Program – Taxable). The Certificates are being issued pursuant to an Indenture of Trust dated as of August 1, 2010 (the “Indenture”) between U.S. Bank National Association, as Trustee (the “Trustee”) and the Board.

In consideration of the issuance of the Certificates by the Board and the purchase of such Certificates by the beneficial owners thereof, the Board covenants and agrees as follows:

1. **Purpose of the Agreement.** This Agreement is executed and delivered by the Board as of the date set forth below, for the benefit of the beneficial owners of the Certificates and in order to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below). The Board represents that it will be the only “obligated person” with respect to the Certificates at the time the Certificates are delivered to the Participating Underwriters and that no other person is expected to become so committed at any time after issuance of the Certificates.

2. **Definitions.** The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

“Annual Financial Information” means the financial information and operating data described in Exhibit I.

“Annual Financial Information Disclosure” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

“Audited Financial Statements” means the audited financial statements of the Board prepared pursuant to the standards and as described in Exhibit I.

“Commission” means the Securities and Exchange Commission.

“Dissemination Agent” means any agent designated as such in writing by the Board and which has filed with the Board a written acceptance of such designation, and such agent’s successors and assigns.

“EMMA” means the MSRB through its Electronic Municipal Market Access system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

* Preliminary, subject to change.

“Material Event” means the occurrence of any of the Events with respect to the Certificates set forth in Exhibit II that is material, as materiality is interpreted under the Exchange Act.

“Material Events Disclosure” means dissemination of a notice of a Material Event as set forth in Section 5.

“MSRB” means the Municipal Securities Rulemaking Board.

“Participating Underwriters” means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Certificates.

“Rule” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“State” means the State of Illinois.

“Undertaking” means the obligations of the Board pursuant to Sections 4 and 5.

3. **CUSIP Number/Final Official Statement.** The CUSIP Numbers of the Certificates are attached hereto as Exhibit III. The Final Official Statement relating to the Certificates is dated _____, 2010 (the “Final Official Statement”). The Board will include the CUSIP Numbers in all disclosure described in Sections 4 and 5 of this Agreement.

4. **Annual Financial Information Disclosure.** Subject to Section 8 of this Agreement, the Board hereby covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (in the form and by the dates set forth in Exhibit I to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information, and by such time so that such entities receive the information by the dates specified. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents required to be filed with EMMA, including financial statements and other externally prepared reports.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Board will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment or waiver is made to this Agreement, the Annual Financial Information for the year in which such amendment or waiver is made (or in any notice or supplement provided to EMMA) shall contain a narrative description of the reasons for such amendment or waiver and its impact on the type of information being provided.

5. **Material Events Disclosure.** Subject to Section 8 of this Agreement, the Board hereby covenants that it will disseminate in a timely manner Material Events Disclosure to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission or the State at the time of delivery of such information. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Certificates or defeasance of any Certificates need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the Certificateholders pursuant to the Indenture.

6. **Consequences of Failure of the Board to Provide Information.** The Board shall give notice in a timely manner to EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Board to comply with any provision of this Agreement, the beneficial owner of any Certificate may seek mandamus or specific performance by court order, to cause the Board to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Agreement in the event of any failure of the Board to comply with this Agreement shall be an action to compel performance.

7. **Amendments; Waiver.** Notwithstanding any other provisions of this Agreement, the Board by resolution authorizing such amendment or waiver, may amend this Agreement, and any provisions of this Agreement may be waived, if:

a. (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, including without limitation, pursuant to a “no-action” letter issued by the Commission, a change in law, or a change in the identity, nature, or status of the University, or type of business conducted; or

(ii) This Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

b. The amendment or waiver does not materially impair the interests of the beneficial owners of the Certificates, as determined by parties unaffiliated with the Board (such as the Trustee), or by approving vote of the Certificateholders pursuant to the terms of the Indenture at the time of the amendment or waiver.

In the event that the Commission or the MSRB or other regulatory authority shall approve or require Annual Financial Information Disclosure or Material Events Disclosure to be made to a central post office, governmental agency or similar entity other than EMMA or in lieu of EMMA, the Board shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending this Agreement.

8. **Termination of Undertaking.** The Undertaking of the Board shall be terminated hereunder if the Board shall no longer have any legal liability for any obligation on or relating to repayment of the Certificates under the Indenture. The Board shall give notice to EMMA in a timely manner if this Section is applicable.

9. **Dissemination Agent.** The Board may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

10. **Additional Information.** Nothing in this Agreement shall be deemed to prevent the Board from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Agreement. If the Board chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Agreement, the Board shall have no obligation under this Agreement to update such information or include it in any future disclosure or notice of occurrence of a Material Event. If the Board is changed, the Board shall disseminate such information to EMMA.

11. **Beneficiaries.** This Agreement has been executed in order to assist the Participating Underwriters in complying with the Rule; however, this Agreement shall inure solely to the benefit of the Board, the Dissemination Agent, if any, and the beneficial owners of the Certificates, and shall create no rights in any other person or entity.

12. **Record Keeping.** The Board shall maintain records of all Annual Financial Information Disclosure and Material Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

13. **Assignment.** The Board shall not transfer its obligations under the Indenture unless the transferee agrees to assume all obligations of the Board under this Agreement or to execute an Undertaking under the Rule.

14. **Governing Law.** This Agreement shall be governed by the laws of the State.

IN WITNESS WHEREOF, the Board has executed and delivered this Agreement as of the date written below.

**BOARD OF TRUSTEES OF
NORTHEASTERN ILLINOIS UNIVERSITY**

By: _____
Treasurer, Board of Trustees

Dated _____, 2010.

Exhibit I

ANNUAL FINANCIAL INFORMATION AND TIMING AUDITED FINANCIAL STATEMENTS

“Annual Financial Information” means financial information and operating data relating to the Board updating the financial information and operating data presented in the Official Statement under the following captions (provided, however, that the updating information may be provided in such format as the Board deems appropriate):

“NORTHEASTERN ILLINOIS UNIVERSITY –

- Student Enrollment,” (other than projections)
- Matriculation,”
- Tuition and Fee Rates,”
- Financial Aid to Students,”

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to EMMA or filed with the Commission. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available on EMMA; the Final Official Statement need not be available from the Commission. The Board shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be submitted to EMMA within 240 days after the last day of the Board’s fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included.

Audited Financial Statements will be prepared in conformity with generally accepted accounting principles. Audited Financial Statements will be submitted to EMMA within 30 days after availability to the Board.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, the Board will disseminate a notice of such change as required by Section 4.

Exhibit II

EVENTS WITH RESPECT TO THE CERTIFICATES FOR WHICH MATERIAL EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Modifications to rights of holders of the Certificates
7. Certificate calls (other than scheduled mandatory redemptions)
8. Defeasances
9. Release, substitution or sale of property securing repayment of the security
10. Rating changes.

Exhibit III

Board of Trustees of Northeastern Illinois University
\$_____ Northeastern Illinois University Certificates of Participation
(Energy Conservation Project), Series 2010
(Build America Program – Taxable)

MATURITY

DATE

CUSIP

10/01/2012
10/01/2013
10/01/2014
10/01/2015
10/01/2016
10/01/2017
10/01/2018
10/01/2019
10/01/2020
10/01/2021
10/01/2022
10/01/2023
10/01/2024
10/01/2025
10/01/2027
10/01/2028

INDENTURE OF TRUST

by and between

U.S. BANK NATIONAL ASSOCIATION, as Trustee

and

BOARD OF TRUSTEES
OF NORTHEASTERN ILLINOIS UNIVERSITY

Dated as of [Date] 1, 2010

INDENTURE

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(This Table of Contents is not a part of the Indenture
and is only for convenience of reference.)

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ACKNOWLEDGMENTS

INDENTURE OF TRUST

THIS INDENTURE OF TRUST (this "*Indenture*"), made and entered into as of this 1st day of [Date], 2010, by and between U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America, as trustee (the "*Trustee*"), and the BOARD OF TRUSTEES OF NORTHEASTERN ILLINOIS UNIVERSITY, a body corporate and politic of the State of Illinois (the "*Board*"),

RECITALS

WHEREAS, pursuant to the Acquisition Agreement (as defined herein), the Trustee has agreed to acquire, construct and equip the Improvements; and

WHEREAS, the Board and the Trustee have entered into an Installment Purchase Contract dated as of the date hereof (the "*Purchase Contract*"), whereby the Trustee has agreed to sell the Improvements to the Board and the Board has agreed to buy the Improvements from the Trustee; and

WHEREAS, for the purpose of obtaining the moneys required for financing the acquisition, construction and equipping of the Improvements, the Trustee proposes to establish a trust to receive certain of its rights and duties under the Purchase Contract and the Acquisition Agreement and to execute and deliver certain Certificates of Participation (the "*Certificates*"), each evidencing a proportionate interest in the Installment Payments and Prepayments to provide the moneys required to finance the Improvements.

GRANTING CLAUSES

NOW, THEREFORE, in order to secure all Certificates executed and delivered and outstanding under this Indenture, the payment of the principal component thereof and the interest component thereon, the rights of the Owners of the Certificates and the performance and observance of the covenants and conditions contained in the Certificates, the Purchase Contract and herein, the Trustee hereby establishes an irrevocable trust and acknowledges its acceptance of the following described property to hold as security for the Owners of the Certificates, and the Board hereby grants a security interest in, and hereby releases, assigns, transfers, pledges, grants and conveys forever, the following described property (the "*Trust Estate*"):

GRANTING CLAUSE FIRST

All right, title and interest of the Trustee in and to the Improvements and the Acquisition Agreement.

GRANTING CLAUSE SECOND

All right, title and interest of the Board in and to the Improvements now or hereafter acquired by the Board, and in and to the Improvement Contracts between the Board and any

Contractor, and any duly authorized and executed amendments thereto, including the right to (i) acquire each item of Improvements; (ii) take title to such Improvements; (iii) be named the purchaser in any bill or bills of sale to be delivered by the Contractors; (iv) all claims for damages with respect to each item of Improvements arising as a result of any default by the respective Contractor; and (v) compel performance of the terms of the Improvement Contracts with respect to such Improvements; *provided* that title to and possession of the Improvements in existence on the date of delivery of the Purchase Contract will automatically thereafter vest in the Board without action by the Trustee, and title to and possession of all Improvements acquired after the date of delivery of the Purchase Contract shall automatically so vest in the Board upon acquisition without action by the Trustee.

With respect to each item of Improvements, so long, and only so long, as such item of Improvements shall be subject to the Purchase Contract and the Board shall be entitled to possession of such Improvements thereunder, the Board reserves (a) the rights to demand, accept and retain all rights in and to all property, data and service which the Contractors are obligated to provide, or do provide, pursuant to the Improvement Contracts, (b) all rights, if any, with respect to spare parts as provided in the Improvement Contracts, (c) the right to obtain instructions and data pursuant to the Improvement Contracts and (d) the rights under all warranty and indemnity provisions contained in the Improvement Contracts.

GRANTING CLAUSE THIRD

All right, title and interest of the Board in the Acquisition Agreement and the Purchase Contract, but excluding the Board's option to terminate the Purchase Contract under Section 4.2(c), the Board's rights under Section 4.5, Section 4.6, Section 5.1, Section 5.2, Section 5.4, Section 5.6, Section 9.1, Section 9.2 and Section 9.3 of the Purchase Contract, and the right of the Board to receive all notices, certificates, requests, directions and other communications under this Indenture and the Purchase Contract.

GRANTING CLAUSE FOURTH

All right, title and interest of the Trustee in and to the Purchase Contract and the present and continuing right to (i) make claim for, collect or cause to be collected, receive or cause to be received all revenues, receipts and other sums of money payable or receivable thereunder, including but not limited to the Installment Payments and the Additional Payments, (ii) bring actions and proceedings thereunder or for the enforcement thereof and (iii) do any and all things which the Trustee is or may become entitled to do thereunder; *provided* that this clause shall not transfer, impair or diminish any right of the Trustee under any of the granted instruments for indemnification, reimbursement of fees, costs and expenses or to receive notices or approve amendments.

GRANTING CLAUSE FIFTH

All right, title and interest of the Board in and to amounts on deposit from time to time in the funds and accounts created pursuant hereto (other than the Rebate Fund), subject to the

provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein.

GRANTING CLAUSE SIXTH

All right, title and interest of the Trustee in and to amounts on deposit from time to time in the funds and accounts created pursuant hereto (other than the Rebate Fund), subject to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein.

All rights granted herein shall be administered by the Trustee according to the provisions of this Indenture and for the equal and proportionate benefit of the Owners of Certificates.

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Indenture, have the meanings herein specified.

“Acquisition Agreement” shall mean the Acquisition Agreement, dated as of [Date] 1, 2010, by and between the Trustee and the Board, and any duly authorized and executed amendment thereto.

“Acquisition Costs” shall mean the price paid or to be paid by the Trustee to cause the acquisition, construction and equipping of the Improvements in accordance with the Purchase Contract, together with all other costs and expenses incidental to such acquisition, construction and equipping, including but not limited to capitalized interest for a period ending on a date that is not later than the date the related Improvements are placed in service, and the salaries of certain designated employees of the Board employed in connection with the acquisition, construction and equipping of the Improvements prior to the date the related Improvements are placed in service.

“Acquisition Fund” shall mean the fund by that name established and held in trust by the Board as agent of the Trustee pursuant to Article III of this Indenture.

“Acts” means the Northeastern Illinois University Law, 110 ILCS 680/25-1 *et seq.* and the State University Certificates of Participation Act, 110 ILCS 73/1.

“Additional Payments” shall mean those payments required to be made by the Board under Section 4.7 of the Purchase Contract.

“Board” shall mean the Board of Trustees of Northeastern Illinois University and its successors and assigns.

“Board Representative” shall mean the Chairman, the Secretary or the Treasurer of the Board or any other person authorized by resolution of the Board to act on behalf of the Board under or with respect to this Indenture and the Purchase Contract.

“Business Day” shall mean any day on which banks located in each of the cities in which the principal office of the Board and the corporate trust office of the Trustee are located are not required or authorized to remain closed.

“Certificate Register” shall mean the books kept by the Trustee for the registration and transfer of the Certificates.

“Certificates” shall mean the \$[Amount] aggregate principal amount of Certificates of Participation (Energy Conservation Project), Series 2010 (Build America Program–Taxable), to be executed and delivered pursuant hereto.

“Closing Date” shall mean the day when the Certificates, duly executed by the Trustee, are delivered to the original purchasers thereof.

“Code” shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and any applicable regulations thereunder.

“Completion Certificate” is defined in Section 4.3 of the Purchase Contract.

“Construction Contract” shall mean any construction contract or contracts between the Board (acting in its capacity as the Trustee’s agent pursuant to the Purchase Contract) or the Trustee and any Contractor and between any Contractor or subcontractor and its immediate subcontractor regarding the Improvements, a copy of each of which is or will be on file with the Board.

“Contractor” shall mean any contractor designated as a contractor by the Board (acting in its capacity as the Trustee’s agent pursuant to the Purchase Contract) or the Trustee.

“Delivery Costs” shall mean all items of expense directly or indirectly payable by or reimbursable to the Board or the Trustee relating to the execution, sale and delivery of the Purchase Contract or the Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Certificates and charges and fees in connection with the foregoing.

“Expiration Date” shall have the meaning given such term in Section 4.2 of the Purchase Contract.

“Event of Default” shall mean an event of default under the Purchase Contract, as defined in Section 8.1 thereof, and, in addition, if the Purchase Contract has terminated pursuant to Section 4.2 thereof, the failure of the Trustee to receive, from amounts previously

appropriated by the State, when combined with Legally Available Non-appropriated Funds, an amount sufficient to pay principal of or interest on the Certificates on any date payment thereof is due. An Event of Default shall not mean the Board's failure to obtain final appropriation by the State of Installment Payments and Additional Payments during the next occurring fiscal year of the State.

"Event of Nonappropriation" shall have the meaning given such term in Section 4.2 of the Purchase Contract.

"Favorable Opinion of Special Counsel" shall mean, with respect to any action the occurrence of which requires such an opinion, an unqualified Opinion of Counsel delivered by Special Counsel, to the effect that such action is in accordance with applicable State law.

"Improvement Contracts" shall mean a Supply Contract, a Construction Contract or a Professional and Specialty Services Contract, respectively.

"Improvements" shall mean all property, improvements, equipment, services and facilities sold to the Board pursuant to the Purchase Contract as more fully described in Exhibit B to the Purchase Contract, as Exhibit B may be supplemented or amended as set forth in Section 3.5 or 5.4(b) of the Purchase Contract.

"Improvements Documents" shall mean any of (i) the Improvement Contracts; (ii) policies of casualty, public liability and workers' compensation insurance, or certificates thereof, as required by the Purchase Contract with respect to the Improvements and (iii) any and all other documents executed by or furnished to the Board or a Contractor in connection with the Improvements.

"Indenture" shall mean this Indenture of Trust, together with any amendments or supplements hereto permitted to be made hereunder.

"Independent Counsel" shall mean an attorney duly admitted to the practice of law before the highest court of the State in which such attorney maintains an office and who is not an employee of the Trustee or the Board.

"Installment Payment Fund" shall mean the fund by that name established and held by the Trustee pursuant to Article V hereof.

"Installment Payments" shall mean all payments required to be paid by the Board on any date pursuant to Section 4.4 of the Purchase Contract and as set forth in Exhibit A to the Purchase Contract.

The term *"interest"* shall mean the amount attributable to the interest component of each Installment Payment.

"Interest Payment Date" shall mean each of the dates specified in Section 2.05 hereof on which interest is due and payable with respect to the Certificates.

“Legally Available Nonappropriated Funds” shall mean budgeted legally available funds of the Board derived from sources other than State appropriations on an annual basis.

“Legislature” or *“General Assembly”* shall mean the General Assembly of the State.

“Opinion of Counsel” shall mean a written opinion of any legal counsel having expertise in the matters covered in such opinion and acceptable to the Board and the Trustee, who may be an employee of or counsel to the Board or the Trustee.

“Outstanding,” when used with reference to the Certificates, shall mean, as of any date of determination, all Certificates theretofore executed and delivered except:

(a) Certificates theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(b) Certificates which are deemed paid and no longer Outstanding as provided herein;

(c) Certificates in lieu of which other Certificates shall have been issued pursuant to the provisions hereof relating to Certificates destroyed, stolen or lost, unless evidence satisfactory to the Trustee has been received that any such Certificate is held by a bona fide purchaser; and

(d) For the purposes described in Section 9.03 hereof, the Certificates described in said Section 9.03.

“Owner” or *“Certificate Owner”* or *“Owner of a Certificate,”* or any similar term, when used with respect to a Certificate shall mean the person in whose name such Certificate shall be registered.

“Permitted Encumbrances” shall mean, as of any particular time: (i) the Purchase Contract; (ii) rights, reservations, covenants, conditions or restrictions which exist as of the Closing Date; and (iii) leases, encumbrances and other rights, reservations, covenants, conditions or restrictions to which the Trustee and the Board consent in writing.

“Permitted Investments” shall mean any investments which are permitted under the statutes of the State of Illinois, providing for the investment of funds of the Board, as such statutes may be amended from time to time.

“Plans and Specifications” shall mean the plans and specifications prepared for and showing any of the Improvements, as and when they are approved by the Board, the same being duly certified by the Board Representative, which plans and specifications shall be on file at the office of the Board, and shall be available for reasonable inspection by the Trustee and its duly authorized representatives.

“Prepayment” shall mean any payment applied towards the prepayment of the Installment Payments, in whole or in part, pursuant to Article IX of the Purchase Contract as a prepayment of the Installment Payments.

The term *“principal”* shall mean the amount attributable to the principal component of each Installment Payment.

“Professional and Specialty Services Contract” shall mean any professional services or specialty services contract between the Board (acting in its capacity as the Trustee’s agent pursuant to the Purchase Contract) or the Trustee and any Contractor providing for the construction, acquisition, equipping and delivery of the Improvements; *provided, however*, that such services, including but not limited to the services of employees of the Board, must be performed prior to the date the related Improvements are placed in service. A copy of each Professional and Specialty Services Contract is or will be on file with the Board.

“Purchase Contract” shall mean the Installment Purchase Contract, dated as of [Date] 1, 2010, by and between the Board and the Trustee, together with any duly authorized and executed amendment thereto.

“Rebate Fund” shall mean the fund described in Section 7.05(c) hereof.

“Regular Record Date” shall mean the close of business on the fifteenth day of the month next preceding each Interest Payment Date, whether or not such fifteenth day is a Business Day.

“Representation Letter” is defined in Section 2.13 hereof.

“Special Counsel” shall mean any law firm, acceptable to the Board Representative and the Trustee, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal obligations.

“Special Interest Payment Date” shall mean the Business Day established by the Trustee for the payment of overdue interest on the Certificates pursuant to the second paragraph of Section 2.02 hereof.

“Special Record Date” shall mean the Business Day established by the Trustee for determination of the Registered Owners entitled to receive overdue interest on the Certificates pursuant to the second paragraph of Section 2.02 hereof.

“State” shall mean the State of Illinois.

“Supply Contract” shall mean any equipment contract or purchase order between the Board (acting in its capacity as the Trustee’s agent pursuant to the Purchase Contract) or the Trustee and any Contractor providing for the construction, acquisition, equipping and delivery of the Improvements, a copy of each of which is or will be on file with the Board.

“*Tax Certificate*” shall mean any agreement or certificate of the Board which the Board may execute in order to establish and maintain the qualification of the Certificates as “build America bonds” within the meaning of Section 54AA(d) of the Code that are “qualified bonds” within the meaning of Section 54AA(g) of the Code.

“*Term of the Purchase Contract*” shall mean the time during which the Purchase Contract is in effect, as provided in Section 4.2 of the Purchase Contract.

“*Treasurer*” shall mean the Treasurer of the Board or such other person as may at the time be acting chief fiscal officer of the Board, or his or her designee as set forth in a certificate filed with the Trustee.

“*Trust Estate*” is defined in the Granting Clauses of this Indenture.

“*Trustee*” shall mean U.S. Bank National Association, or any assignee thereof pursuant hereto.

“*Trustee Representative*” shall mean any Vice-President or Trust Officer or any other person authorized to act on behalf of the Trustee under or with respect to this Indenture and the Purchase Contract as evidenced by the By-laws of the Trustee conferring such authorization adopted by the Trustee.

Section 1.02. Authorization. Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Indenture, and has taken all actions necessary to authorize the execution of this Indenture by the officers and persons signing it.

Section 1.03. Interpretation. (a) Any reference herein to the Trustee or the Board or any officer thereof shall include those succeeding to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

(b) Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa and the use of the neuter, masculine or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender.

(c) Any terms not defined herein, but defined in the Purchase Contract shall have the same meaning herein, and in the event of a conflict, the terms of this Indenture shall control.

(d) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(e) Words importing the redemption of a Certificate or the calling of a Certificate for redemption do not mean or include the payment of a Certificate at its stated maturity or the purchase of a Certificate.

ARTICLE II

THE CERTIFICATES OF PARTICIPATION

Section 2.01. Authorization. (a) The Trustee is hereby authorized and directed upon written request from the Board to prepare, execute and deliver to the purchasers thereof, Certificates in an aggregate principal amount of \$[Amount] evidencing proportionate ownership interests in the Installment Payments and the Prepayments.

(b) The Trustee shall not at any time while the Certificates are Outstanding execute and deliver additional certificates payable from the Installment Payments and secured by a lien and charge upon the Improvements.

Section 2.02. Date. Each Certificate shall bear the dated date of the Closing Date, and shall also bear the date of its execution, and interest with respect thereto shall be payable from the Interest Payment Date next preceding the date of execution thereof, unless: (i) it is executed prior to April 1, 2011, in which event interest with respect thereto shall be payable from the Closing Date; (ii) it is executed on an Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (iii) it is executed after a Regular Record Date and before the following Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; *provided, however*, that if, as of the date of execution of any Certificate, interest is in default with respect to any Outstanding Certificates, interest with respect to such Certificate shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding Certificates, unless it is executed after a Special Record Date and before the following Special Interest Payment Date, in which event interest with respect thereto shall be payable from the scheduled Interest Payment Date next preceding such date of execution.

In the event there are insufficient funds available on any Interest Payment Date to pay the interest then due on the Certificates, the Regular Record Date shall no longer be applicable with respect to the Certificates. If sufficient funds for the payment of such interest thereafter become available, the Trustee shall immediately establish a Special Interest Payment Date for the payment of the overdue interest and a Special Record Date for determining the Owners entitled to such payments. Notice of the establishment of any such Special Interest Payment Date and Special Record Date shall be mailed by the Trustee to each Owner not less than 10 days prior to the Special Record Date nor more than 30 days prior to the Special Interest Payment Date. Such overdue interest shall be paid on the Special Interest Payment Date to the Owners of the Certificates as of the Special Record Date.

Section 2.03. Maturity; Interest Rates.

(a) The Certificates shall be in the denomination of \$5,000 or any integral multiple thereof and shall mature on October 1 of each of the years and in the amounts and bearing interest per annum as follows:

YEAR

AMOUNT

INTEREST RATE

Section 2.04. Form of Certificates. The Certificates shall be in global book-entry form or in fully registered form without coupons, as provided in Section 2.13 and Article VI hereof.

Section 2.05. Payment of Interest. Interest with respect to the Certificates shall be payable on April 1, 2011, and thereafter semiannually on October 1 and April 1 of each year to and including the date of maturity or redemption, whichever is earlier. Said interest shall represent the portion of Installment Payments designated as interest and coming due during the period preceding each Interest Payment Date with respect to the Certificates. The proportionate share of the portion of Installment Payments designated as interest with respect to any Certificate shall be computed by multiplying the portion of Installment Payments designated as principal with respect to such Certificate by the rate of interest applicable to such Certificate (on the basis of a 360-day year of twelve 30-day months).

Section 2.06. Execution. The Certificates shall be executed by and in the name of the Trustee by the manual signature of an authorized representative of the Trustee. If any officer whose signature appears on any Certificate ceases to be such officer before the date of delivery thereof, such signature shall nevertheless be as effective as if the officer had remained in office until such date of delivery. Any Certificate may be executed on behalf of the Trustee by such person as at the actual date of the execution of such Certificate shall be the proper officer of the Trustee although at the nominal date of such Certificate such person shall not have been such officer of the Trustee.

Section 2.07. Application of Proceeds. The net proceeds received by the Trustee from the sale of the Certificates, consisting of the principal amount of the Certificates, less purchaser's discount, shall forthwith be transferred to the Board to be held in the Acquisition Fund.

Section 2.08. Registration, Transfer and Exchange of Certificates. (a) All Certificates issued hereunder shall be negotiable, subject to the provisions for registration and transfer thereof contained herein or in the Certificates.

(b) Each Certificate shall be transferable only upon the registration books maintained by the Trustee, by the Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the Owner thereof or his duly authorized attorney. Upon surrender for transfer of any Certificate, the Trustee shall execute and deliver, in the name of the transferee, one or more new Certificates, of the same aggregate principal amount and maturity as the surrendered Certificate.

(c) Any Certificate, upon surrender thereof to the Trustee together with written instructions satisfactory to the Trustee, duly executed by the Owner thereof or his attorney duly authorized in writing, may, at the option of the Owner thereof, be exchanged for an equal aggregate principal amount of Certificates with the same maturity of any other authorized denominations.

(d) All Certificates surrendered in any exchange or transfer of Certificates shall forthwith be cancelled by the Trustee and destroyed in accordance with the customary procedures of the Trustee.

(e) In connection with any such exchange or transfer of Certificates, the Owner requesting such exchange or transfer shall as a condition precedent to the exercise of the privilege of making such exchange or transfer, remit to the Trustee an amount sufficient to pay any tax or other governmental charge required to be paid with respect to such exchange or transfer.

(f) The Trustee may but shall not be obligated to exchange or register the transfer of any Certificate (i) which has been called or selected for call for redemption or (ii) during a period of 15 days preceding the giving of a notice of redemption. If the transfer of any Certificate which has been called or selected for call for redemption is registered, any notice of redemption which has been given to the transferor shall be binding upon the transferee and a copy of the notice of redemption shall be delivered by the Trustee to the transferee along with the Certificate or Certificates.

Section 2.09. Mutilated, Lost, Destroyed and Stolen Certificates. If (i) any mutilated Certificate is surrendered to the Trustee, or the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Certificate, and (ii) there is delivered to the Trustee such security or indemnity as may be required by the Trustee to hold it harmless, then, in the absence of written notice to the Trustee that such Certificate has been acquired by a bona fide purchaser and upon the Owner paying the reasonable expenses of the Trustee, the Trustee shall cause to be executed and delivered, in exchange for such mutilated Certificate or in lieu of such destroyed, lost or stolen Certificate, a new Certificate of like principal amount, date and tenor. If the principal of any such mutilated, destroyed, lost or stolen Certificate has become, or will on or before the next Interest Payment Date become, due and payable, the Trustee may, in its discretion, pay such Certificate when due instead of delivering a new Certificate.

Section 2.10. Payment. Payment of interest due with respect to any Certificate on any Interest Payment Date or any Special Interest Payment Date shall be made to the person

appearing on the Certificate Register as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date or, if applicable, the Special Record Date immediately preceding such Special Interest Payment Date, such interest to be paid by check or draft mailed to such Owner at his address as it appears on such Certificate Register or at such other address as he may have filed with the Trustee for that purpose. The principal due with respect to any Certificate shall be payable when due upon surrender thereof at the designated corporate trust office of the Trustee. Principal and premium, if any, and interest with respect to a Certificate held by an owner of at least \$1,000,000 in aggregate principal amount of Certificates may also be paid by wire transfer to a bank in the continental United States designated in writing by such owner on or prior to the Regular Record Date or, if applicable, the Special Record Date for such payments. Payment shall be made in such coin or currency of the United States of America as, at the respective times of payment, shall be legal tender for the payment of public and private debts.

Section 2.11. Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Indenture to be signed or executed by Certificate Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such Certificates. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of Certificates shall be sufficient for any purpose of this Indenture (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or his attorney or agent of any such instrument and of any instrument appointing any such attorney or agent may be proved by a certificate of an officer of any bank or trust company located within the United States of America, which need not be acknowledged or verified, or of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the persons signing such instruments acknowledged before him the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of his authority.

(b) The fact of the ownership of Certificates by any person and the amount, the maturity and the numbers of such Certificates and the date of his holding the same shall be proved by the registration books maintained pursuant to Section 2.12 hereof.

Nothing contained in this Article II shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which the Trustee may deem sufficient. Any request or consent of the Owner of any Certificate shall bind every future Owner of the same Certificate in respect of anything done or suffered to be done by the Trustee in pursuance of such request or consent.

Section 2.12. Certificate Register. The Trustee will keep or cause to be kept, at its designated corporate trust office, sufficient books (the “*Certificate Register*”) for the registration and transfer of the Certificates which shall at all times be open to inspection by the Board and the Trustee; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred on said books, Certificates as hereinbefore provided.

Section 2.13. Global Book Entry. The Certificates initially will be issued in the form of a separate single fully registered Certificate for each of the maturities of the Certificates as herein provided, and the ownership of each such Certificate shall be registered in the Certificate Register in the name of Cede & Co., or any successor thereto (“*Cede*”), as nominee of The Depository Trust Company, New York, New York, and its successors and assigns (“*DTC*”). All of the outstanding Certificates shall be registered in the Certificate Register in the name of Cede, as nominee of DTC, except as hereinafter provided. The Board shall execute and deliver such letters to or agreements with DTC as shall be necessary to effectuate such book-entry system (any such letter or agreement, or any blanket letter previously in effect with respect to the Board and DTC being referred to herein as the “*Representation Letter*”).

With respect to Certificates registered in the Certificate Register in the name of Cede, as nominee of DTC, the Board and the Trustee shall have no responsibility or obligation to any broker-dealer, bank or other financial institution for which DTC holds Certificates from time to time as securities depository (each such broker-dealer, bank or other financial institution being referred to herein as a “*DTC Participant*”) or to any person on behalf of whom such a DTC Participant holds an interest in the Certificates. Without limiting the immediately preceding sentence, the Board and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede or any DTC Participant with respect to any ownership interest in the Certificates, (ii) the delivery to any DTC Participant or any other person, other than a registered owner of a Certificate as shown in the Certificate Register, of any notice with respect to the Certificates, or (iii) the payment to any DTC Participant or any other person, other than a registered owner of a Certificate as shown in the Certificate Register, of any amount with respect to principal of or interest on the Certificates. The Board and the Trustee may treat and consider the person in whose name each Certificate is registered in the Certificate Register as the holder and absolute owner of such Certificate for the purpose of payment of principal and interest with respect to such Certificate, for the purpose of giving notices of any matters with respect to such Certificate, for the purpose of registering transfers with respect to such Certificate, and for all other purposes whatsoever. The Trustee shall pay all principal of and interest on the Certificates only to or upon the order of the respective registered owners of the Certificates, as shown in the Certificate Register, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Board’s obligations with respect to payment of principal of and interest on the Certificates to the extent of the sum or sums so paid. No person other than a registered owner of a Certificate as shown in the Certificate Register, shall receive a Certificate evidencing the obligation of the Board to make payments of principal and interest with respect to any Certificate. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the provisions hereof with respect to the payment of interest by the mailing of checks or drafts to the registered owners of Certificates at the close of

business on the first day of the month in which the applicable interest payment date occurs, the name “Cede” in this Indenture shall refer to such new nominee of DTC.

In the event that (i) the Board determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter, (ii) the agreement evidenced by the Representation Letter shall be terminated for any reason or (iii) the Board determines that it is in the best interests of the beneficial owners of the Certificates that they be able to obtain certificated Certificates, the Board shall notify DTC and DTC Participants of the availability through DTC of certificated Certificates and the Certificates shall no longer be restricted to being registered in the Certificate Register in the name of Cede, as nominee of DTC. At that time, the Board may determine that the Certificates shall be registered in the name of and deposited with such other depository operating a universal book-entry system as may be acceptable to the Board, or such depository’s agent or designee, and if the Board does not select such alternate universal book-entry system, then the Certificates may be registered in whatever name or names registered owners of Certificates transferring or exchanging Certificates shall designate in accordance with the provisions hereof.

Notwithstanding any other provision of this Indenture to the contrary, so long as any Certificate is registered in the name of Cede, as nominee of DTC, all payments with respect to principal of and interest on such Certificate and all notices with respect to such Certificate shall be made and given, respectively, in the manner provided in the Representation Letter.

ARTICLE III

ACQUISITION FUND

Section 3.01. Acquisition Fund. The Board shall establish a special trust fund with a depository authorized to hold such funds of the Board, designated as the “*Acquisition Fund*”; shall keep such fund separate and apart from all other funds and moneys held by it; and shall administer such fund as provided herein and in the Purchase Contract. There shall be deposited in the Acquisition Fund the proceeds of sale of the Certificates required to be deposited therein pursuant to Section 2.07 hereof.

Section 3.02. Disbursements. (a) The moneys in the Acquisition Fund shall be disbursed by the Board from the account designated by the Board Representative to pay the Acquisition Costs and the Delivery Costs.

(b) If an Event of Default shall have occurred and be continuing, an Event of Nonappropriation shall have occurred, or the Purchase Contract shall have been terminated pursuant to the provisions of Section 4.2 of the Purchase Contract, the moneys in the Acquisition Fund shall be paid by the Board to the Trustee and applied as set forth in Section 12.03.

(c) Immediately after completion of the Improvements, any moneys remaining in the Acquisition Fund shall be deposited into the Installment Payment Fund and used as required by the Tax Certificate.

ARTICLE IV

REDEMPTION OF CERTIFICATES

Section 4.01. Redemption upon Event of Nonappropriation and Termination of Purchase Contract. The Certificates are subject to redemption, in whole, at the price of 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption, on any date on which the Purchase Contract is terminated by the Board because (i) an Event of Nonappropriation has occurred, (ii) the Board has determined that there are not sufficient Legally Available Nonappropriated Funds to pay the portion of the Installment Payments coming due during the then-current fiscal year, and (iii) the Board has exercised its option, pursuant to Article IX of the Purchase Contract, to prepay the Certificates by the deposit of funds in the Installment Payment Fund sufficient, together with the amounts therein, to redeem such Certificates on such termination date at a price equal to the principal amount thereof plus accrued interest to the redemption date. The Purchase Contract and the Board's obligation to pay Installment Payments and Additional Payments thereunder are subject to termination 60 days after the Board certifies to the Trustee that the events described in clauses (i) and (ii) of this paragraph have occurred.

Section 4.02. Optional Redemption. The Certificates maturing on or after October 1, 20__ are callable on any date on or after ____ 1, 20__, at the price of the principal amount thereof, plus accrued interest to the date fixed for redemption, in whole or in part, and if in part, by lot. Such redemption shall be at the direction of the Board, upon at least 35 days' prior written notice from the Board to the Trustee.

Section 4.03. Mandatory Sinking Fund Redemption. The Certificates maturing on October 1, 20__ and October 1, 20__, are subject to mandatory redemption, in integral multiples of \$5,000 selected by lot by the Trustee, at the redemption price of 100% of the principal amount thereof, plus accrued interest to the redemption date, on October 1 of each of the years and in the principal amounts as follows:

CERTIFICATES DUE OCTOBER 1, 20__		CERTIFICATES DUE OCTOBER 1, 20__	
DATE	PRINCIPAL AMOUNT	DATE	PRINCIPAL AMOUNT

⁽¹⁾ Final Maturity

The principal amount of such Certificates to be redeemed in each year as set forth in the immediately preceding table may be reduced through the earlier optional redemption thereof, with any partial optional redemptions to be credited against future sinking fund requirements as determined by the Board or, if the Board does not so specify, in inverse order of the sinking fund payment dates. In addition, on or prior to the 60th day preceding any sinking fund payment date, the Trustee may, and if directed by the Board will, purchase Certificates of such maturity in an amount not exceeding the amount of such Certificates required to be retired on such sinking fund payment date and at a price not exceeding 100% of the principal amount thereof, plus accrued interest. Any such Certificates so purchased will be canceled and credited against the sinking fund payment required on such next sinking fund payment date.

Section 4.04. Effect of Call for Redemption. On the date designated for redemption by notice given as herein provided, the Certificates so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Certificates on such date. If on the date fixed for redemption moneys for payment of the redemption price and accrued interest are held by the Trustee as provided herein, interest on the Certificates so called for redemption shall cease to accrue, such Certificates shall cease to be entitled to any benefit or security hereunder except the right to receive payment from the moneys held by the Trustee and the amount of such Certificates so called for redemption shall be deemed paid and no longer Outstanding.

Section 4.05. Notice of Redemption. The Trustee shall give notice of each redemption by mailing a copy of such notice, first class United States mail, postage prepaid, not less than 30 days nor more than 60 days before the redemption date, to all Owners of the Certificates which are to be redeemed at their last addresses appearing upon the Certificate Register. The notice shall identify the Certificates to be redeemed and shall state (1) the redemption date, (2) the redemption price, (3) that the Certificates called for redemption must be surrendered to collect the redemption price, (4) the address at which the Certificates must be surrendered and (5) that interest on the Certificates called for redemption ceases to accrue on the redemption date.

With respect to any optional redemption of the Certificates, unless moneys sufficient to pay the principal of, and interest on the Certificates to be redeemed shall have been received by the Trustee prior to the giving of such notice of redemption, such notice shall state that said redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for redemption. If deposited, such moneys shall be held uninvested or, at the direction of the Board Representative, shall be invested in United States Government Securities which mature on such date or dates as necessary to provide funds on a timely basis for such redemption. If such moneys are not received by the redemption date, such notice shall be of no force and effect, the Trustee shall not redeem such Certificates, the redemption price shall not be due and payable and the Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Certificates will not be redeemed.

Failure to give any required notice of redemption or any defect in any notice given as to any particular Certificates shall not affect the sufficiency or validity of the call for redemption of any Certificates in respect of which no such failure or defect has occurred. Any notice mailed as

provided in the Certificates shall be conclusively presumed to have been given, whether or not actually received by the addressee Owner.

Section 4.06. Partial Redemption. Any partial redemption of Certificates shall be made only in authorized denominations. The portion of Certificates to be redeemed shall be selected by lot by the Trustee from among all Outstanding Certificates (or, so long as the Book-Entry System is in effect, beneficial ownership interests in the Certificates shall be selected for redemption in accordance with the rules and procedures established by the Securities Depository). Each Certificate shall be considered separate Certificates in the minimum authorized denominations for purposes of selecting Certificates to be redeemed.

ARTICLE V

INSTALLMENT PAYMENTS; ADDITIONAL PAYMENTS; INSTALLMENT PAYMENT FUND

Section 5.01. Rights in Purchase Contract. The Trustee has established this trust to receive certain of its rights and duties in the Purchase Contract, including but not limited to all of its rights to receive and collect all of the Installment Payments, the Prepayments, the Additional Payments and all other amounts required to be deposited in the Installment Payment Fund pursuant to the Purchase Contract or pursuant hereto.

Section 5.02. Establishment of Installment Payment Fund. The Trustee shall establish a special fund designated as the “*Installment Payment Fund*.”

All moneys at any time deposited in the Installment Payment Fund shall be held by the Trustee in trust for the benefit of the Owners of the Certificates. So long as any Certificates are Outstanding, neither the Board nor the Trustee shall have any beneficial right or interest in the Installment Payment Fund or the moneys deposited therein, except only as provided in this Indenture, and such moneys shall be used and applied by the Trustee as hereinafter set forth.

Section 5.03. Deposits. There shall be deposited in the Installment Payment Fund all Installment Payments, Additional Payments and Prepayments received by the Trustee, including any moneys received by the Trustee for deposit therein pursuant to Section 4.4 or Article IX of the Purchase Contract and any other moneys required to be deposited therein pursuant to the Purchase Contract or pursuant to this Indenture.

Section 5.04. Application of Moneys. All amounts in the Installment Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and interest with respect to the Certificates as the same shall become due and payable, in accordance with the provisions of Article II and Article IV hereof.

Section 5.05. Surplus. Any surplus remaining in the Installment Payment Fund, after redemption or payment of all Certificates by the Board, including accrued interest (if any) and payment of any applicable fees to the Trustee, or provision for such redemption or payment

having been made to the satisfaction of the Trustee, shall be withdrawn by the Trustee and remitted to the Board.

ARTICLE VI

FORM OF THE CERTIFICATES

The global book entry form of the Certificates and the assignment to appear thereon shall be in substantially the following form:

(FORM OF CERTIFICATE OF PARTICIPATION)

CERTIFICATE OF PARTICIPATION
(ENERGY CONSERVATION PROJECT), SERIES 2010

EVIDENCING A PROPORTIONATE INTEREST OF THE OWNER
HEREOF IN INSTALLMENT PAYMENTS TO BE MADE BY THE BOARD OF
TRUSTEES OF NORTHEASTERN ILLINOIS UNIVERSITY

to

U.S. BANK NATIONAL ASSOCIATION, as Trustee

No: _____ \$ _____

INTEREST	MATURITY	DATED	
RATE:	DATE:	DATE:	CUSIP:
	OCTOBER 1, 20__	_____, 2010	_____

REGISTERED OWNER:

PRINCIPAL AMOUNT:

THIS IS TO CERTIFY THAT the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation (the "*Certificate*") is the owner of an undivided proportionate interest in the right to receive certain Installment Payments, Additional Payments and Prepayments thereof under and defined in that certain Installment Purchase Contract (the "*Purchase Contract*") dated as of [Date] 1, 2010, by and between U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, as trustee (the "*Trustee*") and the Board of Trustees of Northeastern Illinois University, a body corporate and politic of the State of Illinois (the "*Board*"), which Installment Payments, Additional Payments and Prepayments and certain other rights and interests under the Purchase Contract have been granted for the benefit of the

Registered Owners under the Indenture of Trust (the “*Indenture*”), dated as of [Date] 1, 2010, between the Board and the Trustee.

The Registered Owner of this Certificate is entitled to receive, subject to the terms of the Purchase Contract, on the Maturity Date set forth above, the Principal Amount set forth above, representing a portion of the Installment Payments designated as principal coming due during the preceding 12 months, and to receive on April 1, 2011, and semiannually thereafter on October 1 and April 1 of each year (the “*Payment Dates*”) until payment in full of said portion of principal, the Registered Owner’s proportionate share of the Installment Payments designated as interest coming due during the period immediately preceding each of the Payment Dates; *provided* that interest with respect hereto shall be payable from the Payment Date next preceding the date of execution of this Certificate. If, as of the date of execution hereof, interest is in default with respect to any Certificates of the issue of which this is one, interest hereon shall be payable from the Payment Date to which interest has previously been paid or made available for payment, unless this Certificate is executed after a Special Record Date and before the following Special Interest Payment Date, in which event interest shall be payable from the scheduled Payment Date next preceding such date of execution. Said proportionate share of the portion of the Installment Payments designated as interest is the result of the multiplication of the aforesaid portion of the Installment Payments designated as principal by the rate per annum set forth above.

Said amounts representing the Registered Owner’s share of the Installment Payments designated as interest are payable in lawful money of the United States of America by check or draft mailed by the Trustee to the Registered Owner at the close of business on the fifteenth day of the month next preceding the Payment Date, whether or not such fifteenth day is a Business Day, at his address as it appears on the registration books of the Trustee or at such other address as he may have filed with the Trustee for that purpose. Payment of portions of overdue Installment Payments designated as interest shall be made on Special Interest Payment Dates designated by the Trustee to the Registered Owner hereof as of the Special Record Date designated by the Trustee. Said amounts representing the Registered Owner’s share of the Installment Payments designated as principal are payable when due upon surrender of this Certificate at the designated corporate trust office of the Trustee.

This Certificate has been executed and delivered by the Trustee pursuant to the terms of the Indenture. The Board is authorized to enter into the Purchase Contract and the Indenture under the laws of the State of Illinois, including the Acts. Reference is hereby made to the Purchase Contract and the Indenture (copies of which are on file at said office of the Trustee) for the definition of certain capitalized terms used herein, a description of the terms of which the Certificates are delivered, the rights thereunder of the Registered Owners of the Certificates, the rights, duties and immunities of the Trustee and the rights and obligations of the Board under the Purchase Contract, to all of the provisions of which Purchase Contract and Indenture the Registered Owner of this Certificate, by acceptance hereof, assents and agrees.

THE OBLIGATION OF THE BOARD TO MAKE INSTALLMENT PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE BOARD OR THE STATE OF ILLINOIS WITHIN THE MEANING OR ANY CONSTITUTIONAL OR STATUTORY LIMITATION. THE INSTALLMENT PAYMENTS REQUIRED UNDER THE CERTIFICATES INCURRED BY

THE BOARD OF TRUSTEES OF NORTHEASTERN ILLINOIS UNIVERSITY ARE NOT SECURED BY THE FULL FAITH AND CREDIT OF THE STATE OF ILLINOIS AND ARE NOT REQUIRED TO BE REPAYED AND MAY NOT BE REPAYED, DIRECTLY OR INDIRECTLY, FROM TAX REVENUE.

The term of the Purchase Contract is from the date thereof until October 1, 2028, unless terminated prior thereto in accordance with the provisions of the Purchase Contract. The continuation of the Purchase Contract and the obligation of the Board to make Installment Payments is subject to and dependent upon a portion of the moneys necessary to make such payments being lawfully appropriated to the Board by the State Legislature. The Purchase Contract shall terminate effective on the 60th day following the certification by the Board to the Trustee that the General Assembly of the State of Illinois has made a determination not to appropriate requested funds for the fiscal year necessary to make that portion of the Installment Payments coming due during the then-current Fiscal Year to be paid from State-appropriated funds and the Board has determined that there are not sufficient Legally Available Nonappropriated Funds to pay the portion of the Installment Payments coming due during the then-current Fiscal Year. The Board has an option to terminate the Purchase Contract on and after _____ 1, 20__ as provided in the Purchase Contract.

Neither the Trustee nor the Registered Owner hereof shall have any right under any circumstances to declare any Installment Payment not then past due or in default to be immediately due and payable.

To the extent and in the manner permitted by the terms of the Indenture, the provisions of the Indenture may be amended by the parties thereto with the written consent of the Owners of a majority in aggregate principal amount of the Certificates then outstanding, and may be amended without such consent under certain circumstances.

This Certificate is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture and upon surrender and cancellation of this Certificate. Upon such transfer a new Certificate or Certificates, of authorized denomination or denominations, for the same aggregate principal amount will be delivered to the transferee in exchange herefor. The Board and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, whether or not this Certificate shall be overdue, and the Board and the Trustee shall not be affected by any notice to the contrary.

The Certificates are subject to optional and mandatory redemption prior to maturity as provided in the Indenture.

Notice of redemption shall be mailed not less than 30 days nor more than 60 days prior to the date set for redemption to each Registered Owner of a Certificate to be so redeemed at the address shown on the books of the Trustee, but failure so to mail any such notice or any defect in such notice as to any Certificate shall not affect the validity of the proceedings for the redemption of any other Certificate for which proper notice was given. On the specified

redemption date all Certificates called for redemption shall cease to bear interest and shall no longer be secured by the Indenture provided funds for redemption are on deposit at the place of payment at that time.

IN WITNESS WHEREOF, this Certificate has been executed and delivered by the Trustee, acting pursuant to the Indenture.

Date of Execution: _____

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By _____
Authorized Officer

Attest:

By _____
Authorized Officer

(FORM OF ASSIGNMENT)

The following abbreviations, when used in the inscription on the face of this Certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM- as tenants in common

TEN ENT- as tenants by the
entireties

JT TEN- as joint tenants
with right of
survivorship and not
as tenants in common

UNIF GIFT MIN ACT-

(Cust) Custodian (Minor)

under Uniform Gifts to Minors

Act _____
(State)

Additional abbreviations may also be used, though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

(Please Print or Typewrite Name, Address and Social Security Number or other Federal Tax Identification Number of Transferee) the within Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints attorney to transfer the within Certificate on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: The signature(s) on this assignment must correspond with the name(s) as written on the face of the within registered certificate in every particular without alteration or enlargement or any change whatsoever. Signatures must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Trustee, which requirements include membership or participation in the Securities Transfer Agents Medallion Program (“STAMP”), the Stock Exchange Medallion Program (“SEMP”) or the New York Stock Exchange, Inc. Medallion Signature Program (“MSP”).

ARTICLE VII

MONEYS IN FUNDS; INVESTMENT

Section 7.01. Held in Trust. The moneys and investments held by the Trustee and the Board under this Indenture (other than those held in the Rebate Fund) are irrevocably held in trust for the benefit of the Owners of the Certificates, and for the purposes herein specified, and such moneys, and any income or interest earned thereon, shall be expended only as provided in this Indenture, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of the Trustee, the Board or any Owner of Certificates.

Section 7.02. Investments Authorized. (a) Moneys in all funds and accounts held by the Trustee shall be invested and reinvested by the Trustee, as soon as possible upon receipt of immediately available funds at its designated corporate trust office, to the fullest amount possible in Permitted Investments as directed, in writing or by telephonic or other reasonable means, promptly confirmed in writing by the Board Representative or as selected by the Trustee in the absence of direction by the Board; *provided* that the maturity date or the date on which such

Permitted Investments may be redeemed at the option of the holder thereof shall coincide as nearly as practicable with (but in no event shall be later than) the date or dates on which moneys in the funds or accounts for which the investments were made will be required for the purposes thereof. In the event no such instructions are received by the Trustee, such amounts shall be invested in money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating at the time of purchase by Standard & Poor's Ratings Services of AAAm-G, AAAm, or AAm and if rated by Moody's Investors Services, rated Aaa, Aa1 or Aa2.

(b) Amounts credited to a fund or account may be invested, together with amounts credited to one or more other funds or accounts, in the same Permitted Investment, *provided* that (i) each such investment complies in all respects with the provisions of subsection (a) of this Section as they apply to each fund or account for which the joint investment is made and (ii) the Trustee maintains separate records for each fund and account and such investments are accurately reflected therein.

(c) The Trustee may make any investment permitted by this Section, through or with its own bond department or trust investment department, or its parent's or affiliate's bond department or trust investment department, unless otherwise directed by the Board Representative.

(d) The Trustee shall sell at the best price reasonably obtainable, or present for redemption, any Permitted Investment purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account for which such investment was made.

(e) In lieu of written direction from a Board Representative pursuant to subparagraph (a) above, the Board Representative may direct the Trustee to accept trade tickets or other trade advice from an investment advisor designated in writing by a Board Representative. Upon receipt of such a written direction from a Board Representative, such trade tickets or other trade advice shall constitute full authority for the Trustee to settle trades made on behalf of the Board by such investment advisor for the benefit of any fund or account held by the Trustee under this Indenture. The Trustee shall have no liability for any loss, expense or liability incurred by the Board or the Owners of the Certificates as a result of any such investment made in accordance with the provisions of this Section 7.02(e). The designation of an investment advisor pursuant to this subparagraph (e) shall remain in effect until revoked in a writing delivered by the Board to the Trustee.

(f) The Trustee may conclusively rely upon investment instructions from a Board Representative, or an investment advisor designated by a Board Representative pursuant to subparagraph (e) above, as to the suitability and legality of such investments.

(g) Moneys in the Acquisition Fund held by the Board shall be invested by the Board in Permitted Investments; *provided* that the maturity date or the date on which such Permitted Investments may be redeemed at the option of the holder thereof shall coincide as nearly as

practicable with (but in no event shall be later than) the date or dates on which moneys in the Acquisition Fund will be required for the purposes thereof.

(h) Although the Board recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Board hereby agrees that confirmations of permitted investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered. No statement need be rendered for any fund or account if no activity occurred in such fund or account during such month.

Section 7.03. Investment Earnings. Any earnings on the investment of moneys in the Installment Payment Fund shall be retained in the Installment Payment Fund as a credit against the Installment Payments or Additional Payments next due and owing by the Board. Investment earnings on moneys in the Acquisition Fund shall be retained therein until the Improvements have been acquired, constructed and equipped, and any surplus therein at that time shall be used as provided in Section 3.02(c) hereof.

Section 7.04. Liability of Trustee for Investments. The Trustee shall not be liable for any loss resulting from the making of any investment made in accordance with the provisions hereof, except for its own negligence, willful misconduct or breach of trust.

Section 7.05. Creation of Rebate Fund. The Board may create and establish the “Rebate Fund,” which shall be administered in accordance with the provisions of the Tax Certificate.

ARTICLE VIII

THE TRUSTEE

Section 8.01. Certain Duties and Responsibilities. (a) Except during the continuance of an Event of Default:

(i) The Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, the Purchase Contract and the Acquisition Agreement (collectively referred to herein as the “Agreements”), and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture and the Agreements; but in the case of any such certificates or opinions which are required by any provision hereof or thereof the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture or the Agreements.

(b) In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and the Agreements

including those described in (a) above, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct or breach of trust, except that:

(i) This subsection shall not be construed to limit the effect of subsection (a) of this Section;

(ii) The Trustee shall not be liable for any error of judgment made in good faith and without negligence by a chairman or vice-chairman of the board of directors, the chairman or vice-chairman of the executive committee of the board of directors, the president, any vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller and any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers or, with respect to a particular matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject;

(iii) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith and without negligence in accordance with the direction of the Owners of the Outstanding Certificates as provided herein relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture or the Agreements; and

(iv) Except as otherwise provided herein or therein, no provision of this Indenture or the Agreements shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or thereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. The Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment properly to be done by it as the Trustee, without prior assurance of indemnity, and in such case shall be entitled to reimbursement by the Board for all reasonable costs, expenses, attorneys' and other fees, and all other reasonable disbursements, including its own fees, and for all liability and damages suffered by the Trustee in connection therewith except for the Trustee's negligence, willful misconduct or breach of trust.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

Section 8.02. Certain Rights of Trustee. Except as otherwise provided in Section 8.01 hereof:

(a) The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Any request or direction of the Board mentioned herein shall be sufficiently evidenced by a certificate of a Board Representative, and any action of the governing board of the Board may be sufficiently evidenced by a copy of a resolution certified by the secretary or an assistant secretary of the Board to have been duly adopted by the Board and to be in full force and effect on the date of such certification and delivered to the Trustee.

(c) Whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon a certificate of a Board Representative.

(d) The Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder or under the Agreements in good faith and in reliance thereon.

(e) Except in connection with actions under Section 12.02, the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Certificate Owners pursuant to this Indenture, unless such Certificate Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(f) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit.

(g) The Trustee may engage agents and attorneys to assist it in executing any of the trusts or powers hereunder or performing any duties hereunder.

(h) The Trustee shall be protected in acting upon any notice, order, requisition, request, consent, certificate, order, opinion (including an opinion of independent counsel), affidavit, letter, telegram or other paper or document in good faith

deemed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the owner of any Certificate, shall be conclusive and binding upon all future owners of the same Certificate and upon Certificates issued in exchange therefor or in place thereof.

(i) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful default.

(j) The Trustee shall not be required to take notice or be deemed to have notice of any default hereunder (except failure by the Board to cause to be made any of the payments to the Trustee required to be made by Article IV of the Purchase Contract) unless the Trustee shall be specifically notified in writing of such default by the Board or by the owners of at least 25% in aggregate principal amount of all Certificates then outstanding and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the designated corporate trust office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no default except as aforesaid.

Section 8.03. Employment of Experts. The Trustee is hereby authorized to employ as its agents such attorneys at law, certified public accountants and recognized authorities in their fields (who are not employees of the Trustee), as it reasonably may deem necessary to assist it to carry out any of its obligations hereunder, and shall be reimbursed by the Board for all reasonable expenses and charges in so doing.

Section 8.04. Enforcement of Performance by Others. It shall not be the duty of the Trustee, except as herein provided, to see that any duties and obligations herein or in the applicable Agreements imposed upon the Board are performed.

Section 8.05. Right to Deal in Certificates and Take Other Actions. The Trustee may in good faith buy, sell or hold and deal in any Certificates with like effect as if it were not such Trustee and may commence or join in any action which a Owner is entitled to take with like effect as if the Trustee were not the Trustee. It is understood and agreed that the Trustee engages in a general banking business and no provision hereof is to be construed to limit or restrict the right of the Trustee to engage in such business with the Board or any Owner. So engaging in such business shall not, in and of itself, and so long as the Trustee duly performs all of its duties as required hereby, constitute a breach of trust on the part of the Trustee, but neither shall engaging in such business abrogate, alter or diminish any duty or obligation of the Trustee as Trustee hereunder.

Section 8.06. Removal and Resignation of the Trustee. The Trustee may resign at any time, or may be removed at any time by an instrument or instruments in writing signed by the Owners of not less than a majority in principal amount of Certificates then Outstanding or, if no Event of Default has occurred and is continuing, by the Board. Written notice of such

resignation or removal shall be given by the Trustee to the Board and no termination, resignation or removal of the Trustee shall take effect until the appointment and qualification of a successor Trustee. In the event a successor Trustee has not been appointed and qualified within 60 days of the date notice of resignation is given, the Trustee or the Board may apply to any court of competent jurisdiction for the appointment of a successor Trustee to act until such time as a successor is appointed as provided in this Section.

In the event of the resignation or removal of the Trustee or in the event the Trustee is dissolved or otherwise becomes incapable to act as the Trustee, the Board shall be entitled to appoint a successor Trustee, unless an Event of Default has occurred and is continuing.

If the Owners of a majority in principal amount of Certificates then Outstanding object to the successor Trustee so appointed by the Board and if such Owners designate another person qualified to act as the Trustee, the Board shall then appoint as the Trustee the person so designated by the Owners.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Trustee shall be a trust company or bank having the powers of a trust company as to trusts, in good standing in the State, located in or incorporated under the laws of the State, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$75,000,000.

Every successor Trustee howsoever appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Board an instrument in writing, accepting such appointment hereunder, and thereupon such successor Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall execute and deliver an instrument transferring to such successor Trustee all the rights, power and trusts of such predecessor. The predecessor Trustee shall execute any and all documents necessary or appropriate to convey all interest it may have to the successor Trustee. The predecessor Trustee shall promptly deliver all records relating to the trust or copies thereof and communicate all material information it may have obtained concerning the trust to the successor Trustee.

Each successor Trustee, not later than ten days after its assumption of the duties hereunder, shall mail a notice of such assumption to each Owner of a Certificate.

Any banking association or corporation into which the Trustee may be merged, converted or with which the Trustee may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any banking association or corporation to which all or substantially all of the corporate trust business of the Trustee shall be transferred, shall succeed to all the Trustee's right, obligations and immunities hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding; provided that such entity meets the requirements of a successor Trustee set forth in the fourth paragraph of this Section.

Section 8.07. Proof of Claim. The Trustee shall have the right and power to take actions in the name and place of the Board or Owners to make proof of claim in any proceeding, bankruptcy, reorganization or otherwise where proof of claim may be required. Any amount recovered as a result of any such claim, after payment of all fees (including reasonable attorneys' fees), costs, expenses and advances incurred by the Trustee or its agents in pursuing such claim, shall be for the equal benefit of all of the Owners.

Section 8.08. Trustee's Fees and Expenses. The Trustee shall be entitled to be paid from time to time reasonable compensation for all services rendered by it hereunder and under the Agreements (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust); to reimbursement upon request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture and the Agreements (including the reasonable compensation and the expenses and disbursements of its counsel and its agents), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith or willful misconduct or breach of trust; and, to the extent permitted by law, to be indemnified for and held harmless against any loss, liability or expense incurred without negligence or bad faith or willful misconduct or breach of trust on its part, arising out of or in connection with the acceptance or administration of this trust or its duties hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The Trustee's rights to compensation, reimbursement and indemnity while serving as Trustee hereunder shall survive resignation or removal of the Trustee or discharge of the Indenture or the Agreements.

Any provision hereof to the contrary notwithstanding, if the Board fails to make any payment properly due the Trustee for its reasonable fees, costs, expenses and fees of attorneys, certified public accountants, recognized authorities in their field and agents (not employees of the Trustee) incurred in performance of its duties or for which the Trustee is entitled to indemnity, the Trustee may reimburse itself from any surplus moneys on hand in any fund or account created pursuant hereto, *provided* that application of funds upon an Event of Default shall be governed by Section 12.03 hereof.

Section 8.09. Intervention by Trustee. The Trustee may intervene on behalf of the Owners, and shall intervene if requested to do so by an instrument or instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Certificates then Outstanding, in any judicial proceeding to which the Board is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interest of Owners of the Certificates. The rights and obligations of the Trustee under this Section are subject to the approval of that intervention by a court of competent jurisdiction. The Trustee may require that a satisfactory indemnity bond be provided to it in accordance with Section 8.01 hereof before it takes action hereunder.

Section 8.10. Reports. The Trustee shall quarterly, or at such other intervals as the Trustee and the Board shall from time to time agree upon (but in no event more frequently than monthly), prepare and submit to the Board reports covering all moneys received and all

payments, expenditures and investments made as the Trustee hereunder since the last previous such report.

Section 8.11. Separate or Co-Trustee. At any time or times, solely for the purpose of meeting any legal requirements of any jurisdiction other than Illinois, the Board and the Trustee shall have power to appoint, and, upon the request of the Trustee or of the Owners of at least a majority in aggregate principal amount of Certificates then Outstanding, the Board shall for such purpose join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint, one or more persons, approved by the Trustee and, unless an Event of Default has occurred and is continuing, the Board, either to act as co-trustee or co-trustees, jointly with the Trustee of all or any part of the pledged property, or to act as separate trustee or separate trustees of all or any part of the pledged property, and to vest in such person or persons, in such capacity, such title to the pledged property or any part thereof, and such rights, powers, duties, trusts or obligations as the Board and the Trustee may consider necessary or desirable, subject to the remaining provisions of this Section.

If the Board shall not have joined in such appointment within 15 days after the receipt by it of a request so to do, or in case an Event of Default shall have occurred and be continuing, the Trustee alone shall have power to make such appointment.

The Board shall execute, acknowledge and deliver all such instruments as may reasonably be required by any such co-trustee or separate trustee for more fully and certainly vesting in such co-trustee or separate trustee the property, rights, powers and duties intended to be vested in such co-trustee or separate trustee. The Board shall be under no obligation to prepare any such instruments.

Every co-trustee or separate trustee shall, to the extent permitted by law but to such extent only, be appointed subject to the following terms, namely:

(a) The Certificates shall be authenticated and delivered, and all rights, powers, trusts, duties and obligations hereby conferred upon the trustee in respect to the custody, control and management of moneys, papers, securities and other personal property shall be exercised solely by the trustee.

(b) All rights, powers, trusts, duties and obligations conferred or imposed upon the trustees shall be conferred or imposed upon and exercised or performed by the Trustee, or by the trustee and such co-trustee or co-trustees or separate trustee or separate trustees jointly, as shall be provided in the instrument appointing such co-trustee or co-trustees or separate trustee or separate trustees, except to the extent that, under the law of any jurisdiction in which any particular act or acts are to be performed, the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such act or acts shall be performed by such co-trustee or co-trustees or separate trustee or separate trustees.

(c) Any request in writing by the Trustee to any co-trustee or separate trustee to take or to refrain from taking any action hereunder shall be sufficient warrant for the

taking, or the refraining from taking, of such action by such co-trustee or separate trustee and such co-trustee or separate trustee shall abide by such request.

(d) Any co-trustee or separate trustee may, to the extent permitted by law, delegate to the Trustee the exercise of any right, power, trust, duty or obligation, discretionary or otherwise.

(e) The Trustee may at any time, by any instrument in writing, with the concurrence of the Board, accept the resignation of or remove any co-trustee or separate trustee appointed under this Section, and, in case an Event of Default shall have occurred and be continuing, the Trustee shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Board. Upon the request of the Trustee, the Board shall join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal. The Board shall be under no obligation to prepare, record or file any such instruments or agreements.

(f) No Trustee hereunder shall be personally liable by reason of any act or omission of any other Trustee hereunder, nor will the act or omission of any Trustee hereunder be imputed to any other Trustee.

(g) Any demand, request, direction, appointment, removal, notice, consent, waiver or other action in writing delivered to the Trustee shall be deemed to have been delivered to each such co-trustee or separate trustee.

(h) Any moneys, papers, securities or other items of personal property received by any such co-trustee or separate trustee hereunder shall forthwith, so far as may be permitted by law, be turned over to the Trustee.

Upon the acceptance in writing of such appointment by any such co-trustee or separate trustee, it or he shall be vested jointly with the Trustee (except insofar as local law makes it necessary for any such co-trustee or separate trustee to act alone) with such title to the pledged property or any part thereof, and with such rights, powers, duties or obligations, as shall be specified in the instrument of appointment subject to all the terms hereof. Every such acceptance shall be filed with the Trustee. To the extent permitted by law, any co-trustee or separate trustee may, at any time by an instrument in writing, constitute the Trustee, its or his attorney-in-fact and agent, with full power and authority to do all acts and things and to exercise all discretion on its or his behalf and in its or his name.

In case any co-trustee or separate trustee shall die, become incapable of acting, resign or be removed, the title to the pledged property, and all rights, powers, trusts, duties and obligations of said co-trustee or separate trustee shall, so far as permitted by law, vest in and be exercised by the trustee unless and until a successor co-trustee or separate trustee shall be appointed in the manner herein provided.

Section 8.12. Recitals and Representations. The recitals, statements and representations contained herein, or in any Certificate (excluding the Trustee's execution of the Certificates or any recitals or representations concerning the Trustee or its powers) shall not be taken or construed as made by the Trustee, and the Trustee neither assumes nor shall be under any responsibility for the correctness of the same.

The Trustee makes no representation as to, and is not responsible for, the validity or sufficiency hereof, of the Certificates, or the validity or sufficiency of insurance to be provided or, except as herein required, the filing or recording or registering of any document. The Trustee shall be deemed not to have made representations as to the security afforded hereby or hereunder or as to the validity or sufficiency of such document. The Trustee shall not be concerned with or accountable to anyone for the use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof. The Trustee shall have no duty of inquiry with respect to any default or Events of Default described herein without actual knowledge of or receipt by the Trustee of written notice of a default or an Event of Default from the Board or any Owner.

ARTICLE IX

MODIFICATION OR AMENDMENT OF AGREEMENTS

Section 9.01. Amendments Permitted. This Indenture and the rights and obligations of the Owners of the Certificates and the Purchase Contract and the rights and obligations of the parties thereto and the Acquisition Agreement may be modified or amended at any time by a supplemental agreement which shall become effective when the written consents of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in Section 9.03 hereof, shall have been filed with the Trustee. Unless approved in writing by the Owners of all the Certificates affected thereby, nothing herein contained shall permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of, or premium if any, or interest on, any Outstanding Certificate, or a reduction in the principal amount or redemption price of any Outstanding Certificate or the rate of interest thereon, or (ii) the creation of a claim or lien upon, or a pledge of, the trust estate ranking prior to or on a parity with the claim, lien or pledge created by this Indenture, or (iii) a reduction in the aggregate principal amount of Certificates the consent of the Owners of which is required for any such supplemental agreement.

This Indenture and the rights and obligations of the Owners of the Certificates, and the Purchase Contract and the Acquisition Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any such Owners, but only to the extent permitted by law and only as follows:

- (a) to cure any formal defect, omission, inconsistency or ambiguity in this Indenture;

(b) to add to the covenants and agreements of the Board contained in this Indenture or of the Trustee contained in any document, other covenants or agreements thereafter to be observed, or to assign or pledge additional security for any of the Certificates, or to surrender any right or power reserved or conferred upon the Board or the Trustee, which in the judgment of the Trustee is not materially adverse to the Owners of the Certificates;

(c) to confirm as further assurance, any ownership, pledge of or lien on the trust assets or any other moneys, securities or funds subject or to be subjected to this Indenture;

(d) to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended, if applicable to this Indenture;

(e) to modify, alter, amend or supplement this Indenture, the Purchase Contract or any supplemental indenture in any other respect which in the judgment of the Trustee is not materially adverse to the Owners of the Certificates;

(f) to provide for a new Securities Depository to accept Certificates;

(g) to modify or eliminate the Book-Entry System for any of the Certificates;

(h) to secure or maintain ratings on the Certificates from [Moody's] [S&P];
and

(i) to provide for the appointment of a successor Trustee.

Any such supplemental agreement shall become effective upon execution and delivery by the parties hereto or thereto as the case may be.

No amendment shall be effective unless the Trustee shall have received a Favorable Opinion of Special Counsel with respect to such amendment.

Notwithstanding the foregoing, amendments to Exhibit B to the Purchase Contract for the purposes described in Section 3.6 or Section 5.4(b) of the Purchase Contract may be made solely at the direction of the Board Representative.

Section 9.02. Procedure for Amendment with Written Consent of Certificate Owners. In the event the consent of the Owners of the Certificates to an amendment to the Purchase Contract, the Acquisition Agreement or this Indenture is required pursuant to Section 9.01 hereof, a copy of such supplemental agreement, together with a request to the Certificate Owners for their consent thereto, shall be mailed by first class United States mail, postage prepaid, by the Trustee to each Owner of a Certificate at his address as set forth on the Certificate registration books maintained pursuant to Section 2.12 hereof, but failure to mail copies of such supplemental agreement and request shall not affect the validity of the supplemental agreement when assented to as in this Section provided. Solicitation of consents with respect to any such

amendment may be made in a manner consistent with the procedures of DTC while the Certificates are in book-entry form.

Such supplemental agreement shall not become effective unless there shall be filed with the Trustee the written consents of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding (exclusive of Certificates disqualified as provided in Section 9.03 hereof). The consent of an Owner of a Certificate shall be effective only if ownership of the Certificates for which such consent is given is proved in accordance with Section 2.11 hereof. Any such consent shall be binding upon the Owner of the Certificate giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof).

After the Owners of the required percentage of Certificates shall have filed their consents to such supplemental agreement, the Trustee shall mail a notice to the Owners of the Certificates in the manner hereinbefore provided in this Section for the mailing of such supplemental agreement of the notice of adoption thereof, stating in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Certificates and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by this Section to be filed with the Trustee, shall be conclusive proof of the matters therein stated. Such supplemental agreement shall become effective upon the mailing of such last-mentioned notice.

Section 9.03. Disqualified Certificates. Certificates owned or held by or for the account of the Board or by any person directly or indirectly controlled by, or under direct or indirect common control with the Board (except any Certificates held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Certificates provided for in this Indenture, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Indenture, unless all Outstanding Certificates are so held by the Board.

The Trustee may require each Certificate Owner, before his consent provided for in this Article IX shall be deemed effective, to certify that the Certificates as to which such consent is given are not disqualified as provided in this Section 9.03.

Section 9.04. Effect of Supplemental Agreement. From and after the time any supplemental agreement becomes effective pursuant to this Article IX, this Indenture, the Purchase Contract or the Acquisition Agreement, as the case may be, shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Certificates Outstanding, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental agreement shall be deemed to be part of the terms and conditions of this Indenture, the Purchase Contract or the Acquisition Agreement, as the case may be, for any and all purposes.

ARTICLE X

COVENANTS; NOTICES

Section 10.01. Compliance with and Enforcement of Purchase Contract. The Board and the Trustee each covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Purchase Contract and the Acquisition Agreement.

The Board will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the Purchase Contract by the Trustee thereunder.

Section 10.02. Observance of Laws and Regulations. The Board will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the Board, including its right to exist as a body corporate under the laws of the State, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 10.03. Prosecution and Defense of Suits. The Board shall promptly, upon request of the Trustee or any Certificate Owner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Improvements, whether now existing or hereafter developing and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and, to the extent permitted by law, shall indemnify and save the Trustee and every Certificate Owner harmless from all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

Section 10.04. Filing. The Board shall file all such documents as may be required by law (and shall take all further actions which may be necessary or be reasonably required by the Trustee), all in such manner, at such times and in such places as may be required by law in order fully to preserve, protect and perfect the security of the Trustee and the Certificate Owners.

Section 10.05. Payments Due on Non-Business Days. If a payment date is not a Business Day at the place of payment, then payment may be made at that place on the next Business Day, and no interest shall accrue for the intervening period.

Section 10.06. Further Assurances. The Trustee and the Board will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and the Purchase Contract, and for the better assuring and confirming unto the Owners of the Certificates the rights and benefits provided herein.

Section 10.07. Action upon Termination of Purchase Contract. In the event the Purchase Contract is terminated pursuant to Section 4.2 (b) of the Purchase Contract and the Board does not exercise its option to purchase all of the Improvements as set forth in Article IX of the Purchase Contract, or in the event the Purchase Contract is terminated pursuant to Section 8.2(b) thereof, the Trustee agrees, to the extent permitted by law, to take immediate title to and possession of the Improvements and to use its best efforts to re-let or sell the Improvements. This covenant shall be enforceable by the Trustee and the Owners, subject to the requirements of Article XII hereof.

Section 10.08. Parties Interested Herein. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Board, the Trustee and the Certificate Owners, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Board shall be for the sole and exclusive benefit of the Board, the Trustee and the Certificate Owners.

ARTICLE XI

LIMITATION OF LIABILITY

Section 11.01. Limited Liability of Board. Except for the payment of Installment Payments, Additional Payments and Prepayments when due in accordance with the Purchase Contract and the performance of the other covenants and agreements of the Board contained herein and in said Purchase Contract, the Board shall have no pecuniary obligation or liability to any of the other parties or to the Owners of the Certificates with respect to this Indenture or the terms, execution, delivery or transfer of the Certificates, or the distribution of Installment Payments to the Owners by the Trustee. THE OBLIGATION OF THE BOARD TO MAKE INSTALLMENT PAYMENTS AND ADDITIONAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE BOARD OR THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION. THE INSTALLMENT PAYMENTS AND ADDITIONAL PAYMENTS ARE NOT SECURED BY THE FULL FAITH AND CREDIT OF THE STATE AND ARE NOT REQUIRED TO BE REPAYED AND MAY NOT BE REPAYED, DIRECTLY OR INDIRECTLY, FROM TAX REVENUE.

No recourse shall be had for the payment of the principal of, redemption premium, if any, and interest on any of the Certificates or for any claim based thereon or upon any obligation, covenant or agreement contained in this Indenture or the Purchase Contract against any past, present or future trustee, officer, agent or employee of the Board, as such, either directly or through the Board or any successor of the Board, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such trustee, officer, agent or employee as such is hereby expressly waived and released as a condition of and consideration for the execution of this Indenture and the Purchase Contract and the issuance of the Certificates.

Section 11.02. No Liability of the Board for Trustee Performance. The Board shall have no obligation or liability to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it under this Indenture.

Section 11.03. Limitation of Rights to Parties and Certificate Owners. Nothing in this Indenture or in the Certificates expressed or implied is intended or shall be construed to give any person other than the Board, the Trustee and the Owners of the Certificates, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision hereof; and all such covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the Board, the Trustee and the Owners.

Section 11.04. No Liability of the Trustee for Payment of Installment Payments by Board. Except as expressly provided herein, the Trustee shall not have any obligation or liability to the Owners of the Certificates with respect to the payment of the Installment Payments by the Board when due, or with respect to the performance by the Board of any other covenant made by it in the Purchase Contract.

ARTICLE XII

EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS

Section 12.01. Remedies. Upon the occurrence of an Event of Default, the Trustee may and shall, at the direction of the Owners of not less than 25% in aggregate principal amount of Certificates then Outstanding, by written notice to the Board, exercise any and all remedies available at law or granted pursuant to the Purchase Contract including declaring the principal portion of the Installment Payments to be immediately due and payable, whereupon that portion of the principal portion of the Installment Payments thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Indenture or the Certificates to the contrary notwithstanding.

Section 12.02. Institution of Legal Proceedings. If one or more Events of Default shall happen and be continuing, the Trustee may, or upon the written request of the Owners of not less than 25% in aggregate principal amount of the Certificates then Outstanding and upon being indemnified to its satisfaction therefor shall, proceed to protect or enforce its rights or the rights of the Owners of Certificates by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein, the foreclosure of any lien granted herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties hereunder.

Section 12.03. Application of Funds. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article XII or Article VIII of the Purchase Contract shall be applied by the Trustee in the following order, upon presentation of the

Certificates, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the costs and expenses of the Trustee and of the Certificate Owners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel;

Second, to the payment of the whole amount then owing and unpaid with respect to the Certificates for principal and interest, with interest on the overdue principal and, to the extent lawful, installments of interest at the rate borne by the related Certificates (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest; and

Third, to the payment of amounts, if any, payable pursuant to the Tax Certificate.

Section 12.04. Non-waiver. Nothing in this Article XII or in any other provision of this Indenture or in the Certificates shall affect or impair the obligation of the Board, which is absolute and unconditional, to pay or prepay the Installment Payments as provided in the Purchase Contract, or affect or impair the right of action, which is also absolute and unconditional, of the Certificate Owners to institute suit to enforce and collect such payment. No delay or omission of the Trustee or of any Owner of any of the Certificates to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by this Article XII to the Trustee or the Owners of Certificates may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Certificate Owners.

Section 12.05. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Certificate Owners is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

Section 12.06. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of not less than 25% in aggregate principal amount of the Certificates then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Certificates, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; *provided, however*, that the Trustee shall not discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation

pending at law or in equity, without the consent of a majority in aggregate principal amount of the Certificates Outstanding.

Section 12.07. Limitation on Certificate Owners' Right to Sue. No Owner of any Certificate issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default hereunder; (b) the Owners of not less than 25% in aggregate principal amount of all the Certificates then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses, and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Certificates of any remedy hereunder; it being understood and intended that no one or more Owners of Certificates shall have any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity with respect to an Event of Default shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Certificates.

The right of any Owner of any Certificate to receive payment of said Owner's proportionate interest in the Installment Payments as the same become due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

ARTICLE XIII

MISCELLANEOUS

Section 13.01. Defeasance. If and when all Outstanding Certificates shall be paid and discharged in any one or more of the following ways then, at the election of the Board, and notwithstanding that any Certificates shall not have been surrendered for payment, all obligations of the Trustee and the Board under this Indenture with respect to all Outstanding Certificates shall cease and terminate, except only the obligation of the Trustee to pay or cause to be paid to the Owners of the Certificates not so surrendered and paid all sums due thereon, without further payment of interest or earnings thereon:

- (a) By well and truly paying or causing to be paid the principal of and interest with respect to all Certificates Outstanding, as and when the same become due and payable;

(b) By depositing with the Trustee, in trust, at or before maturity, money which, together with the amounts then on deposit in the Installment Payment Fund, is fully sufficient to pay all Certificates Outstanding, including all principal thereof and interest and premium, if any thereon; or

(c) By irrevocably depositing with the Trustee, in trust, direct, non-callable obligations of the United States of America consisting of United States Treasury bills, certificates, notes and bonds (including State and Local Government Series), and non-callable zero coupon United States Treasury bonds in such amount as an independent certified public accountant shall certify and determine will, together with the interest to accrue thereon, the beginning cash deposit and amounts then on deposit in the Installment Payment Fund, together with the interest to accrue thereon, be fully sufficient, without reinvestment, to pay and discharge all Certificates (including all principal and interest) at or before their respective maturity dates, as provided in Section 9.1 of the Purchase Contract.

Any funds held by the Trustee, at the time of one of the events described in paragraphs (a) through (c) of this Section, which are not required for the payment to be made to Owners, shall be paid over to the Board.

Any Certificate or portion thereof in authorized denominations may be paid and discharged as provided in this Section; *provided, however*, that if any such Certificate or portion thereof is to be redeemed, notice of such redemption shall have been given in accordance with the provisions hereof or the Board shall have submitted to the Trustee instructions expressed to be irrevocable as to the date upon which such Certificate or portion thereof is to be redeemed and as to the giving of notice of such redemption; and provided further, that if any such Certificate or portion thereof will not mature or be redeemed within 60 days of the deposit referred to in paragraphs (b) through (c) of this Section, the Trustee shall give notice of such deposit by first class mail to the Owners.

If the Board makes the advance deposit required by Section 9.1 of the Purchase Contract, or prepays the Installment Payments in full pursuant to Section 9.2 of the Purchase Contract, or pays all Installment Payments during the term of the Purchase Contract as the same become due and payable, any right, title and interest of the Trustee in and to each element of the Improvements shall be transferred to and vested in the Board. The Trustee agrees to take any and all steps and execute and record any and all documents reasonably required by the Board to evidence the termination of any right, title and interest of the Trustee in the Improvements.

Section 13.02. Notices. All written notices to be given under this Indenture shall be given by mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (i) upon deposit in the United States mail, postage prepaid (ii) upon deposit with an overnight courier, (iii) upon the sending of a facsimile communication, or, in the case of personal delivery, upon delivery to the address set forth below:

If to the Board:

Treasurer
Northeastern Illinois University
5500 North St. Louis Avenue
Chicago, Illinois 60625-4699
Facsimile: (773) 442-5105
Telephone: (773) 442-5100

If to the Trustee:

U.S. Bank National Association
209 South LaSalle Street, Suite 300
Chicago, Illinois 60604
Attention: Corporate Trust Administration, Vernita Anderson
Facsimile: (312) 325-8973
Telephone: (312) 325-8773

Section 13.03. Governing Law. This Indenture shall be construed and governed in accordance with the laws of the State.

Section 13.04. Binding Effect; Successors. This Indenture shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Whenever in this Indenture either the Trustee or the Board is named or referred to, such reference shall be deemed to include successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Trustee or the Board shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 13.05. Execution in Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

Section 13.06. Destruction of Cancelled Certificates. Whenever in this Indenture provision is made for the surrender to or cancellation by the Trustee and the delivery to the Board of any Certificates, the Trustee may, upon the request of the Board Representative, in lieu of such cancellation and delivery, destroy such Certificates and deliver a certificate of such destruction to the Board.

Section 13.07. Waiver of Notice. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 13.08. Separability of Invalid Provisions. In case any one or more of the provisions contained in this Indenture or in the Certificates shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if

such invalid or illegal or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Indenture and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Certificates pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

Section 13.09. Filing; Bills of Sale. The Trustee shall be responsible for the filing of any continuation statements as may be required by law in order to continue the effectiveness of any U.C.C. filing made upon the initial execution and delivery of the Certificates and for filing any supplemental instruments or continuation statements which it is advised in an Opinion of Counsel are required in order to continue the perfection of any security interest created by this Indenture and shall hold all financing documents, bills of sale, and transfer same, as required by the provisions of this Indenture.

IN WITNESS WHEREOF, the parties have executed this Indenture as of the date and year first above written.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Officer

Attest

By _____
Authorized Officer

BOARD OF TRUSTEES OF NORTHEASTERN
ILLINOIS UNIVERSITY

(SEAL)

By _____
Treasurer

Attest

By _____
Secretary

INSTALLMENT PURCHASE CONTRACT

by and between

U. S. BANK NATIONAL ASSOCIATION

and

BOARD OF TRUSTEES
OF NORTHEASTERN ILLINOIS UNIVERSITY

Dated as of [Date] 1, 2010

INSTALLMENT PURCHASE CONTRACT

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and is only for convenience of reference.)

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INSTALLMENT PURCHASE CONTRACT

THIS INSTALLMENT PURCHASE CONTRACT (the "*Purchase Contract*"), dated as of [Date] 1, 2010, by and between U. S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America, as Trustee (the "*Trustee*"), and the BOARD OF TRUSTEES OF NORTHEASTERN ILLINOIS UNIVERSITY, a body corporate and politic of the State of Illinois (the "*Board*");

WITNESSETH:

WHEREAS, pursuant to the Acquisition Agreement (as defined herein), the Trustee has agreed to cause the acquisition, construction and equipping of, or improvements to, certain real and personal property described in *Exhibit B* hereto (the "*Improvements*"); and

WHEREAS, the Trustee has proposed to sell such Improvements to the Board, and the Board is authorized pursuant to the laws of the State, including but not limited to the Northeastern Illinois University Law, 110 ILCS 680/25-1 *et seq.* and the State University Certificates of Participation Act, 110 ILCS 73/1 (collectively, the "*Acts*") to enter into purchase contracts for such purposes;

NOW, THEREFORE, in consideration of the above premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND EXHIBITS

Section 1.1. Definitions. Unless the context otherwise requires, the capitalized terms used but not defined in this Purchase Contract shall have the meanings specified in the Indenture of Trust dated as of [Date] 1, 2010, by and between the Trustee and the Board.

Section 1.2. Exhibits. The following Exhibits are attached to, and by reference made a part of, this Purchase Contract:

Exhibit A: The schedule of Installment Payments to be paid by the Board hereunder with respect to the Improvements, showing each Installment Payment Date and the amount of each Installment Payment.

Exhibit B: The description of the Improvements.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.1. Representations, Covenants and Warranties of the Board. The Board represents, covenants and warrants to the Trustee as follows:

(a) *Authorization.* The Constitution and the Acts authorize the Board to enter into this Purchase Contract, the Acquisition Agreement and the Indenture and to enter into the transactions contemplated by and to carry out its obligations under all of the aforesaid agreements, and the Board has duly authorized and executed all of the aforesaid agreements. The maximum annual debt service for the Board's total certificate of participation obligation does not now, and will not, exceed the limit imposed by Section 30 of the State University Certificates of Participation Act (110 ILCS 73/30).

(b) *No Violations.* The execution and delivery of this Purchase Contract, the Acquisition Agreement and the Indenture, and adoption of the Board's Resolution dated June 10, 2010, relating to the Certificates, and the fulfillment of and compliance with the terms and conditions hereof or thereof, and the consummation of the transactions contemplated hereby or thereby, do not conflict with or result in any violation of, a breach of or constitute a default under, the Board's Bylaws, any resolution adopted by the Board, any law or administrative regulation or any of the terms, conditions or provisions of any judgment, decree, loan agreement, note, resolution, indenture, mortgage, deed of trust or other agreement or instrument to which the Board is now a party or by which the Board or any of its property is bound, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Board, or upon the Improvements, except Permitted Encumbrances.

(c) *Execution and Delivery.* The Board has duly authorized, executed and delivered this Purchase Contract in accordance with the laws of the State and upon such execution and delivery this Purchase Contract will be a valid and binding agreement of the Board pursuant to its provisions.

(d) *Budget Requests.* For each fiscal year of the State during the term of this Purchase Contract the Board will include in its annual budget request for Northeastern Illinois University to the legislature of the State during each appropriation period a request for an appropriation for the University sufficient to make that portion of the Installment Payments and Additional Payments due and payable during the next occurring fiscal year of the State to be paid from State-appropriated funds. The Board covenants to include in each annual operating budget for Northeastern Illinois University an amount of Legally Available Nonappropriated Funds which, when combined with State-appropriated funds, will be sufficient to make the Installment Payments and Additional Payments when due in each fiscal year.

(e) *Additional Debt.* The Board shall incur no obligations secured by a lien or payment priority on the Board's appropriation superior to the rights of the Owners of the Certificates.

(f) *No Impairment.* The Board agrees that once a final appropriation by the State of funds necessary to make Installment Payments and Additional Payments for each fiscal year has been made by the State, the Board will not take any actions which would impair its ability to make Installment Payments and Additional Payments under this Purchase Contract from such appropriations during such fiscal year and shall make such payments to the Trustee as set forth in Section 4.4 hereof.

Section 2.2. Representations, Covenants and Warranties of the Trustee. The Trustee represents, covenants and warrants to the Board as follows:

(a) *Due Organization and Existence.* The Trustee is a banking association duly organized and existing under the laws of the United States of America and is qualified to do business in the State; has power to enter into this Purchase Contract, the Acquisition Agreement and the Indenture; is possessed of full power to own, hold, acquire, construct, improve and equip the Improvements, and to lease and sell the same; and has duly authorized the execution and delivery of all of the aforesaid agreements.

(b) *No Encumbrances.* The Trustee will not pledge the Installment Payments or other amounts derived from the Improvements and from its other rights under this Purchase Contract, and will not transfer or encumber its interest in the Improvements, except as provided under the terms of this Purchase Contract and the Indenture.

(c) *No Violations.* To the best knowledge of the officers and employees of the Trustee immediately responsible for discharging the Trustee's responsibilities under this Purchase Contract, neither the execution and delivery of this Purchase Contract, the Acquisition Agreement, or the Indenture, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Trustee is now a party or by which the Trustee or any of its property is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Trustee, or upon the Improvements, except Permitted Encumbrances.

(d) *No Assignments.* Except as provided herein, the Trustee will not assign this Purchase Contract, its right to receive Installment Payments from the Board, or its duties and obligations hereunder to any other person, firm or corporation so as to impair or violate the representations, covenants and warranties contained in this Section 2.2.

(e) *Disclaimer.* The Board acknowledges that the Improvements being purchased hereby are simultaneously being acquired by the Trustee at the Board's request pursuant to the Acquisition Agreement specifically for the purpose of selling the

Improvements back to the Board pursuant to the terms hereof; the Improvements will be purchased on the basis of specifications and requirements furnished by the Board; and the Trustee has not held itself out as having knowledge or skill particular to the Improvements or made any affirmations of fact regarding the Improvements.

ARTICLE III

DEPOSIT OF MONEYS; ACQUISITION OF THE IMPROVEMENTS

Section 3.1. Deposit of Moneys. On the Closing Date, the Trustee will transfer the proceeds of the sale of the Certificates to the Board for deposit into the Acquisition Fund to pay Acquisition Costs and Delivery Costs.

Section 3.2. Acquisition of the Improvements. (a) The Trustee shall undertake the Improvements in accordance with the applicable Improvements Documents to the extent and only to the extent that the Board discharges the Trustee's responsibilities under this Section 3.2. The Board hereby agrees to cause the Improvements to be acquired, constructed and equipped solely as the Trustee's agent hereunder and will undertake the Improvements in accordance with the applicable Improvements Documents. Each Improvement Contract has been or shall be awarded by the Board to a Contractor authorized to do business with the Board, and such Improvement Contract shall be awarded after such public bidding and following such procedures as may be required by the applicable laws relating to the awarding of contracts of a similar nature by the Board.

(b) The Board, as agent of the Trustee for such purpose, agrees to acquire, construct and equip the Improvements in accordance with the construction and acquisition schedule prepared therefor as the same may be revised from time to time.

(c) If an Event of Default shall occur prior to the delivery of the Completion Certificate required under Section 4.3 hereof, the moneys remaining in the Acquisition Fund shall be disbursed by the Board to the Trustee and be used as provided in the Indenture.

Section 3.3. Licenses for Improvements. In consideration of the Trustee's agreement to undertake the Improvements in accordance with, and subject to the terms, conditions and limitations hereof, the Board hereby grants to the Trustee an irrevocable license (which shall be considered as coupled with an interest) to enter onto the sites of the Improvements (the "*Sites*") for the purposes of (a) acquiring, constructing and equipping the Improvements on the Sites and (b) ingress and egress to and from the Sites in connection with the acquisition, construction and equipping of the Improvements. The license granted hereby shall be subject to (i) all liens and encumbrances affecting the Sites from time to time, whether now existing or hereafter arising and (ii) the Board's absolute right to use and enjoyment with respect to the Sites, subject only to the terms, conditions and limitations of this Purchase Contract.

Section 3.4. Right to Inspect Improvements Documents. The Board shall have and keep on file and available for inspection by the Trustee copies of the Improvements Documents (except Improvements Documents that are in the possession of the Trustee), throughout the Term of this Purchase Contract, or as soon after the commencement of the Term of this Purchase Contract as such Improvements Documents shall become available to the Board. Neither the Improvements Documents nor any changes or amendments thereto shall (a) cause the Improvements to be used for any purpose prohibited by this Purchase Contract or by the Constitution and laws of the State or (b) adversely affect the ability of the Board to meet its obligations hereunder.

Section 3.5. Financing the Improvements; Amendment of Exhibit B. For the purpose of paying Acquisition Costs and Delivery Costs, the Board hereby directs the Trustee (which direction the Trustee hereby accepts) to execute and deliver the Certificates pursuant to the Indenture and to deposit the proceeds from the sale thereof as provided in Section 3.1 hereof. The description of the Improvements in *Exhibit B* may be supplemented or amended at any time by resolution of the Board upon receipt of a Favorable Opinion of Special Counsel with respect to such supplement or amendment.

Section 3.6. Disbursements from the Acquisition Fund. The Trustee has, in the Indenture, authorized the Board to make payments from the Acquisition Fund to pay Acquisition Costs and Delivery Costs.

Section 3.7. Unexpended Proceeds. All excess moneys remaining in the Acquisition Fund and not required for payment of Delivery Costs and Acquisition Costs shall be used as described in Section 3.02(c) of the Indenture.

ARTICLE IV

AGREEMENTS TO SELL AND ACQUIRE; TERMINATION OF THIS PURCHASE CONTRACT; INSTALLMENT PAYMENTS; ADDITIONAL PAYMENTS; TITLE TO THE IMPROVEMENTS

Section 4.1. Sale and Acquisition. The Trustee hereby sells the Improvements to the Board, and the Board hereby acquires the Improvements from the Trustee, upon the terms and conditions set forth in this Purchase Contract.

Section 4.2. Term of Agreement; Termination . (a) The Term of this Purchase Contract shall commence on the date hereof, and continue until October 1, 2028, unless terminated pursuant to Section 4.2(b), Section 4.2(c) or Section 4.2(d) hereof (the “*Expiration Date*”). If the Indenture shall be discharged by its terms prior to the Expiration Date, the Term of this Purchase Contract shall thereupon end.

(b) This Purchase Contract and the Board’s obligations to pay Installment Payments and Additional Payments hereunder shall be subject to termination 60 days after the Board

certifies to the Trustee that (i) the General Assembly of the State has made a determination not to appropriate requested funds necessary to make that portion of the Installment Payments due during the then-current fiscal year to be paid from State-appropriated funds (an “*Event of Nonappropriation*”) and (ii) the Board has determined that there are not sufficient Legally Available Nonappropriated Funds to pay the portion of the Installment Payments coming due during the then-current fiscal year.

(c) The Board is granted the option to terminate this Purchase Contract on any date on or after _____ 1, 20____. In order to exercise such option to terminate this Purchase Contract, the Board shall give written notice to the Trustee, not less than 60 days prior to the date of termination, that is exercising its option to terminate this Purchase Contract. If the Board exercises such option to terminate this Purchase Contract, Installment Payments due after the termination date are subject to prepayment in whole on the date of termination as set forth in Section 9.3(a) hereof.

(d) Failure of the Board to provide for the payments to the Trustee required by Section 4.4 hereof may terminate all of the Board’s right, title and interest in this Purchase Contract and to all of the Improvements as provided in Section 8.2 hereof.

Section 4.3. Possession. Following the acquisition, construction and equipping of the Improvements by the Trustee, the Board agrees to take possession of the Improvements and deliver a written certificate of possession and acceptance of such Improvements (the “*Completion Certificate*”) to the Trustee within 30 days after the acquisition, construction and equipping of all of the Improvements has been completed.

Section 4.4. Installment Payments.

(a) *Obligation to Pay.* Subject to the provisions of Section 4.2 and Article IX hereof, the Board agrees to pay to the Trustee, its successors and assigns, as payment for the purchase price of the Improvements, the total Installment Payments in each fiscal year (denominated into components of principal and interest) for the Improvements in the respective amounts specified in *Exhibit A*. No later than the business day before April 1 and October 1 of each fiscal year, the Board shall deposit with the Trustee from the appropriations made to the Board, the full amount of funds necessary, when combined with Legally Available Nonappropriated Funds, to make all Installment Payments coming due on such dates. Any amount held in the Installment Payment Fund on any Installment Payment Date (other than amounts required for payment of past due principal or interest with respect to any Certificates not presented for payment) shall be credited towards the Installment Payments then due and payable; and no Installment Payments need be made on any Installment Payment Date if the amounts then held in the Installment Payment Fund on such date are at least equal to the Installment Payments then required to be paid. The Board’s obligation to make Installment Payments hereunder shall not be subject to the Board’s acceptance, use or occupancy of the Improvements.

(b) *Effect of Prepayment.* In the event that the Board prepays all remaining Installment Payments in full pursuant to Article IX hereof, the Board’s obligations under this Purchase

Contract shall thereupon cease and terminate, including but not limited to the Board's obligation to pay Installment Payments under this Section.

(c) *Rate on Overdue Payments.* In the event the Board should fail to make any of the payments required in this Section 4.4, the payment in default shall continue as an obligation of the Board until the amount in default shall have been fully paid, and the Board agrees to pay the same with interest thereon at the rate borne by the related Certificates, to the extent permitted by law, from the date of default to the date of payment.

(d) *Fair Purchase Value.* The Installment Payments for Improvements for each payment period during the term of this Purchase Contract shall constitute the total payment for such Improvements for such payment period, and shall be paid by the Board in each payment period for the continued quiet use and enjoyment of such Improvements during each such period for which said payment is to be paid. The parties hereto have agreed and determined that the total Installment Payments for the Improvements represent the fair purchase value of such Improvements. In making such determination, consideration has been given to the appraised value of such Improvements, other obligations of the parties under this Purchase Contract, the uses and purposes which may be served by the Improvements and the Acquisition Costs and the benefits therefrom which will accrue to the Board and the general public.

(e) *Establishment of Trust.* The Board understands and agrees that all interest of the Trustee in and to the Improvements and the Installment Payments have been granted in trust, pursuant to the Indenture, for the benefit of the Owners of the Certificates, and the Board hereby assents to the establishment of such trust. The Board hereby agrees to pay to the Trustee at the Trustee's designated corporate trust operations office, or to the Trustee at such other place as the Trustee shall direct in writing, all payments payable by the Board pursuant to this Section 4.4 and all amounts payable by the Board pursuant to Article IX hereof.

Section 4.5. Quiet Enjoyment. During the Term of this Purchase Contract, and subject to the completion of the acquisition, construction and equipping of the Improvements as evidenced by the delivery to the Trustee from the Board of the Completion Certificate required under Section 4.3 hereof, the Trustee shall provide the Board with quiet use and enjoyment of the Improvements, and the Board shall during such Term peaceably and quietly have and hold and enjoy the Improvements, without suit, trouble or hindrance from the Trustee, except as expressly set forth in this Purchase Contract. The Trustee will, at the request of the Board and at the Board's cost, join in any legal action in which the Board asserts its right to such possession and enjoyment to the extent the Trustee may lawfully do so. Notwithstanding the foregoing, the Trustee shall have the right to inspect the Improvements as provided in Section 6.2 hereof.

Section 4.6. Title. During the Term of this Purchase Contract, the Board shall hold title to the Improvements and any and all additions which comprise fixtures, repairs, replacements or modifications thereof. Upon the delivery of this Purchase Contract, title to the Improvements then in existence will automatically vest in the Board without action by the Trustee, and title to all Improvements acquired after the delivery of this Purchase Contract shall automatically vest in the Board upon their acquisition by the Trustee, without action by the Trustee.

Section 4.7. Additional Payments. In addition to the Installment Payments, the Board shall pay when due as Additional Payments all costs and expenses incurred by the Trustee to comply with the provisions of the Indenture, including without limitation all costs and expenses of auditors, engineers, accountants and legal counsel, if necessary, but excluding Delivery Costs (which shall be paid by the Board from moneys deposited in the Acquisition Fund), and any amounts advanced by the Trustee under Sections 5.5 and 5.7 hereof.

Section 4.8. Limitation on Liability. THE BOARD'S OBLIGATION TO MAKE INSTALLMENT PAYMENTS UNDER THIS PURCHASE CONTRACT DOES NOT CONSTITUTE A DEBT OF THE BOARD OR THE STATE OF ILLINOIS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION. THE INSTALLMENT PAYMENTS REQUIRED UNDER THIS PURCHASE CONTRACT INCURRED BY THE BOARD ARE NOT SECURED BY THE FULL FAITH AND CREDIT OF THE STATE AND ARE NOT REQUIRED TO BE REPAID AND MAY NOT BE REPAID, DIRECTLY OR INDIRECTLY, FROM TAX REVENUE.

ARTICLE V

OPERATION; MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS

Section 5.1. Operation, Maintenance, Utilities, Taxes and Assessments. Throughout the Term of this Purchase Contract, as part of the consideration for the purchase of the Improvements, all operation, improvement, repair and maintenance of the Improvements shall be the responsibility of the Board, and the Board shall pay for or otherwise arrange for the payment of all utility services supplied to the Improvements, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the operation of the Improvements and the repair and replacement of the Improvements resulting from ordinary wear and tear or want of care on the part of the Board or any assignee or lessee thereof. In exchange for the Installment Payments herein provided, the Trustee agrees to provide only the Improvements, as hereinbefore more specifically set forth.

The Board shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Trustee or the Board affecting the Improvements or the respective interests or estates therein; *provided* that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Board shall be obligated to pay only such installments as are required to be paid during the Term of this Purchase Contract as and when the same become due.

The Board or any lessee may, at the Board's or such lessee's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom and shall provide the Trustee with full security against any loss or forfeiture which might arise from such contest and any appeal therefrom, unless the Trustee shall notify the Board or such lessee that, in the opinion of counsel,

by nonpayment of any such items, the interest of the Trustee in the Improvements will be materially endangered or the Improvements or any part thereof will be subject to loss or forfeiture, in which event the Board or such lessee shall promptly pay such taxes, assessments or charges or provide the Trustee with full security against any loss which may result from nonpayment, in form satisfactory to the Trustee.

Section 5.2. Modification of Improvements. The Board and any lessee shall, at their own expense, have the right to remodel any Improvements or to make additions, modifications and improvements to the Improvements. All such additions, modifications and improvements shall thereafter comprise part of the Improvements and be subject to the provisions of this Purchase Contract. Such additions, modifications and improvements shall not in any way damage any Improvements or cause them to be used for purposes other than those authorized under the provisions of State and federal law; and the Improvements, upon completion of any remodeling, additions, modifications and improvements made thereto pursuant to this Section, shall be of a value which is not substantially less than the value of such Improvements immediately prior to the making of such additions, modifications and improvements. The Board will not permit any mechanic's or other lien to be established or remain against the Improvements for labor or materials furnished in connection with any additions, modifications, improvements, repairs, renewals or replacements made by the Board or any lessee or assignee pursuant to this Section; *provided* that if any such lien is established and the Board shall first notify or cause to be notified the Trustee of the Board's or any lessee's intention to do so, the Board or any lessee may in good faith contest any lien filed or established against the Improvements, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Trustee with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Trustee. The Trustee will cooperate fully in any such contest, upon the request and at the expense of the Board or such lessee.

Section 5.3. General Liability, Property and Casualty Insurance. The Board shall maintain or cause to be maintained, throughout the Term of this Purchase Contract, a program of liability, property and casualty insurance and/or self-insurance as authorized under the laws of the State to assume such risks, and of such types and in such amounts as are customary for similar institutions carrying on similar activities. Such liability, property and casualty insurance may be maintained with respect to the Improvements as part of or in conjunction with any other liability, property and casualty insurance coverage carried or required to be carried by the Board. All policies with respect to the Improvements shall name the Trustee as an additional insured. A certificate of the Treasurer evidencing compliance with this Section shall be delivered to the Trustee upon issuance of the Certificates and annually thereafter upon request of the Trustee.

Section 5.4. Damage or Destruction of Improvements. Upon any damage to or destruction of any portion of the Improvements the original cost of which, in the aggregate, exceeds \$250,000, the Board shall take one of the following actions, in the sole discretion of the Board Representative:

- (a) restore, repair or replace such damaged or destroyed Improvements to their original condition;

(b) amend *Exhibit B* hereto to add additional Improvements having at least the same original cost as such damaged or destroyed Improvements; or

(c) secure the payment of the portion of Installment Payments relating to such damaged or destroyed Improvements by a deposit with the Trustee pursuant to Section 9.1 hereof of an amount which, upon investment together with investment earnings, will be sufficient to pay a portion of the unpaid Installment Payments, including the principal and interest components thereof. Such portion of the principal component of the unpaid Installment Payments in each year shall be determined by the Board Representative by multiplying the amount of the principal component of the unpaid Installment Payments due in each year by the ratio of (i) the original cost of such damaged or destroyed Improvements paid from the proceeds of the Certificates to (ii) all Acquisition Costs, rounded up to the nearest \$5000 of principal amount in each year.

Section 5.5. Advances. If the Board shall fail to perform any of its obligations under this Article the Trustee may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and the Board shall be obligated to repay as an Additional Payment all such advances as soon as possible, with interest at the rate of 3% per annum from the date of the advance to the date of repayment in accordance with the State Prompt Payment Act.

Section 5.6. Installation of Board's Equipment. The Board and any lessee may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in, upon or connected to the Improvements. All such items shall remain the sole property of the Board, in which the Trustee shall not have any interest, and may be modified or removed by such party at any time provided that such party shall repair and restore any and all damage to the Improvements resulting from the installation, modification or removal of any such items. Nothing in this Purchase Contract shall prevent the Board and any lessee from purchasing or leasing items to be installed pursuant to this Section under a lease or conditional sale agreement, or subject to a Trustee's lien or security agreement, as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Improvements.

Section 5.7. Liens. The Board shall not, directly or indirectly, create, incur, assume or suffer to exist any pledge, lien, charge, encumbrance or claim on or with respect to the Improvements, other than the respective rights of the Trustee and the Board as herein provided and Permitted Encumbrances. Except as expressly provided in this Article, the Board shall promptly, at its own expense, take such action as may be necessary to duly discharge, contest or remove any such pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time. The Board shall reimburse the Trustee for any expense incurred by it in order to discharge or remove any such pledge, lien, charge, encumbrance or claim.

ARTICLE VI

DISCLAIMER OF WARRANTIES; ACCESS

Section 6.1. Disclaimer of Warranties. THE TRUSTEE MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE BOARD OF THE IMPROVEMENTS OR ANY ITEM THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE IMPROVEMENTS OR ANY ITEM THEREOF. IN NO EVENT SHALL THE TRUSTEE BE LIABLE FOR INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES, IN CONNECTION WITH OR ARISING OUT OF THIS PURCHASE CONTRACT, THE ACQUISITION AGREEMENT, OR THE INDENTURE FOR THE EXISTENCE, FURNISHING, FUNCTIONING OR BOARD'S USE OF THE IMPROVEMENTS.

Section 6.2. Access to the Improvements. The Board agrees that the Trustee and any Trustee Representative, and the Trustee's successors or assigns, shall have the right at all reasonable times to examine and inspect the Improvements. The Board further agrees that the Trustee, any such Representative, and the Trustee's successors or assigns shall have such rights of access to the Improvements as may be reasonably necessary to cause the proper maintenance of the Improvements in the event of failure by the Board to perform its obligations hereunder.

ARTICLE VII

ASSIGNMENT, LEASING AND AMENDMENT

Section 7.1. Assignment and Leasing by the Board. This Purchase Contract may not be assigned by the Board. The Improvements may be leased in whole or in part by the Board only with the written consent of the Trustee, and subject to all of the following conditions:

- (i) This Purchase Contract and the obligation of the Board to make Installment Payments and Additional Payments hereunder shall remain obligations of the Board;
- (ii) The Board shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Trustee, a true and complete copy of such lease; and
- (iii) No such lease by the Board shall cause any of the Improvements to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the Constitution and laws of the State.

Section 7.2. Amendment of This Purchase Contract. Neither the Trustee nor the Board will alter, modify or cancel, or agree or consent to alter, modify or cancel this Purchase Contract, excepting only such alteration or modification as may be permitted by Article IX of the Indenture or amendments to *Exhibit B* contemplated by Section 3.5 or Section 5.4(b) hereof.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.1. Events of Default Defined. The following shall be “events of default” under this Purchase Contract and the terms “events of default” and “default” shall mean, whenever they are used in this Purchase Contract, with respect to the Improvements, any one or more of the following events:

(i) Failure by the Board to pay any Installment Payment or other payment required to be paid hereunder, including, without limitation, any mandatory prepayment required pursuant to Section 9.3 hereof at the time specified herein.

(ii) Failure by the Board to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Indenture or this Purchase Contract, other than as referred to in clause (i) of this Section, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the Board by the Trustee or the Owners of not less than 25% in aggregate principal amount of Certificates then Outstanding; *provided, however*, if the failure stated in the notice can be corrected, but not within the applicable period, the Trustee or such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Board within the applicable period and diligently pursued until the default is corrected.

(iii) The filing by the Board of a voluntary petition in bankruptcy, or failure by the Board promptly to lift any execution, garnishment or attachment, or adjudication of the Board as a bankrupt, or assignment by the Board for the benefit of creditors, or the entry by the Board into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Board in any proceedings instituted under the provisions of the federal bankruptcy statute, as amended, or under any similar acts which may hereafter be enacted.

Section 8.2. Remedies on Default. Whenever any event of default referred to in Section 8.1 hereof shall have happened and be continuing, it shall be lawful for the Trustee to exercise any and all remedies available pursuant to law or granted pursuant to this Purchase Contract, including, but not limited to, the right to sue the Board for any amounts appropriated by the General Assembly of the State for the payment of Installment Payments and Additional Payments but not paid by the Board to the Trustee. Each and every covenant hereof to be kept and performed by the Board is expressly made a condition and upon the breach thereof the Trustee may, as provided below, to the extent permitted by law, exercise any and all rights of entry and reentry upon the Improvements and also, at its option, with or without such entry, may terminate this Purchase Contract; *provided*, that no such termination shall be effected either by operation of law or acts of the parties hereto, except only in the manner herein expressly provided. In the event of such default:

(a) In the event the Trustee does not elect to terminate this Purchase Contract in the manner hereinafter provided for in subparagraph (b) hereof, the Board hereby irrevocably appoints the Trustee as the agent and attorney-in-fact of the Board to sell or lease its interests in the Improvements in the event of default by the Board in the performance of any covenants herein contained to be performed by the Board and to remove all Improvements consisting of personal property whatsoever situated and to place such property in storage or other suitable place in the State of Illinois, for the account of and at the expense of the Board, and, to the extent permitted by law, the Board hereby exempts and agrees to save harmless the Trustee from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and sale or lease of the Improvements and the removal and storage of such personal property by the Trustee or its duly authorized agents in accordance with the provisions herein contained. To the extent permitted by law, the Board hereby waives any and all claims for damages caused or which may be caused by the Trustee in taking possession of the Improvements as herein provided and all claims for damages that may result from the destruction of or injury to the Improvements and all claims for damages to or loss of any personal property belonging to the Board that may be in, upon or connected to the Improvements. The Board agrees that the terms of this Purchase Contract constitute full and sufficient notice of the right of the Trustee to sell or lease the Improvements without effecting a surrender of this Purchase Contract, and further agrees that no acts of the Trustee in effecting such sale or lease shall constitute a surrender or termination of this Purchase Contract irrespective of the term for which such sale or lease is made or the terms and conditions of such sale or lease, or otherwise, but that, on the contrary, in the event of such default by the Board the right to terminate this Purchase Contract shall vest in the Trustee to be effected in the sole and exclusive manner hereinafter provided for in subparagraph (b) hereof.

(b) Upon the occurrence of an event of default hereunder, the Trustee at its option may terminate this Purchase Contract and, to the extent permitted by law, lease or sell all or any portion of its interests in the Improvements. Any amounts received by the Trustee from such leasing or sale shall be credited towards the Board's unpaid Installment Payments and Additional Payments. Any net proceeds of sale, lease or other disposition of the Trustee's interests in Improvements shall be deposited in the Installment Payment Fund and applied to Installment Payments in order of payment date. Neither notice to pay Installment Payments or Additional Payments due or to deliver up title to and possession of the Improvements given pursuant to law nor any proceeding in unlawful detainer taken by the Trustee shall of itself operate to terminate this Purchase Contract and no termination of this Purchase Contract on account of default by the Board shall be or become effective by operation of law, or otherwise, unless and until the Trustee shall have given written notice to the Board of the election on the part of the Trustee to terminate this Purchase Contract. The Board covenants and agrees that no surrender of the Improvements or any termination of this Purchase Contract shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Trustee by such written notice. Additionally, to the extent permitted by law, the Board hereby exempts and agrees to save harmless the Trustee from any costs, loss or damage whatsoever arising or occasioned by any removal of the personal property of the Board

by the Trustee or the duly authorized agents thereof in accordance with the provisions contained in this Purchase Contract.

Section 8.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Purchase Contract or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved to it in this Article it shall not be necessary to give any notice, other than such notice as may be required in this Article or by law.

Section 8.4. Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Purchase Contract should default under any of the provisions hereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

Section 8.5. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Purchase Contract should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 8.6. Application of Proceeds. All proceeds received from the sale, lease or other disposition of the Improvements under this Article VIII (after payment therefrom of all expenses incurred in the collection thereof), and all other amounts derived by the Trustee as a result of an event of default hereunder, shall be deposited in the Installment Payment Fund to be applied as provided in the Indenture.

Section 8.7. Trustee and Certificate Owners to Exercise Rights. Such rights and remedies as are given to the Trustee under this Article VIII have been granted in trust under the Indenture, to which the Board hereby consents. Such rights and remedies shall be exercised by the Trustee and the Owners of the Certificates as provided in the Indenture.

ARTICLE IX

PREPAYMENT OF INSTALLMENT PAYMENTS

Section 9.1. Security Deposit. Notwithstanding any other provision of this Purchase Contract, the Board may on any date secure the payment of all or any portion of Installment Payments by a deposit with the Trustee of: (i) an amount which is sufficient to pay all or any portion of unpaid Installment Payments, including the principal and interest components thereof, in accordance with the Installment Payment Schedule set forth in *Exhibit A* or (ii) direct non-

callable obligations of the United States of America, together with cash, if required, in such amount as will, together with interest to accrue thereon, be fully sufficient to pay all or any portion of unpaid Installment Payments on their respective Installment Payment Dates, as the Board shall instruct at the time of said deposit. In the event of a deposit pursuant to this Section sufficient to pay, or provide for the payment of, all unpaid Installment Payments, all obligations of the Board under this Purchase Contract, and all security provided by this Purchase Contract for said obligations, shall cease and terminate, excepting only the obligations of the Board to make, or cause to be made, Installment Payments from the deposit made by the Board pursuant to this Section. Said deposit shall be deemed to be and shall constitute a special fund for the payment of Installment Payments in accordance with the provisions of this Purchase Contract.

Section 9.2. Purchase Option. On or after an Event of Nonappropriation and a determination by the Board that there are not sufficient Legally Available Nonappropriated Funds to pay the portion of the Installment Payments coming due during the current fiscal year, the Board may, or upon the termination of this Purchase Contract pursuant to Section 4.2(c) hereof the Board shall, exercise its option to purchase all of the Improvements pursuant to Section 9.3 hereof by paying the Prepayment price of principal and accrued interest on all of the Certificates to the date that this Purchase Contract is to be terminated. Such Prepayment shall be deposited by the Trustee in the Installment Payment Fund to be applied to the redemption of the Certificates pursuant to Section 4.01 or Section 4.02 of the Indenture. The Board shall give the Trustee notice of its intention to exercise its option not less than 60 days in advance of the date of exercise.

Section 9.3. Prepayments. The Installment Payments are subject to prepayment by the Board as follows:

(a) the Installment Payments due after _____ 1, 20__, are subject to optional prepayment by the Board in whole or in part, as provided in Section 4.02 of the Indenture;

(b) the Installment Payments due on _____ 1, 20__ are subject to mandatory prepayment by the Board in part as provided in Section 4.03 of the Indenture; and

(c) the Installment Payments are subject to prepayment by the Board in whole on any date on which this Purchase Contract is terminated by the Board because of an Event of Nonappropriation and a determination by the Board that there are not sufficient Legally Available Nonappropriated Funds to pay the portion of the Installment Payments coming due during the then current fiscal year, and the Board has exercised its option to make such prepayment as provided in Section 4.01 of the Indenture.

Section 9.4. Credit for Amounts on Deposit. In the event of prepayment of the principal components of the Installment Payments in full under this Article IX, such that the Indenture shall be discharged by its terms as a result of such prepayment, all amounts then on deposit in the Installment Payment Fund or the Acquisition Fund not needed for the acquisition of the Improvements shall be credited as set forth in the Tax Certificate.

ARTICLE X

MISCELLANEOUS

Section 10.1. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed to have been received either (i) upon deposit in the United States mail postage prepaid (ii) upon deposit with an overnight courier or (iii) upon the sending of a facsimile communication:

If to the Board:

Treasurer
Northeastern Illinois University
5500 North St. Louis Avenue
Chicago, Illinois 60625-4699
Facsimile: (773) 442-5105
Telephone: (773) 442-5100

If to the Trustee:

U. S. Bank National Association
209 South LaSalle Street, Suite 300
Chicago, Illinois 60604
Attention: Corporate Trust Administration, Vernita Anderson
Facsimile: (312) 325-8973
Telephone: (312) 325-8773

The Trustee and the Board, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 10.2. Binding Effect. This Purchase Contract shall inure to the benefit of and shall be binding upon the Trustee and the Board and their respective successors and assigns.

Section 10.3. Severability. In the event any provision of this Purchase Contract shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 10.4. Net-net-net Installment Sale. This Purchase Contract shall be deemed and construed to be a "net-net-net installment sale" and the Board hereby agrees that the Installment Payments shall be an absolute net return to the Trustee, free and clear of any expenses, charges or set-offs whatsoever, irrespective of any defense or any right of recoupment or counterclaim which the Board may have against the Trustee.

Section 10.5. Amendments; Further Assurances and Corrective Instruments. (a) This Purchase Contract may be supplemented or amended as permitted by Section 9.01 of the Indenture.

(b) The Trustee and the Board agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Improvements hereby acquired or intended so to be for carrying out the expressed intention of this Purchase Contract.

Section 10.6. Execution in Counterparts. This Purchase Contract may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 10.7. Applicable Law. This Purchase Contract shall be governed by and construed in accordance with the laws of the State.

Section 10.8. Trustee and Board Representatives. Whenever under the provisions of this Purchase Contract the approval of the Trustee or the Board is required, or the Trustee or the Board is required to take some action at the request of the other, such approval or such request shall be given for the Trustee by a Trustee Representative and for the Board by a Board Representative, and any party hereto shall be authorized to rely upon any such approval or request.

Section 10.9. Captions. The captions or headings in this Purchase Contract are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Purchase Contract.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the Trustee has caused this Purchase Contract to be executed in its corporate name by its duly authorized officers; and the Board has caused this Purchase Contract to be executed in its name by its duly authorized officers, as of the date first above written.

U. S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Officer

Attest:

By _____
Authorized Officer

BOARD OF TRUSTEES OF NORTHEASTERN
ILLINOIS UNIVERSITY

(SEAL)

By _____
Treasurer

Attest

By _____
Secretary

EXHIBIT A
SCHEDULE OF INSTALLMENT PAYMENTS

The following shows the Installment Payments to be paid pursuant to the Purchase Contract:

PAYMENT DATE	INTEREST (\$)	PRINCIPAL (\$)
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EXHIBIT B

DESCRIPTION OF IMPROVEMENTS

Control System upgrades

Lighting efficiency upgrades

Variable air volume improvements (Library)

Water efficiency upgrades

New condenser water pumps and filtration system for air conditioning equipment

Lech Walesa Hall: heating and cooling variable speed fans for heating system

Replace control for three hot water boilers

Building D: replace fan coil and install variable speed fans for heating system

Install insulation on hot water expansion joints

Kitchen hood controls

Physical Education Building: install variable speed motor on the swimming pool pump.

ACQUISITION AGREEMENT

by and between

U. S. BANK NATIONAL ASSOCIATION

and

BOARD OF TRUSTEES OF NORTHEASTERN ILLINOIS UNIVERSITY

Dated as of [Date] 1, 2010

ACQUISITION AGREEMENT

THIS ACQUISITION AGREEMENT (the "*Acquisition Agreement*"), dated as of [Date] 1, 2010, between U. S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America, as trustee (the "*Trustee*"), and the BOARD OF TRUSTEES OF NORTHEASTERN ILLINOIS UNIVERSITY, a body corporate and politic of the State of Illinois (the "*Board*");

RECITALS

The Board desires to finance the acquisition, construction and equipping of, or improvement to, the Improvements more fully described in the Purchase Contract (as hereinafter defined) under an installment purchase arrangement and the Trustee is willing to purchase, or cause to be purchased, the Improvements and sell the same to the Board under a certain Installment Purchase Contract, dated as of [Date] 1, 2010 (the "*Purchase Contract*"), between the Trustee and the Board, all on the terms and conditions hereinafter set forth.

In consideration of the mutual covenants herein contained, the Trustee and the Board hereby agree as follows:

Section 1. Definitions. Unless the context otherwise requires, the capitalized terms used but not defined in this Acquisition Agreement shall have the meanings specified in the Indenture of Trust dated as of [Date] 1, 2010, by and between the Trustee and the Board.

Section 2. Assignment to Trustee. Other than as set forth in Section 3 hereof, the Board does hereby assign, convey, transfer and set over to the Trustee all of the Board's right, title and interest in and to the Improvements and in and to the Improvement Contracts including the right to (a) acquire each item of Improvements; (b) take title to such Improvements; (c) be named the purchaser in any bill or bills of sale to be delivered by the Contractors; (d) all claims for damages with respect to each item of Improvements arising as a result of any default by the respective Contractor; and (e) compel performance of the terms of the Improvement Contracts with respect to such Improvements; *provided* that title to and possession of the Improvements in existence on the date of delivery of the Purchase Contract will automatically thereafter vest in the Board without action by the Trustee, and title to and possession of all Improvements acquired after the date of delivery of the Purchase Contract will automatically so vest in the Board upon acquisition without action by the Trustee.

Section 3. Reservation of Rights. With respect to each item of Improvements, so long, and only so long, as such item of Improvements shall be subject to the Purchase Contract, the Board hereby reserves (a) the rights to demand, accept and retain all rights in and to all property, data and service which the Contractors are obligated to provide, or do provide, pursuant to the Improvement Contracts, (b) all rights, if any, with respect to spare parts as provided in the Improvement Contracts, (c) the right to obtain instructions and data pursuant to the Improvement Contracts and (d) the rights under all warranty and indemnity provisions contained in the Improvement Contracts.

Section 4. Power of Attorney. The Board does hereby constitute the Trustee the true and lawful attorney of the Board, irrevocably, with full power (in the name of the Board or otherwise) to ask, require, demand, receive, compound and give acquittance for any and all moneys and claims for money due and to become due under, or arising out of, the Improvement Contracts to the extent that the same have been assigned hereby, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which to the Trustee may seem to be necessary or advisable in the premises.

Section 5. Purchase of Improvements. The Board, on behalf of the Trustee agrees, subject to the delivery of the invoice or invoices and other conditions set forth in the Purchase Contract and the Indenture, to pay or cause to be paid to the respective Contractors the cost of the Improvements then to be purchased constituting the invoice price of such Improvements.

Section 6. Further Assurances. The Board agrees that at any time and from time to time, upon the written request of the Trustee, the Board will promptly and duly execute and deliver any and all such further instruments and documents and take such further action as the Trustee may reasonably request in order to obtain the full benefits of this Acquisition Agreement and of the rights and powers herein granted.

Section 7. Representations. The Board hereby represents and warrants that the Improvement Contracts are assignable in accordance with this Acquisition Agreement, are in full force and effect and are enforceable in accordance with their respective terms and neither the Contractors (to the best of the Board's knowledge) nor the Board is in default thereunder. The Board hereby further represents and warrants that the Board has not assigned or pledged, and hereby covenants that it will not assign or pledge so long as this Acquisition Agreement shall remain in effect, the whole or any part of the rights hereby assigned or reserved or to be assigned to anyone other than the Trustee.

Section 8. Governing Law. This Agreement, and all of the rights and obligations hereunder, including matters of construction, validity and performance, shall be governed by the laws of the State of Illinois.

Section 9. Assignment. The Trustee, concurrently with the execution and delivery of this Acquisition Agreement, has entered into the Indenture, under which the Trustee assigns all of its right, title and interest in and to this Acquisition Agreement. The Board hereby consents to such assignment.

Section 10. Amendments, Changes and Modifications. This Acquisition Agreement may be amended or any of its terms modified only (i) as provided in Section 9.01 of the Indenture and (ii) by a written document duly authorized, executed and delivered by the Board and the Trustee.

Section 11. Severability. If any provision of, or any covenant, obligation or agreement contained in this Acquisition Agreement is determined by a court of competent jurisdiction to be invalid or unenforceable, that determination shall not affect any other provision, covenant, obligation or agreement, each of which shall be construed and enforced as if the invalid or

unenforceable portion were not contained in this Acquisition Agreement. Such invalidity or unenforceability shall not affect any valid or enforceable application thereof, and each such provision, covenant, obligation or agreement shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

Section 12. Execution in Counterparts. This Acquisition Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 13. Captions. The captions or headings in this Acquisition Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provision or Section of this Acquisition Agreement.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

U. S. BANK NATIONAL ASSOCIATION, as Trustee

By _____
Vice President

(SEAL)

Attest:

By _____
Vice President

BOARD OF TRUSTEES OF NORTHEASTERN
ILLINOIS UNIVERSITY

By _____
Treasurer

(SEAL)

Attest:

By _____
Secretary