NEW ISSUE
BOOK-ENTRY-ONLY

RATINGS (See "DESCRIPTION OF RATINGS" herein)
Moody's: Aa3
Standard & Poor's: AA-

*In the opinion of Katten Muchin Rosenman LLP, Bond Counsel, under existing law, the interest portion of the Installment Payments under the Installment Purchase Contracts relating to the Series 2014A and Series 2014C Certificates (the "*Tax-Exempt Certificates*"), for so long as such Installment Purchase Contracts are in effect (the "*Tax-Exempt Certificate Interest*"), is not includable in the gross income of the owners of the Tax-Exempt Certificates for Federal income tax purposes and, assuming continuing compliance with the applicable requirements of the Internal Revenue Code of 1986, will continue to be excluded from the gross income of the owners of the Tax-Exempt Certificates for Federal income tax purposes. Tax-Exempt Certificate Interest is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income but is taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on all Series of the Certificates is subject to present Illinois income taxes. See "TAX MATTERS" herein.*

$65,255,000
CERTIFICATES OF PARTICIPATION (REFUNDING)

$25,055,000	$11,040,000	$29,160,000
Series 2014A	Taxable Series 2014B	Series 2014C

Evidencing Proportionate Interests in Installment Payments to be Made by
THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS

Dated: Date of Issuance **Due: As shown on inside cover**

This Official Statement has been prepared by the Board of Trustees of the University of Illinois (the "*Board*") to provide information with respect to the Certificates of Participation (Refunding), Series 2014A, Taxable Series 2014B and Series 2014C (collectively the "*Series 2014 Certificates*"). Selected information is presented on the cover page for the convenience of the user. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision. Holders and prospective purchasers of the Series 2014 Certificates after the date hereof should be aware that certain information contained in this Official Statement may no longer be accurate and should refer to the revisions, supplements and additions to this Official Statement, if any, or any new offering materials for current information after such date.

THE SERIES 2014 CERTIFICATES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, BY VIRTUE OF THE EXEMPTION FROM REGISTRATION PROVIDED IN SECTION 3(a)(2) THEREOF.

The Series 2014 Certificates are being issued as fully registered securities in denominations of $5,000 or any integral multiple thereof, pursuant to a Resolution of the Board adopted on November 13, 2014 (the "*Resolution*"). The Series 2014 Certificates and any additional Parity Certificates, as defined herein, are hereinafter collectively defined as the "*Certificates*."

The proceeds of the Series 2014A Certificates, together with other funds of the Board, will be used to (i) provide for the refunding of a portion of the Board's outstanding Certificates of Participation (Refunding and Projects), Series 2007A (the "*Series 2007A Certificates*") and (ii) pay costs incidental to the issuance of the Series 2014A Certificates. The proceeds of the Series 2014B Certificates, together with other funds of the Board, will be used to (i) provide for the refunding of the Board's outstanding Certificates of Participation (UIC College of Medicine Research Building Project), Taxable Series 2005 and (ii) pay costs incidental to the issuance of the Series 2014B Certificates. The proceeds of the Series 2014C Certificates, together with other funds of the Board, will be used to (i) provide for the refunding of the Board's outstanding Certificates of Participation (Academic Facilities Projects), Series 2006A and (ii) pay costs incidental to the issuance of the Series 2014C Certificates. See "PLAN OF FINANCE" herein.

Each Series of the Series 2014 Certificates evidences and represents an undivided proportionate interest in certain Installment Payments required under one or more separate Installment Purchase Contracts to be paid by the Board to the Trustee under the Indenture securing such Series of Certificates. The Board has covenanted to include in each annual operating budget for the University an amount of Legally Available Non-Appropriated Funds which will be sufficient to make the Installment Payments and Additional Payments under each Installment Purchase Contract when due in each fiscal year.

The Series 2014A Certificates are being issued as Parity Certificates with the Series 2007A Certificates which will remain outstanding following the partial redemption of the Series 2007A Certificates provided for herein. Subject to certain conditions and limitations described herein, additional Parity Certificates of equal rank with each Series of the Series 2014 Certificates may be issued from time to time.

Interest on the Series 2014A Certificates will be payable on April 1, 2015 and thereafter semiannually on April 1 and October 1 of each year; interest on the Series 2014B Certificates will be payable on February 15, 2015 and thereafter semiannually on February 15 and August 15 of each year; and interest on the Series 2014C Certificates will be payable on March 15, 2015 and thereafter semiannually on March 15 and September 15 of each year; in each case to and including the date of maturity or redemption, whichever is earlier, at the designated corporate trust office of The Bank of New York Mellon Trust Company, N.A. (the "*Trustee*").

The Series 2014 Certificates are subject to optional and mandatory redemption as more fully described herein. See "DESCRIPTION OF THE SERIES 2014 CERTIFICATES–Redemption."

The Series 2014 Certificates are offered when, as and if issued and received by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, and to the approving legal opinion of Katten Muchin Rosenman LLP, Chicago, Illinois, as Bond Counsel. Certain legal matters will be passed upon for the Board by its University Counsel, Thomas R. Bearrows, Esq., Chicago, Illinois and its special counsel, Freeborn & Peters LLP, Chicago, Illinois, and for the Underwriters by their counsel, Burke, Warren, MacKay & Serritella, P.C., Chicago, Illinois. Acacia Financial Group, Inc., Chicago, Illinois, is serving as financial advisor to the Board. It is expected that the Series 2014 Certificates will be available for delivery through the facilities of DTC in New York, New York on or about December 23, 2014.

RBC Capital Markets
Siebert Brandford Shank & Co., L.L.C.

The date of this Official Statement is December 11, 2014

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS

$65,255,000 CERTIFICATES OF PARTICIPATION (REFUNDING)

$25,055,000 SERIES 2014A

Maturity (October 1)	Amount	Rate	Yield	Price	CUSIP+
2015	$2,095,000	4.000%	0.350%	102.811	914331KG7
2016	2,175,000	4.000%	0.620%	105.947	914331KH5
2017	2,265,000	5.000%	0.950%	111.053	914331KJ1
2018	2,395,000	5.000%	1.350%	113.377	914331KK8
2019	2,510,000	5.000%	1.710%	115.012	914331KL6
2020	2,655,000	5.000%	2.040%	116.038	914331KM4
2021	2,785,000	5.000%	2.290%	116.907	914331KN2
2022	1,325,000	5.000%	2.500%	117.556	914331KP7
2023	1,460,000	5.000%	2.620%	118.540	914331KQ5
2024	1,595,000	5.000%	2.730%	119.351	914331KR3
2025	1,685,000	5.000%	2.860%	118.127*	914331KS1
2026	2,110,000	5.000%	2.950%	117.289*	914331KT9

* Priced to October 1, 2024 call date.

$11,040,000 TAXABLE SERIES 2014B

Maturity (February 15)	Amount	Rate	Yield	Price	CUSIP+
2016	$1,140,000	1.308%	1.308%	100.000	914331LE1
2017	1,155,000	1.853%	1.853%	100.000	914331LF8
2018	1,180,000	2.252%	2.252%	100.000	914331LG6
2019	1,205,000	2.652%	2.652%	100.000	914331LH4
2020	1,240,000	2.990%	2.990%	100.000	914331LJ0
2021	1,270,000	3.340%	3.340%	100.000	914331LK7
2022	1,320,000	3.471%	3.471%	100.000	914331LL5
2023	1,360,000	3.571%	3.571%	100.000	914331LM3
2024	1,170,000	3.721%	3.721%	100.000	914331LN1

$29,160,000 SERIES 2014C

Maturity (March 15)	Amount	Rate	Yield	Price	CUSIP+
2017	$2,320,000	5.000%	0.820%	109.207	914331KU6
2018	2,430,000	5.000%	1.210%	111.960	914331KV4
2019	2,555,000	5.000%	1.580%	113.931	914331KW2
2020	2,685,000	5.000%	1.890%	115.408	914331KX0
2021	2,815,000	5.000%	2.170%	116.399	914331KY8
2022	2,960,000	5.000%	2.390%	117.227	914331KZ5
2023	3,110,000	5.000%	2.570%	117.913	914331LA9
2024	3,260,000	5.000%	2.680%	118.851	914331LB7
2025	3,430,000	5.000%	2.830%	117.510*	914331LC5
2026	3,595,000	5.000%	2.930%	116.626*	914331LD3

* Priced to March 15, 2024 call date.

 CUSIP data provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Series 2014 Certificate holders only at the time of issuance of the Series 2014 Certificates, and the Board does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2014 Certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2014 Certificates.

REGARDING THIS OFFICIAL STATEMENT

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

This Official Statement, which includes the cover page and the appendices hereto, does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of any of the Series 2014 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, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Series 2014 Certificates, and if given or made, such information or representation must not be relied upon as having been authorized by the Board, the Trustee, the Financial Advisor or the Underwriters.

The information set forth herein has been obtained from the Board and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a promise or guarantee of, the Trustee or the Underwriters. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Board or the information or opinions contained herein since the date of this Official Statement.

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

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

THE PRICES AT WHICH THE SERIES 2014 CERTIFICATES ARE OFFERED TO THE PUBLIC MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES APPEARING ON THE INSIDE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS, AND THE UNDERWRITERS MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICES OF THE SERIES 2014 CERTIFICATES AT LEVELS ABOVE THE LEVELS THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET IN ORDER TO FACILITATE THEIR DISTRIBUTION. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2014 CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE RESPECTIVE INDENTURES HAVE 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 SERIES 2014 CERTIFICATES IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAW OF THE STATES IN WHICH THE SERIES 2014 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
$65,255,000
CERTIFICATES OF PARTICIPATION (REFUNDING),

$25,055,000	**$11,040,000**	**$29,160,000**
Series 2014A	**Taxable Series 2014B**	**Series 2014C**

Evidencing Proportionate Interests in Installment Payments to be Made by
THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS

INTRODUCTION

This Official Statement, including the cover page, the inside cover page and the appendices hereto (the "*Official Statement*"), is provided in connection with the offering by The Board of Trustees of the University of Illinois (the "*Board*") of $65,255,000 aggregate principal amount of Certificates of Participation (Refunding), consisting of $25,055,000 principal amount of Series 2014A Certificates (the "*Series 2014A Certificates*"), $11,040,000 principal amount of Taxable Series 2014B Certificates (the "*Series 2014B Certificates*"), and $29,160,000 principal amount of Series 2014C Certificates (the "*Series 2014C Certificates*" and collectively with the Series 2014A Certificates and the Series 2014B Certificates, the "*Series 2014 Certificates*").

The Board is authorized by the State University Certificates of Participation Act, 110 ILCS 73/1 *et seq*. (the "*Act*") to enter into financing agreements in connection with the financing of capital improvements (including technology or other related improvements) by selling certificates of participation in the installment payments made under such financing agreements. Such financing agreements may be entered into for any period of time less than or equal to 30 years, but not to exceed the useful life of the capital improvement.

The Series 2014A Certificates

The Series 2014A Certificates are being issued pursuant to an Indenture of Trust dated as of December 1, 2007 from the Board to the Trustee, as supplemented and amended (the "*Series 2014A Indenture*"), including by a First Supplemental Indenture of Trust dated as of December 1, 2014 from the Board to the Trustee specifying the terms of the Series 2014A Certificates.

The Series 2014A Certificates represent proportionate interests of the Registered Owners thereof in payments to be made by the Board as installment purchase payments (the "*Series 2014A Installment Payments*") pursuant to the provisions of two Installment Purchase Contracts, each dated as of December 1, 2007 (the "*Original Purchase Contracts*"), relating to a portion of the Board's outstanding Certificates of Participation (Refunding and Projects), Series 2007A (the "*Series 2007A Certificates*"), each as amended by a First Amendment to Installment Purchase Contract dated as of December 1, 2014 (the Original Purchase Contracts, as so amended, the "*Series 2014A Installment Purchase Contracts*") between the Trustee and the Board, as purchaser.

The Series 2014A Certificates, together with other funds of the Board, are being issued to (i) provide for the refunding of a portion of the Series 2007A Certificates and (ii) pay the costs associated with issuing the Series 2014A Certificates. The Series 2014A Certificates are being issued as Parity Certificates with the portion of the Series 2007A Certificates which will remain outstanding following the partial redemption of the Series 2007A Certificates.

The Series 2014B Certificates

The Series 2014B Certificates are being issued pursuant to the Indenture of Trust dated as of December 1, 2014 (the "*Series 2014B Indenture*"), from the Board to the Trustee specifying terms of the Series 2014B Certificates.

The Series 2014B Certificates represent proportionate interests of the Registered Owners thereof in payments to be made by the Board as installment purchase payments (the "*Series 2014B Installment Payments*") pursuant to the provisions of an Installment Purchase Contract dated as of December 1, 2014 (the "*Series 2014B Installment Purchase Contract*") between the Trustee and the Board, as purchaser.

The Series 2014B Certificates, together with other funds of the Board, are being issued to (i) provide for the refunding of the Board's outstanding Certificates of Participation (UIC College of Medicine Research Building Project), Taxable Series 2005 (the "*Series 2005 Certificates*") and (ii) pay the costs associated with issuing the Series 2014B Certificates.

The Series 2014C Certificates

The Series 2014C Certificates are being issued pursuant to the Indenture of Trust dated as of December 1, 2014 (the "*Series 2014C Indenture*"), from the Board to the Trustee specifying terms of the Series 2014C Certificates.

The Series 2014C Certificates represent proportionate interests of the Registered Owners thereof in payments to be made by the Board as installment purchase payments (the "*Series 2014C Installment Payments*") pursuant to the provisions of an Installment Purchase Contract dated as of December 1, 2014 (the "*Series 2014C Installment Purchase Contract*") between the Trustee and the Board, as purchaser.

The Series 2014C Certificates, together with other funds of the Board, are being issued to (i) provide for the refunding of the Board's outstanding Certificates of Participation (Academic Facilities Projects), Series 2006A (the "*Series 2006A Certificates*") and (ii) pay the costs associated with issuing the Series 2014C Certificates.

Method of Payment

Pursuant to the Series 2014A Indenture, the Series 2014B Indenture and the Series 2014C Indenture (collectively, the "*Series 2014 Indentures*"), respectively, the Trustee will hold for the benefit of the Owners of the related Series of Series 2014 Certificates and Parity Certificates, if any, which have been issued under such Series 2014 Indenture, its rights in and to (i) the related Installment Purchase Contracts pertaining to such Indenture, including its right to receive Installment Payments from the Board under such Installment Purchase Contracts, (ii) the

Improvements purchased pursuant to the Acquisition Agreements related to each Series of Series 2014 Certificates and to the Parity Certificates, if any, which have been issued under such Series 2014 Indenture, and (iii) amounts on deposit from time to time in the funds and accounts created pursuant to each respective Series 2014 Indenture (other than the Rebate Funds created pursuant to the Series 2014A Indenture and the Series 2014C Indenture). However, the assignment of any of the Installment Purchase Contracts under the applicable Series 2014 Indenture shall not transfer, impair or diminish any rights of the Trustee under any assigned instrument for indemnification; reimbursement of fees, costs and expenses; or to receive notices or approve amendments. The funds created pursuant to the respective Series 2014 Indentures, which separately secure the respective Certificates, include moneys and investments held by the depository of the Board in the Acquisition Fund created under the applicable Series 2014 Indenture. Such funds are held by the Trustee under the respective Series 2014 Indentures for the benefit of Owners of the applicable Series of Series 2014 Certificates, subject to their use and application in accordance with the provisions of the applicable Installment Purchase Contracts and the related Series 2014 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 THE UNIVERSITY OF ILLINOIS

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

DESCRIPTION OF THE SERIES 2014 CERTIFICATES

General

Each Series of the Series 2014 Certificates represents an undivided proportionate interest in the principal portion of the Installment Payments due and payable with respect to the maturity dates of such Series of Series 2014 Certificates and in the interest portion of the Installment Payments due and payable to and including such maturity dates, calculated on such principal portion at the rates set forth on the inside cover page of this Official Statement.

No portion of the Installment Payments due and payable with respect to any Series of the Series 2014 Certificates is available for payment of any other Series of the Series 2014 Certificates.

Interest

Interest with respect to the Series 2014A Certificates shall be payable on April 1, 2015 and thereafter semiannually on April 1 and October 1 of each year to and including the date of maturity or redemption, whichever is earlier. The principal of, and premium, if any, represented by the Series 2014A Certificates will be payable when due upon presentation and surrender thereof at the designated corporate trust operations office of the Trustee. Interest will be paid by check or draft of the Trustee mailed to the persons in whose names the Series 2014A Certificates are registered (the "*Series 2014A Owners*") on the registration books maintained by the Trustee as of each March 15 or September 15 preceding the applicable Interest Payment Date (a "*Series 2014A Regular Record Date*") at the address appearing in such registration books or at such other address as the Series 2014A Owner may have filed with the Trustee for such purpose.

Interest with respect to the Series 2014B Certificates shall be payable on February 15, 2015 and thereafter semiannually on February 15 and August 15 of each year to and including the date of maturity or redemption, whichever is earlier. The principal of, and premium, if any, represented by the Series 2014B Certificates will be payable when due upon presentation and surrender thereof at the designated corporate trust operations office of the Trustee. Interest will be paid by check or draft of the Trustee mailed to the persons in whose names the Series 2014B Certificates are registered (the "*Series 2014B Owners*") on the registration books maintained by the Trustee as of each January 31 or July 31 preceding the applicable Interest Payment Date (a "*Series 2014B Regular Record Date*") at the address appearing in such registration books or at such other address as the Series 2014B Owner may have filed with the Trustee for such purpose.

Interest with respect to the Series 2014C Certificates shall be payable on March 15, 2015 and thereafter semiannually on March 15 and September 15 of each year to and including the date of maturity or redemption, whichever is earlier. The principal of, and premium, if any, represented by the Series 2014C Certificates will be payable when due upon presentation and surrender thereof at the designated corporate trust operations office of the Trustee. Interest will be paid by check or draft of the Trustee mailed to the persons in whose names the Series 2014C Certificates are registered (the "*Series 2014C Owners*") on the registration books maintained by the Trustee as of each February 28 or August 31 preceding the applicable Interest Payment Date (a "*Series 2014C Regular Record Date*") at the address appearing in such registration books or at such other address as the Series 2014C Owner may have filed with the Trustee for such purpose.

Payment of interest with respect to a Series 2014 Certificate held by an Owner of $1,000,000 or more in aggregate principal amount of such Series of Series 2014 Certificates may also be paid by wire transfer to a bank in the continental United States indicated in writing by such Owner on or prior to the related Regular Record Date for such Series of Series 2014 Certificates for such payment.

Each Series 2014 Certificate will accrue interest from the Interest Payment Date applicable to such Series 2014 Certificate next 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 the first Interest Payment Date applicable to such Series 2014 Certificate, in which case interest accrues from the dated date of such Series of

Series 2014 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

Optional Redemption. The Series 2014A Certificates maturing on or after October 1, 2025 are subject to optional redemption on any date on or after October 1, 2024, at a price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption, in whole or in part and if in part, in such order of maturity as determined by the Board.

Each maturity of the Series 2014B Certificates is subject to optional redemption prior to maturity in whole or in part by lot, on any Business Day, at a redemption price equal to the greater of: (i) 100% of the principal amount of such Series 2014B Certificates to be redeemed; or (ii) the sum of the present values of the remaining scheduled payments of principal of and interest to the maturity date of such Series 2014B Certificates to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2014B Certificates are to be redeemed, discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined in the Series 2014B Indenture) plus 30 basis points; plus in each case, accrued interest to the redemption date.

The Series 2014C Certificates maturing on or after March 15, 2025 are subject to optional redemption prior to maturity on any date on or after March 15, 2024, at a price equal to 100% of the principal amount redeemed, plus accrued interest to the date fixed for redemption, in whole or in part and if in part, in such order of maturity as determined by the Board.

Redemption of the Series 2014A Certificates Upon Event of Non-Appropriation, Exercise of Option to Prepay and Termination of Series 2014A Installment Purchase Contracts. The Series 2014A Certificates are subject to redemption, in whole or in part, and if in part in the manner described below, at the price of 100% of the principal amount redeemed, plus accrued interest to the redemption date, on any date on which a Series 2014A Installment Purchase Contract is terminated by the Board because (i) an Event of Non-Appropriation has occurred, (ii) the Board has determined that there are not sufficient Legally Available Non-Appropriated Funds to pay all or such non-appropriated part of the portion of the Installment Payments under such Series 2014A Installment Purchase Contract coming due during the then current fiscal year, and (iii) the Board has exercised its option, pursuant to such Series 2014A Installment Purchase Contract, to prepay all or a portion of the Series 2014A Certificates by deposit of funds in the Installment Payment Fund established for the Series 2014A Certificates sufficient to redeem such Series 2014A Certificates on such termination date at such redemption price.

The Series 2014A Installment Purchase Contracts 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.

The principal portions corresponding to each Series 2014A Installment Purchase Contract and the dates of payment thereof are set forth in APPENDIX F hereto. In the case of the termination and prepayment as aforesaid of both of the Series 2014A Installment Purchase Contracts, all of the Series 2014A Certificates and the portion of the Series 2007A Certificates corresponding to the payments under the terminated Series 2014A Installment Purchase Contracts will be redeemed. In the case of the termination and prepayment as aforesaid of one but not both of the Series 2014A Installment Purchase Contracts, principal of the Series 2014A Certificates and of the Series 2007A Certificates corresponding to the payments under the terminated Series 2014A Installment Purchase Contract will be redeemed.

Mandatory Redemption of the Series 2014B Certificates and the Series 2014C Certificates for Lack of Non-Appropriated Funds and Termination of Installment Purchase Contracts. The Series 2014B Certificates and the Series 2014C Certificates are subject to redemption, in whole or in part, and if in part in the manner described below, at the price of 100% of the principal amount redeemed, plus accrued interest to the redemption date, on any date on which the applicable Installment Purchase Contract is terminated by the Board because, in each such case, (i) the Board has determined that there are not sufficient Legally Available Non-Appropriated Funds to pay all of the Installment Payments under such Installment Purchase Contract coming due during the then current fiscal year, and (ii) the Board has exercised its option, pursuant to the related Installment Purchase Contract, to prepay such Series of the Series 2014 Certificates by the deposit of funds in the Installment Payment Fund for the applicable Series of Series 2014 Certificates sufficient to redeem such Series of the Series 2014 Certificates on such termination date at such redemption price. Redemption of any Series of the Series 2014 Certificates will not require or necessarily result in the redemption of any other Series of the Series 2014 Certificates.

Each of the Installment Purchase Contracts, and the Board's obligations to pay Installment Payments and Additional Payments thereunder, is subject to termination 60 days after the Board certifies to the Trustee that the event described in clause (i) of the preceding paragraph has occurred.

The principal portions corresponding to each Installment Purchase Contract and the dates of payment thereof are set forth in APPENDIX F hereto. In the case of the termination and prepayment as aforesaid of either the Series 2014B Installment Purchase Contract or the Series 2014C Installment Purchase Contract, principal of the Series of Series 2014 Certificates corresponding to the payments under the terminated Installment Purchase Contract will be redeemed.

Redemption Upon Optional Termination of Installment Purchase Contracts.

The Series 2014A Certificates are subject to mandatory redemption, in whole or in part, if the Board notifies the Trustee not less than 60 days prior to the applicable redemption date that it is exercising its option to terminate one or more of the related Series 2014A Installment Purchase Contracts, provided, however, that the Board may not terminate any Series 2014A Installment Purchase Contract prior to October 1, 2024. The Series 2014A Certificates, as a whole or in part and if in part, in such order of maturity and lot within a maturity as determined by the Board are subject to redemption at the redemption price of 100% of the principal amount redeemed plus accrued interest to the date fixed for redemption on any date on or after October 1, 2024, if the Board exercises its option to terminate a Series 2014A Installment Purchase Contract.

The Series 2014B Certificates are subject to mandatory redemption, in whole or in part, on any Business Day, if the Board notifies the Trustee not less than 60 days prior to the applicable redemption date that it is exercising its option to terminate the Series 2014B Installment Purchase Contract at a redemption price for each maturity of the Series 2014B Certificates equal to the greater of: (i) 100% of the principal amount of such Series 2014B Certificates to be redeemed; or (ii) the sum of the present values of the remaining scheduled payments of principal of and interest to the maturity date of such Series 2014B Certificates to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2014B Certificates are to be redeemed, discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 30 basis points; plus in each case, accrued interest to the redemption date.

The Series 2014C Certificates are subject to mandatory redemption, in whole or in part, if the Board notifies the Trustee not less than 60 days prior to the applicable redemption date that it is exercising its option to terminate the Series 2014C Installment Purchase Contract; provided, however, that the Board may not terminate the Series 2014C Installment Purchase Contract prior to March 15, 2024. The Series 2014C Certificates, as a whole or in part and if in part, in such order of maturity and lot within a maturity as determined by the Board are subject to redemption at the redemption price of 100% of the principal amount redeemed plus accrued interest to the date fixed for redemption on any date on or after March 15, 2024, if the Board exercises its option to terminate the Series 2014C Installment Purchase Contract.

The principal portions corresponding to each such Installment Purchase Contract and the dates of payment thereof are set forth in APPENDIX F hereto. In the case of the termination and prepayment as aforesaid of both of the Series 2014A Installment Purchase Contracts, all of the Series 2014A Certificates and the portion of the Series 2007A Certificates corresponding to the payments under the terminated Series 2014A Installment Purchase Contracts will be redeemed. In the case of the termination and prepayment as aforesaid of one but not both of the Series 2014A Installment Purchase Contracts, principal of the Series 2014A Certificates and of the Series 2007A Certificates corresponding to the payments under the terminated Series 2014A Installment Purchase Contract will be redeemed. In the case of the termination and prepayment as aforesaid of either the Series 2014B Installment Purchase Contract or the Series 2014C Installment Purchase Contract, principal of the Series of Series 2014 Certificates corresponding to the payments under the terminated Installment Purchase Contract will be redeemed.

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 Series of Series 2014 Certificates which are to be redeemed at their last addresses appearing upon the Certificate Register. The notice shall identify the Series 2014 Certificates to be redeemed and shall state: (1) the redemption date, (2) the redemption price, (3) that the Series 2014 Certificates called for redemption must be surrendered to collect the redemption price, (4) the address at which the Series 2014 Certificates must be surrendered, and (5) that interest on the Series 2014 Certificates called for redemption ceases to accrue on the redemption date.

With respect to any optional redemption of a Series of Series 2014 Certificates, unless moneys sufficient to pay the principal of, the premium, if any, and interest on, the Series 2014 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 Comptroller, shall be invested in Defeasance Obligations 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 Series of Series 2014 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 Series 2014 Certificates will not be redeemed.

Failure to give any required notice of redemption or any defect in any notice given as to any particular Series 2014 Certificates shall not affect the sufficiency or validity of the call for redemption of any Series 2014 Certificates in respect of which no such failure or defect has occurred. Any notice mailed as provided in the Series 2014 Certificates shall be conclusively presumed to have been given, whether or not actually received by the addressee Owner.

Partial Redemption

Any partial redemption of a maturity of a Series of Series 2014 Certificates shall be made only in authorized denominations. The portion of Series 2014 Certificates to be redeemed shall be selected by lot by the Trustee from among all Outstanding Series 2014 Certificates of such Series and maturity (or, so long as the Book-Entry System is in effect, beneficial ownership interests in the Series 2014 Certificates of such Series shall be selected for redemption in accordance with the rules and procedures established by the Securities Depository) of the Series and maturity to be redeemed. Each Series 2014 Certificate of the Series to be redeemed shall be considered a separate Series 2014 Certificate in the minimum authorized denomination for purposes of selecting Series 2014 Certificates of such Series and maturity to be redeemed.

Transfer and Exchange

See "BOOK-ENTRY ONLY SYSTEM" for a discussion of transfer and exchange of the beneficial ownership interests in Series 2014 Certificates while they are in the book-entry system described therein. If the book-entry system is discontinued, the Series 2014 Certificates may be transferred or exchanged only upon surrender thereof to the Trustee with a written instrument of transfer satisfactory to the Trustee duly executed by the Owner or his duly authorized attorney. As a condition to such transfer or exchange, the Owner shall pay to the Trustee any tax or other governmental charge in connection therewith.

Payment of the Certificates

Each Installment Purchase Contract requires that Installment Payments are to be made by the Board, which payments have been assigned to the Trustee. Such Installment Payments are designed to be sufficient to meet the principal and interest payments due with respect to the related Series 2014 Certificates during the term of the Installment Purchase Contracts.

BOOK-ENTRY ONLY SYSTEM

*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 Trustee and the Underwriters take no responsibility for the accuracy or completeness of such information.*

General

DTC will act as securities depository for the Series 2014 Certificates. The Series 2014 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 Series 2014 Certificate will be issued for each maturity of the related series of Series 2014 Certificates, in the aggregate principal amount of each such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, 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 subsidiary. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2014 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014 Certificates on DTC's records. The ownership interest of each actual purchaser of each Series 2014 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 Series 2014 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 Series 2014 Certificates, except in the event that use of the book-entry system for the Series 2014 Certificates is discontinued.

To facilitate subsequent transfers, all Series 2014 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 Series 2014 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 Series 2014 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2014 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 Series 2014 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2014 Certificates, such as redemptions, tenders, defaults and proposed amendments to the documents. For example, Beneficial Owners of Series 2014 Certificates may wish to ascertain that the nominee holding the Series 2014 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2014 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 Series 2014 Certificates unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2014 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, and interest payments on the Series 2014 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 each payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the 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 Series 2014 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 Series 2014 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, certificated Series 2014 Certificates will be printed and delivered to DTC.

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

NEITHER THE BOARD NOR THE TRUSTEE HAS ANY RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, CEDE & CO. OR ANY PARTICIPANT; THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR PURCHASE PRICE OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2014 CERTIFICATES; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BENEFICIAL OWNERS UNDER THE INDENTURE; THE SELECTION BY DTC OR ANY PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2014 CERTIFICATES; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC.

Successor Securities Depository; Discontinuation of Book-Entry System

In the event that (i) the Board determines that DTC is incapable of discharging its responsibilities described in the applicable Series 2014 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 Series 2014 Certificates that they be able to obtain certificated Series 2014 Certificates, the Board will notify DTC and the Direct Participants of the availability through DTC of certificated Series 2014 Certificates and the Series 2014 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 Series 2014 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 Series 2014 Certificates may be registered in whatever name or names registered Owners of Series 2014 Certificates transferring or exchanging Series 2014 Certificates shall designate, in accordance with the provisions of the Indenture.

SECURITY FOR THE CERTIFICATES

General

THE BOARD'S OBLIGATION TO MAKE INSTALLMENT PAYMENTS 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 SERIES 2014 CERTIFICATES INCURRED BY THE UNIVERSITY ARE NOT SECURED BY THE FULL FAITH AND CREDIT OF THE STATE OF ILLINOIS AND ARE NOT REQUIRED TO BE REPAID AND MAY NOT BE REPAID, DIRECTLY OR INDIRECTLY, FROM TAX REVENUES.

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

The Series 2014A Certificates

The Series 2014A Certificates, together with each Parity Certificate, evidence and represent an undivided proportionate interest in the Installment Payments required under the Series 2014A Installment Purchase Contracts to be paid by the Board to the Trustee under the Series 2014A Indenture. The Board has covenanted to include in each annual operating budget for the University an amount of Legally Available Non-Appropriated Funds which, when combined with State appropriated funds, will be sufficient to make the Installment Payments and Additional Payments under the Series 2014A Installment Purchase Contracts when due in each fiscal year. The Series 2014A Certificates are being issued as a Series of Parity Certificates pursuant to the Series 2014A Indenture. Subject to certain conditions and limitations described herein, additional Parity Certificates of equal rank with the Series 2014A Certificates may be issued from time to time.

The Series 2014B Certificates

The Series 2014B Certificates evidence and represent an undivided proportionate interest in the Series 2014B Installment Payments required under the Series 2014B Installment Purchase Contract to be paid by the Board to the Trustee under the Series 2014B Indenture. The Board has covenanted to include in each annual operating budget for the University an amount of Legally Available Non-Appropriated Funds which will be sufficient to make the Series 2014B Installment Payments and Additional Payments under the Series 2014B Installment Purchase Contract when due in each fiscal year. Subject to certain conditions and limitations described herein, additional Parity Certificates of equal rank with the Series 2014B Certificates may be issued from time to time in accordance with the terms of the Series 2014B Indenture.

The Series 2014C Certificates

The Series 2014C Certificates evidence and represent an undivided proportionate interest in the Series 2014C Installment Payments required under the Series 2014C Installment Purchase Contract to be paid by the Board to the Trustee under the Series 2014C Indenture. The Board has covenanted to include in each annual operating budget for the University an amount of Legally Available Non-Appropriated Funds which will be sufficient to make the Series 2014C Installment Payments and Additional Payments under the Series 2014C Installment Purchase Contract when due in each fiscal year. Subject to certain conditions and limitations described herein, additional Parity Certificates of equal rank with the Series 2014C Certificates may be issued from time to time in accordance with the terms of the Series 2014C Indenture.

Termination of Installment Purchase Contracts

Termination of Installment Purchase Contracts Upon Non-Availability of Funds. Each Installment 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 Board has determined that there are not sufficient Legally Available Non-Appropriated Funds to pay all of the Installment Payments coming due during the then-current fiscal year. With respect to the Series 2014A Installment Purchase Contracts, the Board must also certify that an Event of Non-Appropriation has occurred.

Termination of Installment Purchase Contracts at the Option of the Board – Series 2014A Certificates. The Board has the option to terminate each Series 2014A Installment Purchase Contract on October 1, 2024 upon written notice to the Trustee at least 60 days prior to the termination date.

Termination of Installment Purchase Contracts at the Option of the Board – Series 2014B Certificates. The Board has the option to terminate the Series 2014B Installment Purchase Contract on any Business Day upon written notice to the Trustee at least 60 days prior to the termination date.

Termination of Installment Purchase Contracts at the Option of the Board – Series 2014C Certificates. The Board has the option to terminate the Series 2014C Installment Purchase Contract on any date on or after March 15, 2024 upon written notice to the Trustee at least 60 days prior to the termination date.

Upon termination and prepayment of any of the Series 2014 Installment Purchase Contracts, the related Series 2014 Certificates will be redeemed as described under "DESCRIPTION OF THE SERIES 2014 CERTIFICATES—Redemption," above.

Prepayment Options

Each Installment Purchase Contract permits the Board to exercise its option to prepay Installment Payments, in whole or in part, in order to effect an optional redemption of the Series

2014 Certificates secured by such Installment Purchase Contract as described above under the subheading "DESCRIPTION OF THE SERIES 2014 CERTIFICATES–Redemption–*Optional Redemption*."

Each Installment Purchase Contract is subject to termination prior to its Expiration Date to the extent the applicable Series 2014 Indenture is discharged by its terms. Such discharge may require that the Board exercise its option to prepay the applicable Installment Payments due under such terminated Installment Purchase Contract in whole or in part in connection with an optional redemption of the related Series of Series 2014 Certificates as described above under the subheading "DESCRIPTION OF THE SERIES 2014 CERTIFICATES–Redemption – *Optional Redemption*."

In addition, (i) on or after a determination by the Board of the existence of insufficient Legally Available Non-Appropriated Funds to make Installment Payments under an Installment Purchase Contract as described under the subheading "DESCRIPTION OF THE SERIES 2014 CERTIFICATES–Redemption–*Mandatory Redemption of the Series 2014B Certificates and the Series 2014C Certificates for Lack of Non-Appropriated Funds and Termination of Installment Purchase Contracts*," the Board may exercise its option to prepay, or (ii) upon the termination of an Installment Purchase Contract by the Board as described under the subheading "DESCRIPTION OF THE SERIES 2014 CERTIFICATES–Redemption–*Redemption Upon Optional Termination of Installment Purchase Contracts,*" the Board is required to prepay the Installment Payments due under such Installment Purchase Contract after the termination date. In the case of the Series 2014A Installment Purchase Contracts, as described under the subheading "DESCRIPTION OF THE SERIES 2014 CERTIFICATES—Redemption—*Redemption of the Series 2014A Certificates Upon Event of Non-Appropriation, Exercise of Option to Prepay and Termination of Series 2014A Installment Purchase Contracts*," to obtain the option described in (i) above, the Board must also certify that an Event of Non-Appropriation has occurred. Such prepayment price shall be applied to the redemption of the related Series of Series 2014 Certificates and, in the case of redemption of the Series 2014A Certificates, also of certain Series 2007A Certificates, as described under the subheading "DESCRIPTION OF THE SERIES 2014 CERTIFICATES–Redemption."

In the event an Installment Purchase Contract is terminated as described under the subheading "*–Termination of Installment Purchase Contracts Upon Non-Availability of Funds*," above, and the Board does not exercise its option to prepay the outstanding Series 2014 Certificates related to the Installment Purchase Contract in connection therewith, the Board will have no further payment obligations under such Installment Purchase Contract. Upon termination of an Installment Purchase Contract as a result of an Event of Default (see "APPENDIX C–Summary of Certain Legal Documents–Installment Purchase Contracts–Events of Default") or a determination by the Board that there are not sufficient Legally Available Non-Appropriated Funds to pay all of the portion of the Installment Payments under such Installment Purchase Contracts coming due during such then current fiscal year, in connection with which the Board determines not to exercise its prepayment option, the Board is required by each Installment Purchase Contract to surrender the Improvements related to the Installment Purchase Contracts to the Trustee. Upon such termination as a result of such a determination by the Board 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 applicable Installment Payment Fund established by the applicable Indenture to the payment of the related Series 2014 Certificates (and, in the case of the Series 2014A Certificates, also to payment of the Series 2007A Certificates remaining outstanding in accordance with the applicable Installment Purchase Contract). 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, or interest or premium, if any, on, the applicable Series of Series 2014 Certificates.

For a further discussion of certain risks associated with the termination of an Installment Purchase Contract, see "SERIES 2014 CERTIFICATE OWNERS' RISKS–Termination of the Installment Purchase Contracts" and "–Limited Nature of the Improvements."

Sources of Payments

The Board is obligated to make Installment Payments under the Installment Purchase Contracts from funds derived from Legally Available Non-Appropriated Funds. The sources of revenue derived from Board activities are more fully described in APPENDIX A.

The Board is authorized by law to retain all tuition ("*Tuition*") and fees ("*Fees*") in its treasury and to credit such amounts to an account known as the University Income Fund.

Outstanding revenue bonds of the Board that have a pledge on Tuition and Fees are described in APPENDIX A hereto under the caption "Outstanding Indebtedness and Leasehold Obligations."

The Board retains the option to issue additional bonds with a pledge of Tuition and Fees in accordance with the provisions of these respective resolutions authorizing the issuance of the revenue bonds described in the preceding paragraph.

Tuition and Fees (exclusive of Tuition and Fee waivers and exemptions awarded to certain students and staff) were $0.990 billion in Fiscal Year 2013 and $1.040 billion in Fiscal Year 2014. Maximum annual debt service in any future year is $98.9 million on the Auxiliary Facilities System Revenue Bonds and $9.2 million on the Health Services Facilities System Revenue Bonds outstanding as of June 30, 2014.

Tuition and Fees have not been used for debt service or operations and maintenance expenses for (i) the Health Services Facilities System, (ii) the Auxiliary Facilities System, or (iii) the UIC South Campus Development Project, all as more particularly described in APPENDIX A.

Certificates on a Parity with the Series 2014 Certificates

Additional certificates ranking on a parity with each Series of the Series 2014 Certificates ("*Parity Certificates*", which term also includes the Series 2007A Certificates which will remain outstanding following the partial redemption thereof provided for herein) may be issued under each of the Indentures pursuant to which each Series of the Series 2014 Certificates were issued upon compliance with all of the following conditions:

(i) The Comptroller signs a written certificate to the effect that the Board is not in default as to any covenant, condition or obligation in connection with all outstanding certificates, including the related Series of Series 2014 Certificates, under the Indenture.

(ii) Such Parity Certificates must be issued for the purpose of completing the acquisition, development or implementation of the Improvements or for the purpose of refunding outstanding certificates, including the related Series of Series 2014 Certificates, or for any combination of such purposes.

(iii) Such Parity Certificates are authorized by a supplemental indenture conforming in all respects to the requirements of the applicable Indenture, including a description of any additional improvements to be financed with proceeds of such Parity Certificates.

(iv) The Improvements to be financed or refinanced shall be covered by the applicable Installment Purchase Contracts and the Board shall enter into an extension or supplement to such Installment Purchase Contracts, if necessary, as described in such Installment Purchase Contracts.

Other Legally Available Funds

Legally Available Non-Appropriated 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, Tuition and Fees (in excess of an amount equal to annual debt service and mandatory transfers in each Fiscal Year pursuant to the resolutions authorizing the revenue bonds referred to hereinabove, which amount is pledged thereto), certain investment income, and indirect cost recoveries on grants and contracts. None of the net revenues of the Health Services Facilities System, the Auxiliary Facilities System, or the UIC South Campus Development Project are Legally Available Non-Appropriated Funds.

The Certificates of Participation issued on behalf of the Board which were outstanding as of June 30, 2014 are described in APPENDIX A hereto under the caption "Outstanding Indebtedness and Leasehold Obligations." Such outstanding Certificates of Participation have a claim to Legally Available Non-Appropriated Funds equal to that of the Series 2014 Certificates. Maximum annual debt service in any future year is $50.4 million on such outstanding Certificates of Participation.

Various factors outside the control of the Board may materially affect the funding levels from the other sources referred to above. Public Act 93-0228, signed into law by the Governor of the State on July 22, 2003, amended the University of Illinois Act, 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.

Any significant change in the level of Legally Available Non-Appropriated Funds could affect the Board's ability to pay Installment Payments.

ESTIMATED SOURCES AND USES OF FUNDS

The University expects the sources and uses of funds for the Series 2014 Certificates to be applied as follows:

	Series 2014A	Series 2014B	Series 2014C	Total
Sources of Funds				
Principal Amount of Series 2014 Certificates	$25,055,000.00	$11,040,000.00	$29,160,000.00	$ 65,255,000.00
Original Issue Premium	3,514,624.65	–	4,615,357.90	8,129,982.55
Board Funds	17,826,128.47	3,009,894.04	27,765,548.51	48,601,571.02
Total Sources of Funds	$46,395,753.12	$14,049,894.04	$61,540,906.41	$121,986,553.57
Uses of Funds				
Refunding of Series 2005 Certificates	–	$13,939,133.50	–	$ 13,939,133.50
Refunding of Series 2006A Certificates	–	–	$61,235,369.48	61,235,369.48
Refunding of Series 2007A Certificates	$46,127,255.34	–	–	46,127,255.34
Costs of Issuance [(1)]	268,497.78	110,760.54	305,536.93	684,795.25
Total Uses of Funds	$46,395,753.12	$14,049,894.04	$61,540,906.41	$121,986,553.57

(1) Includes the Underwriters' discount, legal and accounting fees, printing costs and other expenses incurred in connection with the issuance of the Series 2014 Certificates.

PLAN OF FINANCE

The Prior Certificates

The Series 2014A Certificates are being issued to refund a portion of the outstanding Series 2007A Certificates and to pay the costs of issuance of the Series 2014A Certificates. The proceeds of the Series 2007A Certificates being refunded were used to (i) acquire, construct, equip and install certain facilities of the University, and (ii) pay costs incidental to the issuance of the Series 2007A Certificates.

The Series 2014B Certificates are being issued to refund all of the outstanding Series 2005 Certificates and to pay the costs of issuance of the Series 2014B Certificates. The proceeds of the Series 2005 Certificates were used to (i) finance a portion of the costs of (a) the construction of a new College of Medicine Research Building on the University's Chicago campus, (b) the demolition of buildings and structures previously on the site of the new building, and (c) modifications to adjacent buildings to facilitate the construction of, and their connection to, the new building, and (ii) pay costs incidental to the issuance of the Series 2005 Certificates.

The Series 2014C Certificates are being issued to refund all of the outstanding Series 2006A Certificates and to pay the costs of issuance of the Series 2014C Certificates. The proceeds of the Series 2006A Certificates were used to (i) acquire, construct, install and equip (a) a business instructional facility on the Urbana campus and (b) various improvements to buildings on the University's campuses in Chicago, Springfield and Urbana, Illinois as part of the University's Facilities Renewal Program, and (ii) pay costs incidental to the issuance of the Series 2006A Certificates.

Plan of Refunding

The Board has elected to utilize the proceeds of the Series 2014 Certificates, together with certain other funds, to refund or defease $40,985,000 of its $71,685,000 outstanding principal amount Series 2007A Certificates, all of its $13,590,000 outstanding principal amount Series 2005 Certificates, and all of its $57,430,000 outstanding principal amount Series 2006A Certificates (the "*Refunded Certificates*"). The Series 2007A Certificates will be redeemed on October 1, 2017 at the redemption price of par plus accrued interest to the redemption date. The Series 2005 Certificates will be redeemed on February 15, 2015 at the redemption price of par plus accrued interest to the redemption date. The Series 2006A Certificates will be redeemed on March 15, 2016 at the redemption price of par plus accrued interest to the redemption date. The refunding plan is shown in the table on the following page.

To provide for the refunding of the Refunded Certificates, the net proceeds of the Series 2014 Certificates, together with other funds of the Board, will be held as cash or used to purchase non-callable (a) direct obligations of the United States of America, (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, or (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America ("*Defeasance Obligations*"), the principal of which, together with interest to be earned thereon and any initial cash balances, will be sufficient to pay (i) the interest on the Refunded Certificates when due and (ii) the principal amount or redemption price of the Refunded Certificates on the applicable maturity or redemption dates. See "VERIFICATION." The cash and Defeasance Obligations will be held in trust in separate escrow accounts (the "*Escrow Funds*") established for each series of the Refunded Certificates. The principal or redemption price of and interest on the Refunded Certificates will be payable from the escrow accounts administered for the benefit of the Board and the holders of the outstanding Refunded Certificates. Neither the cash held in the Escrow Funds, the maturing principal of the Defeasance Obligations purchased to refund the Refunded Certificates, nor the interest earned thereon will serve as security or be available for the payment of the principal of or interest on the Series 2014 Certificates.

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PRIOR CERTIFICATES TO BE REFUNDED

Prior Certificate Issue	Maturity	Interest Rate	Principal Amount of Prior Certificates Outstanding	Principal Amount of Prior Certificates to be Refunded	Principal Amount of Prior Certificates to be Defeased	Remaining Certificates Outstanding	Redemption or Maturity Date	Redemption Price	CUSIP
Series 2005	2/15/2015	4.800%	$ 955,000	--	$ 955,000	--	2/15/2015	-	914331 HT3
	2/15/2016	4.920%	1,000,000	$1,000,000	--	--	2/15/2015	100	914331 HU0
	2/15/2017	5.020%	1,050,000	1,050,000	--	--	2/15/2015	100	914331 HV8
	2/15/2018	5.080%	1,105,000	1,105,000	--	--	2/15/2015	100	914331 HW6
	2/15/2019	5.130%	1,160,000	1,160,000	--	--	2/15/2015	100	914331 HX4
	2/15/2022	5.200%	3,850,000	3,850,000	--	--	2/15/2015	100	914331 JA2
	2/15/2025	5.250%	4,470,000	2,670,000	1,800,000	--	2/15/2015	100	914331 JD6
Series 2006A	3/15/2015	5.000%	$ 3,640,000	--	$3,640,000	--	3/15/2015	-	914331 JN4
	3/15/2016	5.000%	3,820,000	--	3,820,000	--	3/15/2016	-	914331 JP9
	3/15/2017	5.000%	4,010,000	$2,550,000	1,460,000	--	3/15/2016	100	914331 JQ7
	3/15/2018	5.000%	4,210,000	2,675,000	1,535,000	--	3/15/2016	100	914331 JR5
	3/15/2019	4.625%	4,420,000	2,810,000	1,610,000	--	3/15/2016	100	914331 JS3
	3/15/2020	4.625%	4,625,000	2,940,000	1,685,000	--	3/15/2016	100	914331 JT1
	3/15/2021	4.700%	4,840,000	3,075,000	1,765,000	--	3/15/2016	100	914331 JU8
	3/15/2022	4.750%	5,065,000	3,220,000	1,845,000	--	3/15/2016	100	914331 JV6
	3/15/2023	4.750%	5,310,000	3,375,000	1,935,000	--	3/15/2016	100	914331 JW4
	3/15/2024	4.750%	5,560,000	3,535,000	2,025,000	--	3/15/2016	100	914331 JX2
	3/15/2025	4.800%	5,825,000	3,705,000	2,120,000	--	3/15/2016	100	914331 JY0
	3/15/2026	5.000%	6,105,000	3,880,000	2,225,000	--	3/15/2016	100	914331 JZ7
Series 2007A	10/1/2015	4.500%	$ 175,000	--	$ 175,000	--	10/1/2015	-	914325 AH8
	10/1/2016	5.000%	5,185,000	--	185,000	$5,000,000	10/1/2016	-	914325 AJ4
	10/1/2017	5.000%	5,450,000	--	195,000	5,255,000	10/1/2017	-	914325 AK1
	10/1/2018	4.000%	205,000	--	205,000	--	10/1/2017	100	914325 AL9
	10/1/2019	4.125%	210,000	--	210,000	--	10/1/2017	100	914325 AM7
	10/1/2020	4.200%	220,000	--	220,000	--	10/1/2017	100	914325 AN5
	10/1/2021	4.250%	230,000	--	230,000	--	10/1/2017	100	914325 AP0
	10/1/2022	5.250%	8,700,000	$4,540,000	1,165,000	2,995,000	10/1/2017	100	914325 AQ8
	10/1/2023	5.250%	9,190,000	4,795,000	1,305,000	3,090,000	10/1/2017	100	914325 AR6
	10/1/2024	5.250%	9,710,000	5,065,000	1,470,000	3,175,000	10/1/2017	100	914325 AS4
	10/1/2025	5.000%	10,245,000	5,345,000	1,580,000	3,320,000	10/1/2017	100	914325 AT2
	10/1/2026	5.250%	10,800,000	5,635,000	2,445,000	2,720,000	10/1/2017	100	914325 AU9
	10/1/2027	4.625%	11,365,000	--	6,220,000	5,145,000	10/1/2017	100	914325 AV7

SERIES 2014 CERTIFICATE OWNERS' RISKS

The purchase of the Series 2014 Certificates involves certain investment risks that are discussed throughout this Official Statement. Accordingly, each prospective Series 2014 Certificate purchaser 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 these risks are set forth below.

Limited Obligations

Each Series of the Series 2014 Certificates, together with each Parity Certificate heretofore issued under, or issued as a series of additional Parity Certificates pursuant to, the related Indenture for such Series of Series 2014 Certificates, evidences a proportionate interest in the right to receive payments made by the Board under the related Installment Purchase Contracts securing such Series. Such obligations constitute currently budgeted operating expenditures by the Board and 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 Installment Purchase Contracts

As described above under the subheading "SECURITY FOR THE CERTIFICATES– *Termination of Installment Purchase Contracts*," each Series 2014 Installment Purchase Contract is subject to termination prior to its Expiration Date upon the occurrence of certain events.

There is no assurance that any Series 2014 Installment Purchase Contract will not be terminated prior to its Expiration Date.

In the event that a Series 2014 Installment Purchase Contract is terminated, for whatever reason, and the Installment Payments payable under such Series 2014 Installment Purchase Contract are not prepaid by the Board in whole, the Trustee may use the moneys in the Installment Payment Fund, the Acquisition Fund and its interest in the Improvement Contracts related to such Installment Purchase Contract to make payments on the Certificates related to such Installment Purchase Contract. The Trustee may also take such action as may be necessary to enforce the payment of the Board's obligations under such Series 2014 Installment Purchase Contract. Should an Event of Default occur, the Trustee may terminate such Series 2014 Installment Purchase Contract and exercise these remedies. No assurance can be made as to the amount of funds available from any source for the payment of any of the Series 2014 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 of, or interest or premium, if any, with respect to the related Series 2014 Certificates.

Delays in Exercising Remedies

A termination of an Installment Purchase Contract as a result of an Event of Default thereunder will give the Trustee the right to possession of, and right to rent, lease or to sell, the Improvements related to such Installment Purchase Contract in accordance with the provisions of such Installment Purchase Contract and the related Indenture. To the extent that particular

Improvements do not constitute a complete building or structure, transfer of title of those Improvements to the Trustee if an Event of Default occurs may not provide meaningful security to Series 2014 Certificate Owners. See “Limited Nature of Improvements” below. In addition, the enforceability of the Installment Purchase Contracts and 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 obtain possession of and sell the Improvements may result in delays in any payment of the Series 2014 Certificates.

Limited Nature of the Improvements

The Improvements to be refinanced through the issuance of each Series of the Series 2014 Certificates constitute facilities that are designed for academic and administrative purposes of the University. Due to the limited purpose of the Improvements, it is unlikely that the proceeds of any sale or rental by the Trustee of the Improvements upon an Event of Default under the related Installment Purchase Contract would be sufficient to pay in whole or in substantial part the principal of, or interest or premium, if any, on the outstanding Series 2014 Certificates payable from the proceeds of such Installment Purchase Contract.

Destruction of the Improvements

Each Installment Purchase Contract requires that the Board maintain policies of property damage insurance but only for those structures which are currently used by the Board and in which the Improvements related to such Installment Purchase Contract are located. The Board is not required by any Installment Purchase Contract to procure or maintain, or cause to be procured and maintained, property insurance against loss or damage to any Improvements that are not located in such structures. Under each Installment Purchase Contract, upon any damage to or destruction of any portion of the Improvements related to an Installment Purchase Contract which are not covered by property insurance, 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: (i) restore, repair or replace such damaged or destroyed Improvements to their original condition; (ii) amend such Installment Purchase Contract to add additional Improvements having at least the same original cost as such damaged or destroyed Improvements; or (iii) secure the payment of the portion of Installment Payments relating to such damaged or destroyed Improvements by a deposit with the Trustee of an amount which, upon investment together with investment earnings, will be sufficient to pay a portion of the unpaid Installment Payments payable under such Installment Purchase Contract, 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 multiplying the amount of the principal component of the unpaid Installment Payments due in each year by the ratio of (a) the original cost of such damaged or destroyed Improvements paid from the proceeds of the related Series 2014 Certificates payable from the proceeds of such Installment Purchase Contract to (b) all Acquisition Costs, rounded up to the nearest $5,000 of principal amount in each year.

Underfunded State Pensions

Over the past five years, the State's funding of the State Universities Retirement System of Illinois ("*SURS*"), under which the University's employees and their beneficiaries receive retirement, death or disability benefits, as well as the State's funding for the Teacher's Retirement System, the State Employees' Retirement System, the Judges' Retirement System and the General Assembly Retirement System (such other plans, along with SURS, being collectively referred to as the "*State Pensions*"), has substantially deteriorated and is currently the lowest in the nation. While the liability of SURS to make payments relating to University employees is not a liability of the Board under State law, and the required annual statutory contributions by the State to the State Pensions have been in conformity with State law, the State's contributions to the State Pensions have been less than the contributions that would otherwise be required in accordance with the actuarial standards developed by the Governmental Accounting Standards Board ("*GASB Standards*"). According to the Commission on Government Forecasting and Accountability ("*CGFA*") of the Illinois General Assembly, the unfunded liability of SURS (i.e., the amount by which SURS's accrued liability exceeds the market value of its assets without asset smoothing) as of June 30, 2014, equaled approximately $20 billion, and the funded ratio (i.e., the ratio of the market value of assets to the accrued liability, expressed as a percentage) equaled 46.5%. Also according to the CGFA, the overall unfunded liability of the State Pensions as of June 30, 2014 equaled approximately $104.6 billion.

In an effort to solve the retirement systems' funding crisis, the State Legislature worked out a legislative solution intended to bring the State Pensions, including SURS, to full funding by the end of the 2044 fiscal year. Public Act 98-0599, which the Governor of the State signed into law on December 6, 2013 (the "*2013 Pension Reform Act*") with an effective date of June 1, 2014, seeks to address the serious underfunding of the State Pensions, including SURS, and achieve eventual full funding of the State Pensions partially through increased payments from the State into the State Pensions and partially through a less generous benefits package for current and future retirees. The 2013 Pension Reform Act generated immediate opposition from the labor unions and professional associations whose members would be impacted and several court challenges to its constitutionality or validity were filed and subsequently consolidated into a case entitled "*In Re: Pension Litigation*" which is now pending before the Seventh Judicial Circuit Court in Sangamon County (the "*Court*"). On May 14, 2014, the Court issued a temporary injunction that delayed implementation of the 2013 Pension Reform Act until the Court ruled on the consolidated lawsuit, and on November 21, 2014, the Court held that the 2013 Pension Reform Act was unconstitutional and issued a permanent injunction against its implementation. The Attorney General has announced that she will appeal the Court's ruling to the Illinois Supreme Court. As a result, the 2013 Pension Reform Act did not become effective on June 1, 2014, as originally scheduled, and the State's current pension law continues to govern the operations of the State Pensions, including SURS.

No assurance can be given that the 2013 Pension Reform Act will be upheld on appeal. Further, no assurance can be given that the implementation of the 2013 Pension Reform Act (if upheld by the Illinois Supreme Court) will solve the severe underfunding of the State Pensions, including SURS. Nor can assurance be given that further legislation would not require the University to assume part or all of the liability for funding its employees' pensions in the future.

Further, recent GASB Standards may require that a portion of the University's share of the SURS unfunded liability be reported in the University's financial statements beginning with Fiscal Year 2015. See APPENDIX A — "The University of Illinois—Retirement Benefits" and "—2013 Legislation Modifying Pension Structure," for additional information on SURS.

State Income Tax Legislation

Although each Series of the Series 2014 Certificates is secured by separate Installment Payments derived from Legally Available Non-Appropriated Funds, which the University has covenanted to include in each annual operating budget, the University receives a substantial portion of its general revenues from State appropriations made by the General Assembly of the State. In Fiscal Year 2015, the State appropriation to the University was approximately \$662 million. In January 2011, in an effort to increase State revenues, the Illinois General Assembly increased the State's income tax rates, raising the individual tax rate from 3% to 5% and the corporate tax rate from 4.8% to 7%. This legislation, however, also provided for a partial, gradual decrease of the rate increases, with the first such decrease to take effect on January 1, 2015, when the individual tax rate is scheduled to be decreased from 5% to 3.75% and the corporate tax rate is scheduled to decrease from 7% to 5.25%. These reductions would result in an estimated decrease in State revenue of approximately \$1.9 billion for the balance of Fiscal Year 2015, which ends June 30, 2015. Some State legislators have called for extending the current 5% and 7% rates permanently, and budget proposals passed by the General Assembly in 2014 include revenue estimates which assumed that the current rates would be extended. However, maintaining the higher rates will require that legislation be passed by both houses of the General Assembly and signed by the Governor (or if vetoed by the Governor, that the veto be overridden by a three-fifths majority of both houses). Such legislation, which could be retroactive in effect, could be passed by the General Assembly in the "lame duck session" while the current Governor remains in office prior to the inauguration of a new Governor on January 12, 2015, or in the new General Assembly session beginning in January 2015. If the Illinois General Assembly does not pass new legislation, the current tax law will remain in effect and rates will decrease as planned effective January 1, 2015.

At this time, it is unknown whether or when any legislative action will occur. Should the current tax rates not be extended, the University, as a recipient of discretionary appropriations, would expect that its appropriation could be reduced. The impact of such a reduction, if any, would require the University to look for additional sources of revenue and/or reduce expenditures. No prediction can be made as to what magnitude of reduction in State appropriations would occur or what impact such a reduction would have on the University's operations.

THE TRUSTEE

The Bank of New York Mellon Trust Company, N.A., the Trustee, is a national banking association organized under the laws of the United States.

The Trustee will enter into the Installment Purchase Contracts, the Acquisition Agreements and the Indentures to facilitate the refinancing of the Improvements. The Trustee is not financially liable for the Installment Payments and the Series 2014 Certificate Owners will have no right to look to the Trustee for payment of the Series 2014 Certificates. The obligations of the Trustee with respect to the each Series of the Series 2014 Certificates and the Improvements are limited to those specifically provided for in the related Installment Purchase Contract and Indenture.

TAX MATTERS

Summary of Bond Counsel Opinions – Series 2014A and 2014C Certificates

Bond Counsel is of the opinion that under existing law, the interest portion of the Installment Payments under the Installment Purchase Contracts relating to the Series 2014A Certificates and the Series 2014C Certificates (the "*Tax-Exempt Certificates*"), for so long as such Installment Purchase Contracts are in effect (the "*Tax-Exempt Certificate Interest*"), is not includable in the gross income of the Owners of the Tax-Exempt Certificates for Federal income tax purposes and, if there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "*Code*"), will continue to be excluded from the gross income of the Owners of the Tax-Exempt Certificates for Federal income tax purposes. Bond Counsel is further of the opinion that Tax-Exempt Certificate Interest is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income but is taken into account when computing corporate alternative minimum taxable income for purpose of the corporate alternative minimum tax.

The Code contains certain requirements that must be satisfied from and after the date of issuance of the Tax-Exempt Certificates in order to preserve the exclusion from gross income for Federal income tax purposes of Tax-Exempt Certificate Interest. These requirements relate to the use and investment of the proceeds of the Tax-Exempt Certificates, the payment of certain amounts to the United States, the security and source of payment of the Tax-Exempt Certificates and the ownership and use of the property financed or refinanced with the proceeds of the Tax-Exempt Certificates. The Board has covenanted in the Resolution to comply with these requirements.

Bond Counsel expresses no opinion on the excludability from gross income for Federal income tax purposes of any payment on the Series 2014 Certificates to the extent that such payment accrues from and after the effective date of a termination of the Board's obligation to make Installment Payments under the Installment Purchase Contracts.

Interest with respect to all Series 2014 Certificates is subject to present Illinois income taxes.

Tax-Exempt Certificates Purchased at a Premium

The difference (if any) between the initial price at which a substantial amount of each maturity of the Tax-Exempt Certificates is sold to the public (the "*Offering Price*") and the principal amount payable at maturity of such Tax-Exempt Certificates is given special treatment for Federal income tax purposes. If the Offering Price is higher than the maturity value of a maturity of Tax-Exempt Certificates, the difference between the two is known as "bond premium."

Bond premium is amortized over the term of Tax-Exempt Certificates (or shorter period, as provided in the Income Tax Regulations) on the basis of the Owner's yield from the date of purchase to the date of maturity, compounded at the end of each accrual period of one year or less with straight line interpolation between compounding dates, as provided more specifically in the Income Tax Regulations. The amount of bond premium accruing during each period is treated as an offset against interest paid on Tax-Exempt Certificates and is subtracted from the Owner's tax basis in such Tax-Exempt Certificates. Tax-Exempt Certificates' adjusted tax basis is used to determine whether, and to what extent, the Owner realizes taxable gain or loss upon the disposition of such Tax-Exempt Certificates (whether by reason of sale, acceleration, redemption prior to maturity or payment at maturity of such Tax-Exempt Certificates).

Owners who purchase Tax-Exempt Certificates at a price other than the Offering Price, after the termination of the initial public offering or at a market discount should consult their tax advisors with respect to the tax consequences of their ownership of such Tax-Exempt Certificates. In addition, Owners of Tax-Exempt Certificates should consult their tax advisors with respect to the state and local tax consequences of owning such Tax-Exempt Certificates; under the applicable provisions of state or local income tax law, bond premium may give rise to taxable income at different times and in different amounts than they do for Federal income tax purposes.

Exclusion from Gross Income: Requirements

The Code sets forth certain requirements that must be satisfied on a continuing basis in order to preserve the exclusion from gross income for Federal income tax purposes of Tax-Exempt Certificate Interest. Among those requirements are the following:

> *Limitations on Private Use*. The Code includes limitations on the amount of the proceeds of the Tax-Exempt Certificates that may be used in the trade or business of, or used to make or finance loans to, persons other than governmental units.
>
> *Investment Restrictions*. Except during certain "temporary periods," the proceeds of the Tax-Exempt Certificates and investment earnings thereon (other than amounts held in a reasonably required reserve or replacement fund, if any, or as part of a "minor portion") may generally not be invested in investments having a yield that is "materially higher" than the yield on the Tax-Exempt Certificates.
>
> *Rebate of Permissible Arbitrage Earnings*. Unless the Tax-Exempt Certificates qualify for one of several exemptions, earnings from the investment of the "gross proceeds" of the Tax-Exempt Certificates in excess of the earnings that would have been realized if such investment had been made at a yield equal to the yield on the Tax-Exempt Certificates are required to be paid to the United States at periodic intervals. For this purpose, the term "gross proceeds" includes the proceeds of the Tax-Exempt Certificates, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Tax-Exempt Certificates.

Covenants to Comply

The Board has covenanted in the Resolution to comply with the requirements of the Code relating to the exclusion from gross income for Federal income tax purposes of Tax-Exempt Certificate Interest.

Risk of Non-Compliance

In the event that the Board fails to comply with the requirements of the Code, Tax-Exempt Certificate Interest may become includable in the gross income of the Tax-Exempt Certificate Owners for Federal income tax purposes; in certain events, taxation may be retroactive to the date of issue of the Tax-Exempt Certificates. In such event, there is no required acceleration of payment of principal of, or interest on, the Installment Payments or payment of any additional interest or penalties to the Owners of the Tax-Exempt Certificates.

Federal Income Tax Consequences

Pursuant to Section 103 of the Code, Tax-Exempt Certificate Interest is not includable in the gross income of the Owners of the Tax-Exempt Certificates for Federal income tax purposes. The Code, however, contains a number of provisions relating to the treatment of Tax-Exempt Certificate Interest which may affect the taxation of certain types of Owners of Tax-Exempt Certificates depending on their particular tax situations. Some of the potentially applicable Federal income tax provisions are described in general terms below. *Prospective purchasers of the Tax-Exempt Certificates should consult their tax advisors concerning the particular Federal income tax consequences of their ownership of the Tax-Exempt Certificates.*

Cost of Carry. Owners of the Tax-Exempt Certificates will generally be denied a deduction for otherwise deductible interest on any debt that is treated for Federal income tax purposes as having been incurred or continued to purchase or carry the Tax-Exempt Certificates.

Individual Owners. Receipt of Tax-Exempt Certificate Interest may increase the amount of Social Security and Railroad Retirement benefits included in the gross income of the recipients thereof for Federal income tax purposes.

Certain Blue Cross or Blue Shield Organizations. Receipt of Tax-Exempt Certificate Interest may reduce a special deduction otherwise available to certain Blue Cross or Blue Shield organizations.

Property or Casualty Insurance Companies. Receipt of Tax-Exempt Certificate Interest may reduce otherwise deductible underwriting losses of a property or casualty insurance company.

Corporate Owners. Tax-Exempt Certificate Interest is generally taken into account in computing the earnings and profits of a corporation and consequently may be subject to Federal income taxes based thereon. Thus, for example, Tax-Exempt Certificate Interest is taken into account in computing the corporate alternative minimum tax, the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax.

Financial Institutions. Financial Institutions may be denied a deduction for their otherwise allowable interest expense in an amount determined by reference, in part, to their adjusted basis in the Tax-Exempt Certificates.

Foreign Personal Holding Company Income. A United States shareholder of a foreign personal holding company may realize taxable income to the extent that Tax-Exempt Certificate Interest earned by such a company is properly allocable to the shareholder.

Series 2014B Certificates

The interest portion of the Installment Payments under the Installment Purchase Contract relating to the Series 2014B Certificates is includable in the gross income of the Owners thereof for federal income tax purposes and is not exempt from present Illinois income taxes. In addition, the Code contains a number of other provisions relating to the taxation of the Series 2014B Certificates (including but not limited to the treatment of and accounting for interest, premium, and market discount thereon, gain from the disposition thereof and withholding tax on income therefrom) that may affect the taxation of certain Owners of the Series 2014B Certificates, depending on their particular tax situations. PROSPECTIVE PURCHASERS OF THE SERIES 2014B CERTIFICATES SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF SUCH CERTIFICATES.

LITIGATION

To the best of the knowledge of appropriate Board officials, there are no lawsuits pending or threatened against the Board that question its right to enter into the financing documents or the validity or enforceability thereof or to consummate the transactions described therein or herein; nor are there lawsuits pending or threatened against the Board 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 effect upon the financial condition of the University.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incidental to the authorization, validity and enforceability of the Installment Purchase Contracts and the Indenture and the authorization and issuance of the Series 2014 Certificates are subject to the approving legal opinion of Katten Muchin Rosenman LLP, Chicago, Illinois, as Bond Counsel ("*Bond Counsel*"). The proposed form of such opinion is attached hereto as APPENDIX D. Certain legal matters will be passed upon for the Underwriters by their counsel, Burke, Warren, MacKay & Serritella, P.C., Chicago, Illinois. Certain legal matters will be passed upon for the Board by its University Counsel, Thomas R. Bearrows, Esq., Chicago, Illinois and by its special counsel, Freeborn & Peters LLP, Chicago, Illinois.

The legal opinions to be delivered concurrently with the delivery of the Series 2014 Certificates express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed in the opinions. By rendering a legal opinion, the opinion giver does not undertake to be an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Rendering an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

UNDERWRITING

The Series 2014A Certificates are being purchased by the Underwriters at an aggregate purchase price of $28,440,112.22 (which is equal to the original principal amount of the Series 2014A Certificates, plus a premium of $3,514,624.65, and less an Underwriters' discount of $129,512.43). The Series 2014B Certificates are being purchased by the Underwriters at an aggregate purchase price of $10,983,428.18 (which is equal to the original principal amount of the Series 2014B Certificates, less an Underwriters' discount of $56,571.82). The Series 2014C Certificates are being purchased by the Underwriters at an aggregate purchase price of $33,604,275.75 (which is equal to the original principal amount of the Series 2014C Certificates, plus a premium of $4,615,357.90, and less an Underwriters' discount of $171,082.15). The obligation of the Underwriters to purchase the Series 2014 Certificates is subject to certain conditions to closing set forth in the Certificate Purchase Agreement. The Underwriters will be obligated to purchase all of the Series 2014 Certificates if any are purchased. The Underwriters have agreed to make a *bona fide* public offering of all of the Series 2014 Certificates at not in excess of the initial public offering prices set forth or reflected on the inside cover page of this Official Statement. The Series 2014 Certificates may be offered and sold to certain dealers at prices lower than such public offering prices, and, after completion of the initial *bona fide* public offering, such public offering prices may be changed, from time to time, by the Underwriters.

VERIFICATION

The accuracy of (i) the arithmetical computations of the adequacy of the maturing principal of and interest on the escrow funds to pay, when due, the principal or redemption price of and interest on the Prior Certificates to be refunded as described above in "PLAN OF FINANCE—Plan of Refunding" and (ii) the mathematical computations supporting the conclusion that the Series 2014A Certificates and the Series 2014C Certificates are not "arbitrage bonds" under Section 148 of the Code, as amended, and the regulations promulgated thereunder, will be verified by Grant Thornton LLP, independent certified public accountants, based upon information supplied by the University and the Underwriters in connection with such matters.

FINANCIAL ADVISOR

The Board has retained Acacia Financial Group, Inc. (the "*Financial Advisor*") in connection with the preparation of the Board's issuance of the Series 2014 Certificates. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Acacia Financial Group, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. Acacia is registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board as a municipal advisor.

INDEPENDENT AUDITORS

The financial statements of the University as of and for the year ended June 30, 2013 are included in APPENDIX B and have been audited by KPMG LLP, independent auditors, as stated in their report included in APPENDIX B. All financial information in this Official Statement for the year as of and for the year ended June 30, 2014 is unaudited and has been provided by University management.

DESCRIPTION OF RATINGS

Moody's Investors Service and Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, have assigned the respective ratings set forth on the cover page of this Official Statement. No rating was requested from any other rating service.

Such ratings express only the views of the respective 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 Series 2014 Certificates, and the ratings and the Series 2014 Certificates should be evaluated independently. There is no assurance that any 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. The Board undertakes no responsibility either to bring to the attention of the Owners of the Series 2014 Certificates any proposed change in or withdrawal of such rating or to oppose any such revision or withdrawal.

The Board and the University furnished to the above rating agencies certain information and materials, some of which have not been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and investigations, studies and assumptions furnished to and obtained and made by the rating agencies. There is no assurance that any rating will remain for any given period of time or that any rating will not be revised downward or withdrawn entirely. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price or marketability of the Series 2014 Certificates.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with certain provisions of Rule 15c2-12 (the "*Rule*") of the Securities and Exchange Commission, 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 Continuing Disclosure Agreement may be enforced by any beneficial or registered Owner of Series 2014 Certificates, but the Board's failure to comply will not be a default under the Indenture.

For the fiscal years ending June 30, 2009 and 2010 the Board made timely continuing disclosure filings which did not include current audited or unaudited financial statements. In each case, the Board filed the audited financial statements once they had been released by the Illinois Auditor General. The Board subsequently revised its practice regarding this issue and has since included unaudited financial statements in its disclosure filings if audited financial statements were not available prior to the filing deadline.

Annual disclosure and notices of certain events will be submitted to the Municipal Securities Rulemaking through its Electronic Municipal Market Access system currently available at http://emma.msrb.org/.

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, Acacia Financial Group, Inc., 221 North LaSalle Street, Suite 1500, Chicago, Illinois 60601, or at the University's Office of the Vice President for Administration, 349 Henry Administration Building, 506 South Wright Street, Urbana, Illinois 61801.

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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.

THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS

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

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APPENDIX A

THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS

APPENDIX A

Information Concerning

THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS

The information contained herein as Appendix A to the Official Statement has been obtained from The Board of Trustees of the University of Illinois and other sources deemed to be reliable.

INFORMATION IS PROVIDED HEREIN REGARDING THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS. HOWEVER, THE SERIES 2014 CERTIFICATES DO NOT CONSTITUTE A GENERAL OBLIGATION OF THE BOARD OF TRUSTEES OR OF THE UNIVERSITY. THEREFORE, INFORMATION HEREIN REGARDING THE UNIVERSITY SHOULD BE CONSIDERED GENERAL BACKGROUND INFORMATION ONLY FOR THE PURPOSE OF EVALUATING AN INVESTMENT IN THE SERIES 2014 CERTIFICATES.

THE SERIES 2014 CERTIFICATES, TOGETHER WITH PARITY CERTIFICATES HERETOFORE OR HEREAFTER ISSUED, EVIDENCE A PROPORTIONATE INTEREST IN THE RIGHT TO RECEIVE PAYMENTS MADE BY THE BOARD OF TRUSTEES UNDER THE RELATED INSTALLMENT PURCHASE CONTRACT SECURING SUCH CERTIFICATES. THE BOARD'S OBLIGATION TO MAKE INSTALLMENT PAYMENTS 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 SERIES 2014 CERTIFICATES INCURRED BY THE UNIVERSITY ARE NOT SECURED BY THE FULL FAITH AND CREDIT OF THE STATE OF ILLINOIS AND ARE NOT REQUIRED TO BE REPAID AND MAY NOT BE REPAID, DIRECTLY OR INDIRECTLY, FROM TAX REVENUE.

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THE UNIVERSITY OF ILLINOIS

Background

The Board of Trustees of the University of Illinois (the "Board") is a body corporate and politic of the State of Illinois (the "State") created in 1867 by the Illinois General Assembly in response to the Federal Land Grant Act of 1862. The Board is responsible for the oversight and governance of the University of Illinois (the "University"), one of the nation's largest universities. Complementing the University's primary missions of education, research, and public service is the University's role as an agent of economic development. The operating budget for Fiscal Year 2015 from all funding sources is approximately $5.64 billion.

Education. The University has three campuses, located in Urbana-Champaign, Chicago, and Springfield, as well as health professions regional campuses in Rockford and Peoria, with a combined total enrollment of 78,540 students (Fall 2014). In addition, the University has continuing education centers in suburban and downstate Illinois, extension offices in many of the State's 102 counties, a major teaching hospital and multiple health clinics in Chicago, and research farms. Fall 2014 enrollment on the campus of the University of Illinois at Urbana-Champaign (the "Urbana campus" or "UIUC") totaled 45,140; on the campus of the University of Illinois at Chicago (the "Chicago campus" or "UIC") totaled 27,969, 642 of whom were located at regional medical schools in Peoria, Rockford and Urbana; and on the campus of the University of Illinois at Springfield (the "Springfield campus" or "UIS") totaled 5,431. Illinois residents comprise 62.9 percent of the student body on the Urbana campus; 83.3 percent at UIC; and 70.5 percent at UIS. The University awarded more than 20,500 undergraduate, graduate, and professional degrees in 2013-2014. Graduation rates are increasing and other achievement indicators are also improving at all three campuses. The University receives almost four applications for each freshman slot.

There are 5,973 (full-time equivalent) faculty on the campuses, including members of the National Academy of Sciences, the American Academy of Arts and Sciences, and the National Academy of Engineering. The University's faculty and alumni have won 27 Nobel Prizes, including John Bardeen who won in 1956 and 1972, the only person to have won the physics prize twice. The Urbana campus had two faculty members win Nobel Prizes in the same year: Paul C. Lauterbur shared the 2003 Nobel Prize in medicine for seminal discoveries concerning the use of magnetic resonance to visualize different structures and Anthony J. Leggett shared the 2003 Nobel Prize in physics for pioneering contributions to the theory of superconductors and super fluids. The University has had 18 National Medal of Science recipients on its faculty, including entomologist May Berenbaum in 2014, Charles Slichter in 2007, who was recognized for establishing nuclear magnetic resonance as a powerful tool, and microbiologist Carl Woese in 2000, whose discovery of a third form of life was also recognized with a Crafoord Prize in 2003. The Urbana and Chicago campuses have had numerous MacArthur Fellows, individuals recognized for "extraordinary originality and dedication in their creative pursuits and a marked capacity for self-direction." In 2014, civil and environmental engineering Professor Tami Bond was named a MacArthur Fellow for her work on aerosol emissions.

The three campuses of the University offer a diversity of programs that lead to baccalaureate, graduate, and professional degrees as well as certificates. The University offers professional programs through the colleges of dentistry, law, medicine, pharmacy, and veterinary medicine. The University is one of only four universities in the nation with a school of public health and five health sciences colleges: applied health sciences, dentistry, medicine, nursing, and pharmacy.

Research. The University is recognized as a research intensive institution by the Carnegie Foundation. Total Federal support for Fiscal Year 2014 exceeds $750 million on the three campuses. The Urbana campus attracts more than $448 million in Federal support, with 30.9 percent from the National Science Foundation. The Chicago campus has more than $294 million in federal grant and contract expenditures. Because of its strong medical and healthcare research programs, over 64 percent of support to the Chicago campus comes from the Department of Health and Human Services.

The knowledge being generated and transmitted through University research has far-reaching implications for health, engineering, agriculture, and business, as well as for basic and applied research. Recent developments include the following:

- Urbana researchers have developed materials that not only heal, but regenerate, filling in large cracks and holes by regrowing material, a capability useful for commercial applications and specialized use.
- The UIC College of Nursing is partnering with UIS and Memorial Health Systems in Springfield to offer students an opportunity to earn a UIC Bachelor of Science in Nursing degree on the Springfield campus.
- An annual survey conducted by UIS shows that employers in Sangamon County have growing positive expectations for their own business, their sector, and the overall county economy.
- Nik Theodore, UIC professor of urban planning and policy, was named to a list of the world's most "highly cited researchers" compiled by Thomson Reuters, the multinational media and information firm, one of only two urban planners and 177 social scientists included on the list.
- Julie A. Dowling, a University of Illinois professor of Latina and Latino studies, was named by the U.S. Census Bureau to its National Advisory Committee on Racial, Ethnic and Other Populations.
- Beth Richie, director of UIC's Institute for Research on Race and Public Policy, has been named a senior adviser to the National Football League's policy group addressing domestic violence and sexual assault.

The University has expanded its investment in research and development capabilities and emphasizes the transfer of ideas to the marketplace. The University has research parks located on the Urbana and Chicago campuses. Among the companies and centers housed in the Urbana research park are the Abbott Labs, ADM Sustainable Bioenergy Modeling Center, Caterpillar, Inc.'s Simulation Center, John Deere, Jump Trading, Littelfuse, State Farm and Yahoo!. Located in the Illinois Medical District and constituting a collaborative effort among the University, Rush University Medical Center and Cook County Health Services, the Chicago Technology Park (CTP) on the UIC campus has a life-science focus. Notable graduate companies include Amgen, MediChem Life Sciences, United Therapeutics, and Litholink.

New and refurbished facilities continue to enhance the resources of the University's three campuses. Recent enhancements:

- The new six-story, 230,000-square-foot Electrical and Computer Engineering (ECE) building on the Urbana campus opened in the fall of 2014 and is home to the nationally ranked ECE department. Approximately 40 percent of the new building is high-tech, with state-of-the-art instructional labs and classrooms.

- The Curtis Granderson Stadium opened on the UIC campus with a capacity for 1,784 spectators. The stadium is home to the UIC Flames and will also host more than 35 Little League organizations every year.

- Yahoo! Inc., the largest full-time employer in the University of Illinois Research Park, broke ground on a new state-of-the-art 40,000 square foot facility in early 2014.

- The $165 million renovation of the State Farm Center on the Urbana Campus – which includes adding air conditioning, additional student seats, premium seating, new lobbies and new locker rooms – is well underway. Designed by Max Abramovitz, the center hosts Fighting Illini basketball as well as a host of other university and community events.

- Opened in early 2014, the new five-story Mile Square Health Center with an anticipated 76,000 patient visits this year, is the first federally qualified health center in the Chicago area to offer urgent care and specialty care, including mammography services.

- Currently under construction on the Urbana campus is the Chez Family Foundation Center for Wounded Veterans in Higher Education, which will support veterans of Iraq and Afghanistan who have severe and multiple injuries and are enrolled on campus.

Economic Development. As both an employer and a consumer, the University has an annual economic impact of more than $13 billion on the State, including the creation of more than 150,000 jobs.

The University makes an additional impact through its role as a creative force that generates new ideas. This role encompasses the four central missions of the University – teaching, research, service, and economic development – and engages it with the economic life of the State and nation. The University works with Illinois leaders in government and business on three primary research efforts within the University that will have a significant impact on the Illinois economy. They are:

- National Center for Supercomputing Applications and the engineering and computer science fields that support information technology

- Biotechnology in the agricultural and life sciences

- Biotechnology in the health sciences

Existing strengths and major new capital investments in these areas by the State and private donors have positioned the University to leverage these strengths in the future.

Another new initiative, Innovate@UIC, supports innovation and technology commercialization on the UIC campus. By integrating the Office of Technology Management, IllinoisVENTURES, and EnterpriseWorks Chicago, the University expects to better serve the needs of UIC innovators by leveraging resources and increasing the impact of innovation.

Public Service. The University has a longstanding commitment to the communities it serves. Through its outreach units and programs, University faculty and staff provide expertise and resources in business and management, education, natural resources, health, engineering, and the arts. The University organizes and runs hundreds of public services activities around the State, which are cataloged in the University's public service database (www.uops.uillinois.edu/ui-service/).

Each campus has an Office of Continuing Education. Across the University, credit and non-credit courses, degree programs, online courses, conferences, professional development, summer session classes, and programs are offered (www.online.uillinois.edu/). In 2013, the Urbana-Champaign campus began offering courses in conjunction with Coursera, a "social entrepreneurship company" that works with universities around the globe to offer free, not-for-credit courses online. The University of Illinois Extension, a coordinating program offered through the Urbana campus which is celebrating its 100 year anniversary, provides practical, research-based information and programs to help individuals, families, farms, businesses, and communities throughout Illinois.

Urbana-Champaign Campus (UIUC)

The UIUC campus is the oldest and largest campus of the University, enrolling almost 45,000 students each year in a wide variety of undergraduate, graduate, and professional programs offered by the colleges of agricultural, consumer, and environmental sciences; applied health sciences; business; education; engineering; fine and applied arts; law; liberal arts and sciences; media; and veterinary medicine. UIUC also has schools of library and information sciences, social work, and labor and employment relations and an institute of aviation. The campus is internationally known for its leading-edge research programs, outstanding faculty, top-tier alumni, and its many contributions to the State, the United States, and the world.

The UIUC campus conferred more than 12,000 degrees in Fiscal Year 2014. Doctor's degrees (professional practice) are offered in three fields, doctor's degrees (research/scholarship) in 91 fields, post-master's certificates in 8 fields, master's degrees in 135 fields, bachelor's degrees in 134 fields, and one two-year certificate is offered in aviation.

The UIUC campus is the home of more than 150 research laboratories, institutes, and experiment stations, including the Institute for Genomic Biology, Beckman Institute for Advanced Science and Technology, the Center for Nanoscale Science and Technology, the National Soybean Research Laboratory, and the National Center for Supercomputing Applications. UIUC has the largest public university academic library in the country with more than 26 departmental libraries located across the campus. The library acquired its 13-millionth volume – the first illustrated Japanese printed book – in 2012. The extensive literary manuscripts and archives of Gwendolyn E. Brooks (1917-2000), Illinois Poet Laureate and the first African American writer to win the Pulitzer Prize were acquired in 2013 and are in the Rare Book & Manuscript Library.

In 2014, UIUC was recognized by Insight Into Diversity magazine as a recipient of its 2014 Higher Education Excellence in Diversity (HEED) Award for the second year in a row. The HEED Award is the only national recognition honoring colleges and universities that exhibit outstanding efforts and success in the area of diversity and inclusion throughout their campuses.

The Division of Disability Resources and Educational Services (DRES), the service unit of the UIUC College of Applied Health Sciences, was designated an official U.S. Paralympic Training Site in 2014.

In its 2014 rankings, U.S. News & World Report's America's Best Colleges rated Illinois as the number 11 public university and the number 41 national university.

According to the 2014-2015 U.S. News & World Report's graduate and undergraduate rankings: the Graduate School of Library and Information Science's program is 1st in the nation; the College of Engineering is ranked 5th in undergraduate and 6th in graduate programs nationally; the College of Business is ranked 16th in undergraduate programs nationally; the College of Education is ranked 26th in graduate programs nationally; the Department of Civil Engineering is 1st in graduate programs nationally; and the campus is first in undergraduate engineering science and engineering physics as well as in the study of condensed matter physics.

The UIUC campus hosts a total of six federally funded U.S. Department of Education Title VI Centers in international and area studies, each focusing on a different world region or issue. Six area studies centers have been selected to receive Title VI funding, support considered critical to the existence of many international programs in higher education. The commitment is for more than $3 million for 2014-15 and an expected total of more than $12.5 million through 2018. A seventh center received a grant from the U.S. Department of Education's Undergraduate International Studies and Foreign Language (UISFL) program, a grant with similar aims, that will enable the Center for South Asian and Middle Eastern Studies (CSAMES) to provide more South Asian language instruction, including in Sanskrit, Bengali, and Urdu. Over 600 faculty members from all colleges on campus are affiliated with one or more of these centers. The campus maintains over 200 active institutional linkages with international partners representing more than 40 different countries around the world.

Faculty members at the UIUC campus have been named to the National Academy of Sciences, the National Academy of Engineering, and the American Academy of Arts and Sciences and are fellows of the American Association for the Advancement of Science. Two faculty members have been awarded Pulitzer Prizes and 17 alumni (and one graduate of the university high school) have received this honor.

The UIUC campus was chartered in 1867 as one of the 37 original land grant universities. Today, the UIUC campus consists of 705 total buildings (316 main campus buildings), spread across 5,086 acres. The campus has more than 11,300 FTE faculty, academic and civil service staff. Near the campus are the University's 1,700-acre Willard Airport, the 1,800-acre Allerton Park and Conference Center, an antenna research site, a radio telescope, an optical telescope, a radio direction finding and meteor radar site and about 100 acres of timber reserves. University of Illinois Extension offers educational programs to residents of all of Illinois' 102 counties coordinated by 27 unit offices – and far beyond through its many online education sites. Students can use the 70,000 computer connections across the campus and access the network in the more than 360 on- and off-campus buildings that offer wireless connectivity. All classroom seats have wireless access. Cultural offerings include the Krannert Art Museum with more than 9,000 works of art, the Krannert Center for the Performing Arts that hosts more than 350 performances annually, the Spurlock Museum with 46,000 artifacts, and the Sousa Archives and Center for American Music with 75 percent of Sousa's original music manuscripts.

Chicago Campus (UIC)

The UIC campus of the University traces its origins to medical colleges that opened during the 1800s. The Chicago-based colleges of pharmacy, dentistry, and physicians and surgeons officially affiliated with the University in 1896-97 and were incorporated into the University in 1913. A temporary, two-year branch campus of the University was established after World War II on Navy Pier and students completed their studies in Urbana. Demand in Chicago remained high and, in 1965, the Chicago Circle campus opened west of the Loop area, replacing the Navy Pier site.

UIC was formed in 1982 by the consolidation of the Medical Center and the Chicago Circle campuses of the University. The campus received Carnegie Research 1 status in 1987.

The UIC campus occupies approximately 250 acres in a mid-city location southwest of Chicago's downtown business district. Including the Rockford and Peoria campuses of UIC brings the total acreage to more than 300 acres. Today, the UIC campus has more than 15 million gross square feet in more than 130 buildings (including the regional campuses). Almost 100,000 square feet are devoted to research. Students have benefited from the construction and refurbishment of two student recreation and sports centers with a total of more than 240,000 gross square feet at a cost of more than $45 million. Throughout the campus, 20 casual gathering spots furnished with couches and comfortable chairs have been established through Project Oasis. The IDEA Commons in the UIC Daley Library, which boasts a café, performance space, high-tech classrooms, and a student media lab, is popular with students and in 2012 received two Design Excellence citations of merit from the American Institute of Architects' Chicago chapter. The Rockford regional campus opened a new 58,000-square-foot addition in 2010 that provides space for new health science initiatives. The Peoria regional campus offers medical students training at the Jump Trading Simulation & Education Center, a virtual care delivery setting that replicates all areas of patient and family care.

UIC employs more than 11,500 faculty, professional and support staff (FTE). The UIC campus has an enrollment of 27,969 (fall 2014), 642 of whom are located at regional medical schools in Peoria, Rockford and Urbana. Degrees are conferred upon more than 7,000 students annually at the Chicago campus. Degree programs are offered in 14 colleges and schools: applied health sciences; architecture and the arts; business administration; dentistry; education; engineering; the graduate college; liberal arts and sciences; medicine; nursing; pharmacy; social work; urban planning and public affairs; and public health. Doctor's degrees (professional practice) are offered in 5 fields, doctor's degrees (research/scholarship) in 59 fields, post-master's certificates in 12 fields, master's degrees in 90 fields, post-baccalaureate certificates in 3 fields, and bachelor's degrees in 88 fields.

UIC is the largest public university in the Chicago area and is a leader in health-related research. The University of Illinois Hospital & Health Sciences System (UI Health) is comprised of a 495-bed hospital, an outpatient facility, specialty clinics, and eight UIC health science colleges including the College of Medicine. As a leader in patient care, research, and education, UI Health is committed to making positive and lasting differences in health science and in people's lives. The University of Illinois Hospital had over 115,000 inpatient days and over 446,600 clinic visits in Fiscal Year 2013 and another 65,300 clinic visits at the Mile Square Facility. The average daily census of patients decreased slightly to 315 in Fiscal Year 2014. The University of Illinois College of Medicine is the largest medical school in the United States, with a longstanding reputation for diversity. The Hispanic Center of Excellence, which strengthens the pipeline of medical school applicants and enriches the education of Latino medical students, celebrated its 20th anniversary in 2011. Other health science colleges include dentistry, applied health sciences, nursing and pharmacy, the school of public health, and the Jane Addams School of Social Work.

The UIC campus received more than $338 million in Federal support in 2013, primarily from the National Institutes of Health, because of its strong medical and healthcare programs. UIC was ranked 11th on the 2011 list of the world's best young universities published by Times Higher Education of the U.K. In 2013, UIC moved from 77th to 63rd in the U.S. News & World Report's "Best Colleges" ranking of public universities.

UIC's engagement with the Chicago metropolitan area is embodied in the Great Cities Commitment, an umbrella name for the hundreds of teaching, research, and service programs that connect the campus with the community. Industry partnerships, internships, business and entrepreneurial development, infrastructure improvement, and neighborhood revitalization are examples of how the campus' partnership with Chicago benefits urban neighbors as well as faculty and students.

Faculty members serve as heads of national associations and societies, are the recipients of national research, teaching, and achievement awards, and are members of international and national honor societies. Two faculty – Nik Theodore in urban planning and policy and John M. Davis in psychiatry – are listed among the most highly cited researchers in their fields.

Springfield Campus (UIS)

The UIS campus is a small public university with innovative, high-quality liberal arts programs. UIS enrolls more than 5,400 students (fall 2014) in 26 bachelor's degree, 9 post-baccalaureate certificate, 20 master's degree and 2 post-master's certificate programs, as well as one doctoral program in public administration. The campus awarded 1,249 degrees in 2013-2014, many to online students whose first time on campus is for their graduation ceremony.

UIS is a national leader in online education. The campus received the 2007 Excellence in Institution-Wide online teaching and learning programming award and the 2008 Gomory Award for quality online education from the Sloan Consortium, a group of institutions and organizations committed to quality online education. Two UIS staff members have been recipients of the Sloan Consortium's individual outstanding achievement award; both are also recognized as Sloan-C Fellows.

Academic programs range from traditional disciplines such as English, history, psychology, and biology to more career-oriented concentrations such as business administration, management information systems, criminal justice, accountancy, and social work. UIS offers a four-year baccalaureate program for high-achieving students called the Capital Scholars Honors Program. The Springfield campus has been a four-year university since 2006.

Norris L. Brookens Library supports UIS with a collection of almost 700,000 volumes (including 128,000 e-books and e-journals and government documents). The library participates in a 70-library consortium with a shared catalog. The library offers more than 100 computers for on-campus students.

Other campus resources include the Public Affairs Center with the 2,000-seat Sangamon Auditorium performing arts center, conference facilities, and the campus bookstore. The Health and Sciences Building houses the Visual Arts Gallery, science laboratories and a number of computer labs. Founders Hall, an environmentally friendly, 200-bed residence hall, opened on the campus in the fall of 2008. The 62,000 gross-square-foot structure also houses the campus bookstore and a café.

The campus is actively engaged in fund-raising for a new student union that will be a focal point of campus and student life. Among the spaces in the union will be a student leadership center, lounges, diverse dining options, a multipurpose room suitable for large events, and office space. A large plaza for outdoor events will surround two sides of the building. More than $2.4 million in private gifts has been raised. Student fees will cover approximately half of the $21 million cost.

The Center for State Policy and Leadership is instrumental in carrying out UIS's unique public affairs focus by identifying and addressing issues of state and national public policy and promoting governmental effectiveness and civic engagement. The center offers a graduate public service internship program and hosts the annual Lincoln Legacy lecture series. Among the eight units of the center are Illinois Issues magazine, WUIS/WIPA public radio, the Survey Research Office, and the Institute for Legal, Legislative, and Policy Studies.

Accreditations and Memberships

The University is fully accredited in all of its departments and divisions by the North Central Association of Colleges and Schools. In addition, University programs are individually accredited by more than 30 professional associations, including American Library Association, American Psychological Association, American Bar Association, American Veterinary Medical Association, and Association to Advance Collegiate Schools of Business. The University is a member of the American Council of Education and the Association of American Universities.

Board of Trustees and University Officers

The University is governed by the Board, which consists of 11 voting members, including one voting student member. The Governor of the State of Illinois serves as an ex-officio member, and there are two non-voting student members. The Board is responsible for the general supervision and management of the educational program and the lands, buildings, and other properties of the University and the control of the revenues and expenditures in support thereof.

The following persons are members or officers of the Board of Trustees:

Name	Trustees of the Board	Current Term Started	Current Term Ending
Patrick J. Quinn	Governor of the State of Illinois	*Ex-Officio*	*Ex-Officio*
Ricardo Estrada	Appointed Board Member	2011	2017
Patrick J. Fitzgerald	Appointed Board Member	2013	2019
Karen Hasara	Appointed Board Member	2011	2017
Patricia Brown Holmes	Appointed Board Member	2011	2017
Christopher Kennedy	Appointed Board Member	2009	2015
Timothy Koritz	Appointed Board Member	2013	2019
Edward L. McMillan	Appointed Board Member	2009	2015
James D. Montgomery, Sr.	Appointed Board Member	2013	2019
Pamela Strobel	Appointed Board Member	2009	2015
Danielle Leibowitz	Student Member, Chicago[(1)]	2014	2015
Hannah Cave	Student Member, Springfield	2014	2015
Lucas Frye	Student Member, Urbana	2014	2015

[(1)] Voting member. Only one of the three student members is designated by the Governor as a voting member.

Name	Officers of the Board
Christopher Kennedy	Chairman of the Board
Susan Kies	Secretary of the Board
Walter K. Knorr	Comptroller of the Board
Lester H. McKeever, Jr.	Treasurer of the Board
Thomas R. Bearrows	University Counsel

The principal individuals (executive officers) responsible for the operations of the University are:

Robert A. Easter, Ph.D., President. Dr. Easter became the University's 19th president in July 2012. He has spent his entire 40-year career as a senior administrator and faculty member on the Urbana-Champaign campus, where he earned his doctorate in animal science in 1976. He was interim chancellor from 2009-2011 and also has served as interim provost and interim vice chancellor for research. From 2002-2009, he was dean of the nationally ranked College of Agricultural, Consumer, and Environmental Sciences (ACES). Before that, he served for five years as head of the Department of Animal Sciences, where he has been a faculty member since 1976. An expert in swine nutrition, Easter has co-authored a book on swine production and has written more than 90 peer-reviewed articles, 11 book chapters, four monographs, and numerous papers for conferences and industry publications.

The University of Illinois concluded a search for its next president on November 19, 2014. Timothy L. Killeen, vice chancellor for research and president of the Research Foundation of the State University of New York, was named the 20th president of the University of Illinois, pending approval by the Board of Trustees at its January 15, 2015 meeting.

Phyllis M. Wise, Ph.D., Chancellor at the Urbana-Champaign Campus/Vice President. Phyllis Wise has been vice president/chancellor of the Urbana-Champaign campus since 2011. Dr. Wise came to Illinois from the University of Washington where she was serving as the provost and executive vice president. Prior to her appointment as provost and executive vice president at the University of Washington, Dr. Wise was that university's interim vice president from 2010-2011 (stepping away temporarily from her post as provost, which she held since 2005). From 2002-2005, she served as Dean of the College of Biological Sciences at UC Davis. She earned her B.A. in Biology from Swarthmore, and her M.A. and Ph.D. in Zoology from the University of Michigan. Dr. Wise is a member of the National Academies of Science (Internal Medicine) and a fellow in the American Association for the Advancement of Science.

Paula Allen-Meares, Ph.D., Chancellor at the Chicago Campus/Vice President. Paula Allen-Meares has been vice president/chancellor of the Chicago campus since early 2009. Prior to being named chancellor, Dr. Allen-Meares was dean of the School of Social Work at the University of Michigan (1993-2009) and was the Norma Radin Collegiate Professor of Social Work and professor of education at that university. Before joining the University of Michigan, she was a professor and dean of the School of Social Work at the University of Illinois at Urbana-Champaign, where she received her master's and doctoral degrees. She earned her bachelor's degree at the University of New York at Buffalo.

The University of Illinois at Chicago is currently conducting a search for the next chancellor and vice president of the campus. The new chancellor is expected to be named in late 2014.

Susan J. Koch, Ph.D., Chancellor at the Springfield Campus/Vice President. Susan J. Koch has been vice president/chancellor of the Springfield campus since 2011. Dr. Koch was the provost and vice president for academic affairs at Northern Michigan University, where she had served since 2007. Before joining NMU, she was the associate provost and dean of the graduate college at the University of Northern Iowa. A South Dakota native, Dr. Koch earned her bachelor's degree at Dakota State University and her master's and doctorate degrees at the University of Northern Iowa, where she joined the faculty in 1985. Her academic field is health education.

Thomas R. Bearrows, J.D., University Counsel. Thomas R. Bearrows joined the University of Illinois in 1997 and is responsible for the management of the University's legal affairs at all three campuses. Prior to joining the University, he spent 13 years in private practice with a Chicago law firm. He received his undergraduate and law degrees from the University of Illinois and a master's degree in public policy from Harvard University. In addition to his work for the University, Mr. Bearrows serves as counsel for the Alumni Association and the University of Illinois Foundation.

Jerry L. Bauman, PharmD, FCCP, FACC, Interim Vice President for Health Affairs. Dr. Bauman earned his bachelor's degree from the University and a PharmD degree from the University of Missouri at Kansas City prior to joining the University in 1979. Since joining the University, Dr. Bauman has worked as a teacher, researcher and senior administrator, serving as the dean of the College of Pharmacy since 2007 and the interim vice chancellor for academic affairs and provost in 2011. Dr. Bauman earned the Russell Miller Award for Research, has authored more than 100 original publications, 75 abstracts and multiple book chapters and is a fellow in the American College of Clinical Pharmacy and the American College of Cardiology.

Thomas P. Hardy, M.S., Executive Director, University Relations. Thomas Hardy joined the University of Illinois in 2002 as executive director of the Office for University Relations. Under Mr. Hardy's leadership, University Relations develops and executes strategic communications programs, provides public affairs and marketing assistance to university-wide offices, and coordinates activities and responses with the Public Affairs offices on the three campuses. A former journalist and public affairs consultant, Mr. Hardy served as press secretary to former Illinois governor Jim Edgar and worked for the Chicago Tribune for two decades, spending ten years as the Chicago-based political writer and columnist, covering local and state election campaigns and state legislative affairs. Immediately prior to joining university administration, Mr. Hardy worked in the Chicago office of Burson-Marsteller, a global public relations firm. He earned a B.A. from Ripon College and an M.S. from Northwestern University.

Susan Kies, Ed.D., Secretary, Board of Trustees. Susan Kies has been secretary of the Board since early 2012. Dr. Kies received her undergraduate degree from the University of Illinois at Urbana-Champaign and later earned her master's and doctor of education degrees from Oklahoma State University. She joined the University in 1993 as coordinator of instructional development for the Department of Internal Medicine in Urbana-Champaign, and later was promoted to assistant dean of educational affairs. From 1999 to 2003, she served as associate dean for academic student and educational affairs at the College of Medicine in Urbana-Champaign. Since 2004 and prior to assuming the secretary's post, Dr. Kies served as associate dean of academic affairs/curriculum management at the college.

Walter K. Knorr, B.S., Vice President/Chief Financial Officer and Comptroller. Walter K. Knorr was appointed vice president/chief financial officer (CFO) and comptroller in January 2007. The CFO serves as the senior University executive officer responsible for the operation of all financial functions for the University, including budget execution, financing, and execution of all capital projects. Together with the vice president for academic affairs and senior staff in planning and administration, the CFO is responsible for budget development. The CFO serves as treasurer of the University of Illinois Foundation and in an ex-officio capacity with the University of Illinois Alumni Association. The comptroller is an officer of the Board and approves all expenditures for which a general or specific appropriation has been made by the Board and signs contracts to which the University is a party. Prior to being appointed CFO, he served as comptroller of Cook County and as CFO and comptroller for the City of Chicago. He has also held senior positions at major financial firms and was a principal at a major audit firm. Mr. Knorr has a bachelor's degree from Wittenberg University and is a Certified Public Accountant.

Christophe Pierre, Ph.D., Vice President for Academic Affairs. Dr. Pierre began serving as vice president for Academic Affairs in 2011. Dr. Pierre came to Illinois from McGill University in Montreal, where he served as dean of the Faculty of Engineering since 2005. Prior to joining McGill he held engineering faculty and administrative appointments at the University of Michigan for two decades. He holds a bachelor's degree in aerospace engineering from Ecole Centrale des Arts et Manufactures de Paris in France, a master's degree in mechanical and aerospace engineering from Princeton University, and a doctorate in mechanical engineering and materials science from Duke University.

Lawrence B. Schook, Ph.D., Vice President for Research. Lawrence B. Schook has been vice president for Research since 2011. He is the Edward William and Jane Marr Gutgsell Professor in the Department of Animal Sciences on the Urbana campus. Dr. Schook also serves as the director of the Division of Biomedical Sciences responsible for directing strategic alliances related to health research and leading the Illinois Health Sciences Initiative that coordinates Urbana campus research and educational programs. He holds joint appointments in bioengineering, nutritional sciences, and in pathology, part of the University of Illinois College of Medicine, based at UIC, and has faculty appointments with the Institute for Genomic Biology and the Beckman Institute for Advanced Science and Technology. Dr. Schook graduated from Albion College in 1972 and received his PhD in 1978 from Wayne State School of Medicine. After postdoctoral training at the Institute for Clinical Immunology in Switzerland and the University of Michigan, he has held faculty positions at the Medical College of Virginia, University of Minnesota, and as a visiting professor at the Ludwig Cancer Center of the University of Lausanne.

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Financial Condition of the University

The financial statements of the University are presented in accordance with U.S. generally accepted accounting principles.

Statement of Net Position of the University

The following table summarizes the University's unaudited assets, deferred outflows of resources, liabilities, and net position at June 30, 2014 as provided by University management and the audited assets, deferred outflows of resources, liabilities and net position at June 30, 2013, and 2012, but excludes the University Related Organizations, which are discretely presented component units within the University's overall financial reporting entity:

Statement of Net Position
(in thousands)

Assets and Deferred Outflows of Resources	Fiscal Year Ended June 30, 2014 (Unaudited)	Fiscal Year Ended June 30, 2013	Fiscal Year Ended June 30, 2012
Current Assets:			
Cash and cash equivalents	$ 536,691	$ 580,765	$ 609,372
Cash and cash equivalents, restricted	122,529	143,883	182,490
Investments	194,438	232,935	93,418
Investments, restricted	41,201	63,718	31,263
Securities lending collateral	25,544	25,545	90,732
Accrued investment income	5,787	4,991	3,936
Accounts receivable, net of allowance for uncollectible	444,479	478,819	446,014
Receivable from State of Illinois, related to appropriations	145,887	164,398	204,972
Notes receivable, net of allowance for uncollectible	9,142	9,261	8,645
Accrued interest on notes receivable	4,025	3,589	3,149
Inventories	29,965	29,394	32,481
Prepaid expenses	25,830	23,140	20,397
Due from related organizations	2,948	1,838	1,425
Total Current Assets	$ 1,588,466	$ 1,762,276	$ 1,728,294
Noncurrent Assets:			
Cash and cash equivalents, restricted	$ 21,871	$ 10,465	$ 17,615
Investments	1,397,395	1,029,365	812,879
Investments, restricted	761,156	428,024	447,845
Notes receivable, net of allowance for uncollectible	54,016	52,456	53,535
Prepaid expenses and deferred charges			9,797
Capital assets, net of accumulated depreciation	3,555,450	3,498,132	3,389,304
Other assets	4,726	4,960	4,351
Total Noncurrent Assets	$ 5,794,614	$ 5,023,402	$ 4,735,326
Deferred outflows of resources	60,444	67,034	33,028
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 7,443,524	$ 6,852,712	$ 6,496,648

Liabilities and Net Position	Fiscal Year Ended June 30, 2014 (Unaudited)	Fiscal Year Ended June 30, 2013	Fiscal Year Ended June 30, 2012
Current Liabilities:			
Accounts payable and accrued liabilities	$ 323,016	$ 301,063	$ 284,357
Accrued payroll	160,334	149,379	145,172
Accrued compensated absences, current portion	21,404	24,277	22,618
Accrued self-insurance, current portion	58,567	60,751	60,933
Unearned revenue and student deposits	166,679	158,997	146,656
Accrued interest payable	18,930	15,665	17,455
Securities lending collateral	25,544	25,545	90,732
Bonds payable, current portion	49,256	48,340	41,066
Leaseholds payable and other obligations, current portion	42,114	40,481	145,836
Assets held for others	27,141	32,811	42,594
Total Current Liabilities	$ 892,985	$ 857,309	$ 997,419
Noncurrent Liabilities:			
Bonds payable	1,357,048	$ 1,092,928	$ 1,093,724
Leaseholds payable and other obligations	414,094	422,035	353,916
Accrued compensated absences	177,770	175,982	178,434
Accrued self-insurance	165,177	171,571	184,777
Derivative instrument – swap liability	23,719	27,265	37,169
Total Noncurrent Liabilities	$ 2,137,808	$ 1,889,781	$ 1,848,020
Total Liabilities	$ 3,030,793	$ 2,747,090	$ 2,845,439
Net Position:			
Net investment in capital assets	$ 2,091,311	$ 2,063,410	$ 1,932,473
Restricted:			
Nonexpendable	110,960	89,597	78,446
Expendable	678,701	636,187	599,392
Unrestricted	1,531,759	1,316,428	1,040,898
Total Net Position	$ 4,412,731	$ 4,105,622	$ 3,651,209
TOTAL LIABILITIES AND NET POSITION	$ 7,443,524	$ 6,852,712	$ 6,496,648

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Statement of Revenues, Expenses, and Changes in Net Position of the University

The following table presents the University's unaudited statement of revenues, expenses, and changes in net position of the University for fiscal year ended June 30, 2014 as provided by University management and the audited statements of revenue, expenses, and changes in net position for fiscal years ended June 30, 2013, and 2012, but excludes the University Related Organizations, which are discretely presented component units within the University's overall financial reporting entity:

Statement of Revenues, Expenses, and Changes in Net Position (in thousands)

	Fiscal Year Ended June 30, 2014 (Unaudited)	Fiscal Year Ended June 30, 2013	Fiscal Year Ended June 30, 2012
OPERATING REVENUES			
Student tuition and fees, net	$ 1,040,399	$ 989,502	$ 987,796
Federal appropriations	14,645	16,830	18,072
Federal grants and contracts	654,637	692,225	718,621
State of Illinois grants and contracts	86,306	92,836	81,478
Private and other governmental agency grants and contracts	141,524	150,577	137,712
Educational activities	294,353	273,394	258,298
Auxiliary enterprises, net	378,992	369,953	363,319
Hospital and other medical activities, net	626,094	624,858	601,360
Medical service plan	226,781	236,668	236,160
Independent operations	13,704	13,620	13,083
Interest and service charges on student loans	2,137	2,168	1,945
TOTAL OPERATING REVENUES	$ 3,479,572	$ 3,462,631	$ 3,417,844
OPERATING EXPENSES			
Instruction	1,259,862	1,249,732	1,114,474
Research	724,924	746,625	710,656
Public service	471,414	459,093	413,988
Academic support	451,948	421,200	377,982
Student services	163,064	160,960	141,130
Institutional support	255,874	250,156	232,023
Operation and maintenance of plant	315,393	282,287	270,947
Scholarships and fellowships	270,036	260,658	241,008
Auxiliary enterprises	341,780	333,648	307,597
Hospital and medical activities	771,520	761,237	709,650
Independent operations	12,570	12,422	12,442
Depreciation	249,250	231,556	213,070
TOTAL OPERATING EXPENSES	$ 5,287,635	$ 5,169,574	$ 4,744,967
Operating Loss	$(1,808,063)	$(1,706,943)	$(1,327,123)

	Fiscal Year Ended June 30, 2014 (Unaudited)	Fiscal Year Ended June 30, 2013	Fiscal Year Ended June 30, 2012
NONOPERATING REVENUES (EXPENSES)			
State appropriations	$ 668,372	$ 666,731	$ 709,683
Transfer of state appropriations to the Illinois DHFS Hospital Services Fund	(45,000)	(45,000)	(45,000)
Private gifts	174,875	139,039	141,700
Grants, nonoperating	136,245	128,544	69,529
On behalf payments for fringe benefits	1,074,913	1,083,666	818,084
Net investment income	37,458	68,005	24,656
Net increase in the fair value of investments	61,467	5,312	10,979
Interest expense	(70,575)	(70,877)	(71,489)
Loss on disposals/impairment of capital assets	(7,093)	(4,783)	(9,653)
Other nonoperating revenues, net	59,347	41,443	50,721
Net nonoperating revenues	$2,090,009	$2,012,080	$1,699,210
Income before other revenues	281,946	305,137	372,087
Capital state appropriations	10,865	26,123	30,910
Capital gifts and grants	13,950	128,461	56,383
Private gifts for endowment purposes	348	4,082	323
INCREASE IN NET POSITION	$ 307,109	$ 463,803	$ 459,703
NET POSITION, BEGINNING OF YEAR	4,105,622	3,651,209	3,189,460
Cumulative effect of change in Accounting Principle	–	(9,390)*	2,046
NET POSITION, BEGINNING OF YEAR, AS ADJUSTED	4,105,622	3,641,819	3,191,506
NET POSITION, END OF YEAR	$4,412,731	$4,105,622	$3,651,209

* Cumulative adjustment as of July 1, 2012 to adopt provisions of GASB Standard No. 65

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Statement of Cash Flows of the University

The following table presents the University's unaudited statement of cash flows for fiscal year ended June 30, 2014 as provided by University management and the audited statement of cash flows for fiscal years ended June 30, 2013, and 2012, but excludes the University Related Organizations, which are discretely presented component units within the University's overall financial reporting entity:

Statement of Cash Flows
(in thousands)

	Fiscal Year Ended June 30, 2014 (Unaudited)	Fiscal Year Ended June 30, 2013	Fiscal Year Ended June 30, 2012
Cash flows from operating activities:			
Student tuition and fees	$1,042,974	$ 997,455	$ 983,949
Federal appropriations	15,172	16,463	17,625
Federal, state, and local grants and contracts	759,390	805,904	754,233
Other governmental agencies and private grants, and contracts	153,426	154,770	143,829
Sales and services of educational activities	300,009	263,987	253,552
Auxiliary activities and independent operations	393,917	383,944	382,860
Hospital and other medical activities	641,125	577,145	592,608
Medical service plan	217,499	239,267	251,607
Payments to employees and for benefits	(2,462,236)	(2,384,474)	(2,271,990)
Payments to suppliers	(1,449,045)	(1,402,871)	(1,316,977)
Payments for scholarships and fellowships	(74,436)	(72,276)	(65,213)
Student loans issued	(11,293)	(9,331)	(9,869)
Student loans collected	9,049	9,242	8,623
Student loan interest and fees collected	1,701	1,728	1,725
Net cash used in operating activities	(462,748)	(419,047)	(273,438)
Cash flows from noncapital financing activities:			
State appropriations	641,883	662,306	748,379
Gifts transferred from University of Illinois Foundation	174,875	139,039	141,700
Direct lending receipts	472,204	480,941	502,286
Direct lending payments	(471,900)	(481,541)	(501,534)
Grants, nonoperating	136,245	128,544	69,529
Private gifts for endowment purposes	348	4,082	323
(Advances to) repayments from related organizations, net	(1,111)	(413)	189
Other receipts	54,729	45,185	38,435
Other disbursements	(1,051)	(1,927)	(5,152)
Net cash provided by noncapital financing activities	1,006,222	976,216	994,155
Cash flows from capital and related financing activities:			
Proceeds from issuance of capital debt	305,919	248,900	169,424
Capital gifts and grants	11,553	126,306	52,451
Purchase of capital assets	(266,756)	(303,075)	(255,625)
Proceeds from issuance of ESA installment payable	32,600		
Principal payments on bonds, capital leases, and other obligations	(85,978)	(335,760)	(161,764)
Interest payments on bonds, capital leases, and other obligations	(66,908)	(68,783)	(70,106)
Payment of bond and installment payment contract issuance costs	(1,327)	(2,745)	(1,702)
Net cash used in capital and related financing activities	(70,897)	(335,157)	(267,322)

Cash flows from investing activities:			
Interest and dividends on investments, net	17,628	27,021	18,401
Proceeds from sales and maturities of investments	1,637,201	2,276,614	1,433,924
Purchase of investments	(2,181,428)	(2,600,011)	(1,954,904)
Net cash used in investing activities	(526,599)	(296,376)	(502,579)
Net decrease in cash and cash equivalents	(54,022)	(74,364)	(49,184)
Cash and cash equivalents, beginning of year	735,113	809,477	858,661
Cash and cash equivalents, end of year	$ 681,091	$ 735,113	$ 809,477

	Fiscal Year Ended June 30, 2014 (Unaudited)	Fiscal Year Ended June 30, 2013	Fiscal Year Ended June 30, 2012
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	$(1,808,063)	$(1,706,943)	$(1,327,123)
Adjustments to reconcile operating loss to net cash used in operating activities:			
On-behalf payments for fringe benefits expense	1,074,913	1,083,666	818,084
Depreciation expense	249,250	231,556	213,070
Changes in assets and liabilities:			
Accounts receivable, net	38,394	(33,868)	(32,824)
Notes receivable, net	(1,441)	463	(714)
Accrued interest on notes receivable	(436)	(440)	(220)
Inventories	(571)	3,087	(1,294)
Prepaid expenses and deferred charges	(5,817)	(309)	659
Accounts payable and accrued liabilities	(12,281)	11,157	43,980
Accrued payroll	10,955	4,207	6,044
Unearned revenue and student deposits	7,682	12,341	(426)
Accrued compensated absences	(1,085)	(793)	(236)
Accrued self-insurance	(8,578)	(13,388)	1,216
Assets held for others	(5,670)	(9,783)	6,346
Net cash used in operating activities	$ (462,748)	$ (419,047)	$ (273,438)
Noncash investing, capital, and financing activities:			
On-behalf payments for fringe benefits	1,074,913	1,083,666	818,084
State appropriation	45,000	45,000	45,000
Transfers to Illinois DHFS Hospital Services Fund	(45,000)	(45,000)	(45,000)
Net increase in fair value of investments	61,467	5,312	10,979
Gifts in kind – capital assets	4,988	2,819	2,340
Increase of capital asset obligations in accounts payable	15,677	5,549	9,552
Capital asset acquisitions by Capital Development Board	10,865	26,123	30,910
Capital asset acquisitions via leaseholds payable	2,717	3,908	4,913
Net interest capitalized	6,521	3,722	6,210
Other capital asset adjustments	3,010	(29)	6,668
Loss on disposal of capital assets	(7,093)	(4,783)	(9,653)
Capital appreciation on bonds payable	8,404	8,959	9,476
Capital assets placed in service subsequent to obligation incurrence	3,127		

2015 Budget and State Appropriations

The University receives a major portion of the revenues needed to sustain its educational and research activities from State appropriations, tuition revenues, and the federal government. The State General funds and other special-purpose State funds appropriation reflected in the University's budget for Fiscal Year 2015 reflects a 0.2% decrease from Fiscal Year 2014 to $667.5 million. Payments on behalf reflected in the budget decreased by 4.9% or $58.4 million, to $1,124 million. In September 2014, the Board approved a final operating budget for Fiscal Year 2015 that provided a 0.2% increase over the final Fiscal Year 2014 operating results. The table below shows the components of the Fiscal Year 2015 budget compared with the final amounts from the adjusted Fiscal Year 2014 budget:

Fiscal Year 2014 Budget Versus Fiscal Year 2015 Budget
(in millions)

	Budget 2014	Budget 2015	% Increase (Decrease)
State Tax Appropriations[1]	$ 668.7	$ 667.5	(0.2%)
Payments on Behalf[2]	1,182.0	1,123.6	(4.9%)
Tuition & Fees[3]	1,064.2	1,098.0	3.2%
Local Fund[4]	2,714.5	2,751.4	1.4%
Total Budget	$5,629.4	$5,640.5	0.2%

(1) Includes General fund, Fire Prevention fund, Hazardous Waste Research fund, Emergency Public Health fund, Used Tire Management fund, and General Professions Dedicated fund.
(2) Payments by the State for employee benefits that are not appropriated to the University but are paid on its behalf (such as pension funding) are included.
(3) Excludes waivers for graduate assistants.
(4) Includes: Institutional Cost Recovery, Royalties, Administrative Allowance, Sponsored Projects, Federal Appropriations, Private Gifts & Endowment Income, MSP, Auxiliary Enterprise Operations, Hospital, AFMFA, and Department Activities.

Source: Compiled by the Office of Planning and Budgeting of the University.

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. The State funding appropriated to the University for the past five fiscal years is set forth below (excluding capital State appropriations):

State Funding to the University
Fiscal Year Ended June 30
(in millions)

	2010	2011	2012	2013	2014 (Unaudited)
Current Operating Funds	$ 718.3	$ 716.8	$ 709.7	$ 666.7	$ 668.4
Payments on Behalf (1)	634.7	683.2	818.1	1,083.7	1,074.9
Total	$1,353.0	$1,400.0	$1,527.8	$1,750.4	$1,743.3

(1) The Governmental Accounting Standards Board (GASB) Statement 24 (Accounting and Financial Reporting for Certain Grants and Other Financial Assistance) requires State universities to recognize in their financial statements and notes the amount the State of Illinois contributes to the State Universities Retirement System of Illinois (SURS) on behalf of the university employees.

Source: Compiled by the Office of the Comptroller of the University.

The State of Illinois continues to follow an uneven and sporadic pattern of funding the State capital program. For more than a decade there have not been appropriations for State capital appropriations in consecutive years dating back to fiscal 2003. Fiscal Year 2010 marked a welcome change as there was a significant capital program in that fiscal year from which the University has directly benefitted. A total of ten projects were appropriated from that program at a total of $255 million. Several of those projects have been through the complete capital cycle and are now complete and occupied. $60 million dedicated for the Petascale facility to house the world's most powerful computers was released and that facility has been constructed and is currently in use. Construction funds in the amount of $14.8 million for the College of Medicine at Rockford were appropriated and that facility is complete and in service. $57 million for the Lincoln Hall project was also approved and that project saw completion with classes resuming in the building in the fall of 2012. This most recent fall of 2014 saw the completion of the new Electrical and Computer Engineering Building on the Urbana - Champaign campus. The building was funded with $44.5 million from the State and matched with private donations. A full release of the $32 million in repair and renovation funds has been realized and those funds are being deployed toward critical remodeling projects on each of the three University campuses.

Other projects which are part of the Fiscal Year 2010 list are in various phases of the construction cycle at this time. The Integrated Bioprocessing Research Lab received $20 million in construction funds and is in design phase at this time. $20.8 million in funding for the rehabilitation of the College of Dentistry at Chicago was also appropriated and construction contracts for that project have recently been awarded.

Additional positive news from the aforementioned Fiscal Year 2003 Capital Budget concerned the recent release of funds of $64 million that were originally appropriated in Fiscal Year 2002 – Fiscal Year 2003 for the Advanced Chemical Sciences Building at Chicago. These funds had been held or "frozen" over the last decade and were not available for use. At this time the project is in design phase with construction slated to start in Fiscal Year 2015.

While the Fiscal Year 2010 budget provided a much needed infusion of capital funds sadly there has not been a program with new appropriations since that time. While the University is encouraged by the funding of the recent Fiscal Year 2010 capital appropriations it hopes to benefit from a more stable and measured capital funding plan in the near future.

Outstanding Indebtedness and Leasehold Obligations

The Board and the University had debt outstanding as of June 30, 2014, including:

(i) University of Illinois Auxiliary Facilities System Revenue Bonds, Series 1991, Series 1999A, Series 1999B, Series 2001A, Series 2001B, Series 2003A, Series 2005A, Series 2006, Series 2008, Series 2009A, Series 2010A, Series 2011A, Series 2011B, Series 2011C, Series 2013A, Series 2014A, Series 2014B and Series 2014C (together, the "AFS Bonds"). The AFS Bonds were issued to fund improvements to the University's Auxiliary Facilities System. The AFS Bonds are secured by Net Revenues of the Auxiliary Facilities System and a lien on Student Tuition and Fees prior to the Health Facilities Bonds and the South Campus Bonds. As of June 30, 2014, there were $1,167,949,723 AFS Bonds outstanding (including capital appreciation bonds at their compound accreted value at June 30, 2014);

(ii) University of Illinois Health Services Facilities System Revenue Bonds, Series 1997B, Series 2008 and Series 2013 (together the "HSFS Bonds"). The HSFS Bonds were issued to fund improvements to the University's Health Services Facilities System. The HSFS Bonds are secured by the Net Revenues of the Health Services Facilities System, MSP Revenues, College of Medicine Student Tuition, subordinate to the AFS Bonds, and moneys in the Bond and Interest Sinking Fund Account. As of June 30, 2014 there were $121,970,000 HSFS Bonds outstanding; and

(iii) University of Illinois UIC South Campus Development Project Revenue Bonds, Series 2003 were issued to finance the cost of acquiring, equipping, and improving certain facilities and improvements at the University's South Campus Development Area (the "Area") in Chicago, and the Variable Rate Demand UIC South Campus Development Project Revenue Refunding Bonds, Series 2008 (such Series 2003 and Series 2008 Bonds collectively, the "South Campus Bonds"), were issued to advance refund outstanding UIC South Campus Development Project Revenue Bonds, Series 2006A, which were issued for such purposes. The South Campus Bonds are secured by (a) certain incremental taxes to be received from the City of Chicago with respect to the Area, (b) Student Tuition and Fees, subordinate to the Health Facilities Bonds and the AFS Bonds, and (c) funds on deposit in the UIC South Campus Development Bond and Interest Sinking Fund Account (into which the Board may, but is not required, to deposit funds). As of June 30, 2014, there were $52,625,000 South Campus Bonds outstanding.

As of June 30, 2014, the University had a total principal amount of $1,342,544,723 of Bonds outstanding (including capital appreciation Bonds at their compound accreted value as of June 30, 2014, referred to as "CABs"), which are summarized as follows:

Outstanding Bond Principal

Series	Rates on Outstanding Debt	Fiscal Year Maturity Dates	Outstanding at June 30, 2014 (Unaudited) (in thousands)
Auxiliary Facilities System			
1991 (CABs)	7.350%	2015-2021	$ 87,804
1999A (CABs)	6.050%-6.330%	2015-2030	24,136
1999B (taxable)	7.560%	2015	330
2001A	5.500%	2015-2024	42,845
2001B	5.500%	2015-2019	9,590
2003A	5.250%-5.500%	2018-2022, 2027-2034	38,285
2005A	4.625%-5.500%	2015-2031	72,495
2006	4.000%-5.000%	2015-2036	142,190
2008	Variable	2015-2038	18,495
2009A	3.100%-5.750%	2015-2038	80,450
2010A	4.000%-5.250%	2015-2030	54,415
2011A	4.000%-5.500%	2015-2041	79,890
2011B	2.105%-4.517%	2015-2021	7,595
2011C	2.000%-5.000%	2015-2032	70,020
2013A	3.000%-5.000%	2015-2032	211,580
2014A	5.000%	2024-2044	159,985
2014B (taxable)	0.862%-3.926%	2016-2023	17,845
2014C	Variable	2037-2044	50,000
Health Services Facilities System			
1997B	Variable	2015-2027	15,300
2008	Variable (1)	2015-2027	35,885
2013	5.000%-6.250%	2028-2043	70,785
UIC South Campus Development Project			
2003	4.300%-5.250%	2015-2023	5,845
2008	Variable (2)	2015-2022	46,780
Total Principal Payable			$ 1,342,545

(1) Synthetically fixed through the use of swaps with a fixed rate of 3.534%.
(2) Synthetically fixed through the use of swaps with an average fixed rate of 4.089%.
Source: Compiled by the Office of Capital Financing of the University.

The University leases facilities, equipment, and services under various lease-purchase agreements or has purchased facilities or services through installment purchase contracts. Such leases and installment purchase contracts which were outstanding as of June 30, 2014 are subject to cancellation in any year during which the Illinois General Assembly does not make an appropriation to the University for such purpose and there are no other budgeted legally available funds for payment thereof. Pursuant to the issuance of the Series 2014 Certificates, certain of such installment purchase contracts will be replaced with installment purchase contracts for which the State may not make appropriations and therefore for which failure of the Illinois General Assembly to make appropriation is not a prerequisite for cancellation. Such installment purchase contracts are subject to cancellation in any year during which there are no budgeted legally available funds for payment thereof. See “PLAN OF FINANCE – Plan of Refunding”.

The following table shows certificates of participation and other capital leases that were outstanding as of June 30, 2014:

Outstanding Certificates of Participation, Other Capital Leases, and Other Obligations

Certificates of Participation	Outstanding Rates	Fiscal Year Maturity Dates	Outstanding at June 30, 2014 (Unaudited) (in thousands)
Series 2003 UI-Integrate Project	5.000%	2015	$ 13,435
Series 2003 Utility Infrastructure	5.000%	2015-2017	20,110
Series 2004 Utility Infrastructure	Variable (1)	2015-2022	110,750
Series 2005 UIC COM Research Building	4.800%-5.25%	2015-2025	13,590
Series 2006A Academic Facilities	4.625%-5.00%	2015-2026	57,430
Series 2007A	4.000%-5.25%	2015-2028	71,855
Series 2007B	5.000%	2016-2021	45,645
Series 2009A	4.000%-5.25%	2015-2028	32,910
Total Certificates of Participation			$ 365,725
Other Capital Leases			36,549
Total Principal – Certificates of Participation and Other Capital Leases			$ 402,274
Other Obligations(2)			46,445
Total Certificates of Participation, Other Capital Leases, and Other Obligations			$ 448,719

(1) Synthetically fixed through the use of swaps with a fixed rate of 3.765%.
(2) Energy Services Agreement, installment payment contract.
Source: Compiled by the Office of Capital Financing of the University.

Future Capital Plans

The Board has an ongoing capital improvement program consisting of new construction and renovation of existing facilities. Capital improvements are expected to be funded from a variety of sources including gifts, State capital funds, revenue and lease financing and University funds.

The Board has approved the Student Union project for the UIS campus with a budget of $21.75 million. The plan of finance and timeline for this project are yet to be determined.

The Board may also from time to time refund or refinance its outstanding bonds, lease purchase obligations, or installment purchase obligations to restructure its indebtedness or to take advantage of more favorable interest rate levels.

Faculty

The University has over 5,700 full-time equivalent faculty. Approximately half of all faculty are in the tenure system, including those that are either tenure or tenure-track. Of those in the tenure track, about three-fourths are fully tenured. Scores of faculty members have been elected to distinguished academic societies such as the American Academy of Arts and Sciences, the American Philosophical Society, the National Academy of Sciences, and the National Academy of Engineering.

Student Enrollment

On-campus enrollments for the past five academic years, based on fall semester registrations, are shown on the following table:

Fall Term	On-Campus Headcount Undergraduate				Graduate/Professional (1)(2)				Total			
	UIUC	UIC	UIS	Total	UIUC	UIC	UIS	Total	UIUC	UIC	UIS	Total
2014	32,578	16,707	1,990	51,275	11,024	10,856	1,372	23,252	43,602	27,563	3,362	74,527
2013	32,293	16,660	2,089	51,042	11,101	10,929	1,078	23,108	43,394	27,589	3,167	74,150
2012	31,901	16,671	2,110	50,682	10,980	10,841	992	22,813	42,881	27,512	3,102	73,495
2011	31,932	16,911	2,217	51,060	10,669	10,669	1,093	22,431	42,601	27,580	3,310	73,491
2010	31,250	16,790	2,313	50,353	10,695	10,519	1,084	22,298	41,945	27,309	3,397	72,651

Fall Term	Full Time Equivalent(3) Undergraduate				Graduate/Professional				Total			
	UIUC	UIC	UIS	Total	UIUC	UIC	UIS	Total	UIUC	UIC	UIS	Total
2014	33,533	16,139	1,726	51,398	12,756	10,908	1,032	24,696	46,289	27,047	2,758	76,094
2013	33,273	15,988	1,801	51,062	12,777	10,811	714	24,302	46,050	26,799	2,515	75,364
2012	33,003	15,983	1,831	50,817	12,648	10,725	645	24,018	45,651	26,708	2,476	74,835
2011	33,036	16,054	1,932	51,022	12,027	10,593	706	23,326	45,063	26,647	2,638	74,348
2010	32,239	15,657	1,998	49,894	12,018	10,424	694	23,136	44,257	26,081	2,692	73,030

(1) The UIC Graduate/Professional enrollment excludes medical residents.
(2) Students enrolled in post-professional dentistry programs are classified as professional students.
(3) Based on the Illinois Board of Higher Education definition of full-time equivalency. Undergraduate student full-time equivalent is computed as the total number of fall semester credit hours divided by 15. Graduate and professional student full-time equivalent is computed as the total number of fall term semester hours divided by 12. Credit hours are included for students enrolled in coursework with zero credit at UIC and UIUC.

Note: Does not include students who were enrolled off-campus, on-line, and in home study programs.
Source: Compiled by the Office of Planning and Budgeting of the University.

UIUC had its fourth consecutive year of record enrollment and a six-year graduation rate of 84%. Because of space limitations, the Urbana-Champaign campus annually denies admission to a number of fully qualified applicants. Demand for programs at the Urbana-Champaign campus, especially those in engineering, the sciences, and business, continues to be extremely high, so that even if the number of high school graduates in its applicant pool declines, the campus is likely to be able to retain its current level of enrollment without any significant loss of the extremely high quality of the student body. In addition, new efforts are planned to identify highly qualified applicants from outside the State to enhance the overall diversity of the undergraduate student body.

The Chicago campus consistently has attracted students from a more diverse age group than the traditional 18 to 21-year old undergraduates. These older students are typically employed full or part-time, and represent a continuing source of new enrollment prospects. Enrollments in the programs for health professionals are limited by the capacity of the facilities available to serve such students. The demand for admission to the programs remains strong. UIC's six-year graduation rate improved almost 28% over the last 10 years and nearly doubled in the last 16 years.

The on-campus student body of UIS is currently composed of 66% undergraduate students and the rest graduate students, a large proportion of whom are employed adults who attend part-time and appreciate the abundant class offerings in the evening. Most UIS students come from central Illinois, but a number of degree programs attract students from other regions of Illinois, other states, and other nations. UIS emphasizes excellence in teaching and active learning. Faculty are teacher-scholars who maintain strong connections to state government, business, and not-for-profit organizations, providing students with extraordinary internship opportunities. UIS is also a national leader in online education, offering select high-quality online degrees, particularly in the liberal arts.

Student Admissions

The tables below set forth the total number of freshman applications received and admitted, and the number of freshmen enrolled for the academic years indicated for UIUC, UIC, and UIS:

UIUC

Fall Term	Applications Received[(1)]	Applicants Admitted	Percent Admitted	Admitted Enrollment	Percent of Admitted Enrolled
2014	35,822	21,150	59.0	6,937	32.8
2013	33,203	20,716	62.4	7,329	35.4
2012	31,454	19,924	63.3	6,921	34.7
2011	28,751	19,434	67.6	7,252	37.3
2010	27,310	18,324	67.1	6,929	37.8

UIC

Fall Term	Applications Received[(1)]	Applicants Admitted	Percent Admitted	Admitted Enrollment	Percent of Admitted Enrolled
2014	15,560	11,589	74.5	3,030	26.2
2013	14,603	10,427	71.4	3,104	29.8
2012	14,380	9,193	63.9	3,123	34.0
2011	14,564	9,151	62.8	3,115	34.0
2010	14,889	9,411	63.2	3,204	34.0

UIS

Fall Term	Applications Received[1]	Applicants Admitted	Percent Admitted	Admitted Enrollment	Percent of Admitted Enrolled
2014	1,460	899	61.6	305	33.9
2013	1,469	878	59.8	316	36.0
2012	1,506	849	56.4	270	31.8
2011	1,243	747	60.1	241	32.3
2010	1,311	779	59.4	294	37.7

(1) Number of applicants, not applications.

Source: Compiled by the Office of Planning and Budgeting of the University.

Tuition and Fees

The University operates its programs on a two-semester and summer session basis. Fees, tuition, and other educational costs of attending the University vary by campus, program and resident status. General undergraduate tuition rates for the 2014-2015 academic year range from $17,258 to $27,476 for non-residents and $8,108 to $12,036 for State residents depending primarily on the campus attended and the year of admittance. General graduate tuition rates range from $7,662 to $11,824 for State residents and $15,966 to $25,546 for non-residents depending on the campus attended.

Pursuant to the University of Illinois Act, 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.

In January 2014, the Board approved increases for fall 2014 in the guaranteed tuition level for entering resident full-time general undergraduate students of $101 per semester at the Urbana campus, $89 per semester at the Chicago Campus and $5.25 per credit hour at the Springfield campus. The Board also approved comparable increases in the non-guaranteed tuition level for resident full-time general undergraduate students at each campus. The Board also approved increases in the tuition level for resident general graduate students of $99 per semester at the Urbana campus, $94 per semester at the Chicago Campus and $9.25 per credit hour at the Springfield campus. In addition, there are differential tuition increases for students who are enrolled in several special undergraduate and graduate degree programs. Undergraduate International students at Urbana are assessed a tuition surcharge above the non-resident rate.

Professional schools of law, medicine, veterinary medicine, dentistry, pharmacy, and physical therapy have separate tuition rate schedules, depending on the program of study.

Financial Aid to Students

Students at the University receive financial assistance in a variety of ways:

State and Federal Scholarships, Grants, Fellowships, and Traineeships. These come primarily through the Illinois Student Assistance Commission and Federal Pell Grant program.

However, all are supplemented by a significant amount of private funds administered by the University.

Loans. Most loans are subsidized with respect to the timing and/or amount of the effective interest rate by the federal government, although many are administered through the Illinois Guaranteed Loan Program.

Tuition and Fee Waivers. Some are need-based, but the dollar value of most are related to the employment of graduate teaching and research assistants, who not only receive a stipend for their employment but also receive a waiver of tuition and fees.

University-provided Employment. The University employs both graduate assistants for whom the stipend provides a major source of income, and undergraduates, who depend on the job as a significant component of their total college budget.

The below sources of financial aid totaled more than $1.3 billion in Fiscal Year 2013, an average of more than $16,300 per student. The average does not reflect the fact that much of the aid was directed at needy undergraduates and at graduate assistants.

The financial aid to University of Illinois students in Fiscal Year 2013 is shown below:

	Number of Awards	Amount (in thousands)
Scholarships, Grants, Fellowships, and Traineeships		
Federal	22,116	$ 89,590.9
State	15,453	63,708.7
Private and Outside Agencies	4,408	20,992.7
University	36,352	191,736.6
Loans		
Federal, State, or Other Administered	38,042	533,959.0
University Administered	943	1,609.2
Tuition and Fee Waivers(1)	22,583	305,520.9
Employment		
Undergraduates	14,616	32,082.7
Graduates	13,799	151,724.2
Total	168,312	$ 1,390,924.9

(1) Includes staff waivers.
Source: Compiled by the Office of Planning and Budgeting of the University.

Research Funding

In the Fiscal Year ended June 30, 2014, the University earned approximately $896.3 million in research funding from federal, state, and private sources. The University is consistently among the top universities in the nation in attracting federal contract dollars. Fiscal Year 2013 National Science Foundation funding included approximately $130 million in startup funding for Blue Waters, one of the most powerful supercomputers in the world, which is located on the Urbana – Champaign campus.

The table that follows itemizes research funding by source for the past five fiscal years:

Grants and Contracts by Source
Fiscal Year Ended June 30
(in thousands)

	2014 (Unaudited)	2013	2012	2011	2010
Federal Sources					
Department of Health and Human Services	$ 240,774	$ 258,348	$ 276,754	$ 286,263	$ 266,412
National Science Foundation	157,116	273,058	160,477	129,775	131,667
Department of Energy	52,857	59,835	58,201	56,023	46,418
Department of Defense	51,611	59,528	65,460	62,865	59,145
Department of Agriculture	12,948	14,308	17,213	16,185	15,444
Department of Education	100,999	102,326	105,353	112,571	97,201
Other Federal Agencies	52,121	54,127	48,690	44,036	34,108
Total Federal Sources(1)	668,426	821,530	732,148	707,718	650,395
State of Illinois	86,306	92,836	81,042	83,625	84,054
Private and Non-Profit Sources(2)	141,524	150,577	136,727	147,139	147,929
Total Non-Federal Sources	227,830	243,413	217,769	230,764	231,983
Total All Sources(3)	$ 896,256	$ 1,064,943	$ 949,917	$ 938,482	$ 882,378

(1) Federal Sources are primarily research funds. Does not include federal agriculture appropriations. Does not include federal funds passed through other non-federal agencies.
(2) Including private gifts.
(3) Total All Sources does not include pass–through social service grants.
Source: Compiled by the Office of Planning and Budgeting of the University.

Voluntary Support

The University of Illinois Foundation (the "Foundation") is an independent nonprofit corporation that raises and receives private gifts, administers funds, and manages assets to enhance the quality of the University and its programs. The Foundation is a University Related Organization, which is a discretely presented component unit within the University's overall financial reporting entity. Gifts to the University's three campuses and the Foundation totaled $259.5 million for Fiscal Year 2014. During the five years ending June 30, 2014, the University of Illinois Foundation received more than $1.13 billion in gift income. On June 1, 2011 the Foundation announced "Access Illinois: The Presidential Scholarship Initiative" campaign, to promote student access by increasing financial aid to students. The campaign goal was $100 million by June 30, 2014. The Foundation had received gifts, commitments, and pledges of $126.3 million, more than 100% of the goal, as of that date.

University and Foundation Investments

The University's investments provide funds to support University academic programs and student related activities. Endowment and Similar Funds consist of both restricted and unrestricted funds, which are accounted for and invested as endowment. Income from endowments is distributed to unrestricted and restricted fund groups according to the designation of the donor. Income from other invested funds is distributed at the University's discretion. The Foundation held approximately $1,752 million in cash and investments as of June 30, 2014, which is included in Endowment and Similar Funds in the table below.

The fair value of the University's and the Foundation's investments at the end of each of the past five fiscal years are summarized as follows:

University and Foundation Cash and Investments
Fiscal Year Ended June 30
(in thousands)

	2014 (Unaudited)	2013	2012	2011	2010
Current Funds	$1,470,276	$1,303,869	$1,200,797	$ 931,678	$ 715,883
Fiduciary Funds					
Endowment & Similar Funds	2,057,564	1,802,645	1,624,148	1,602,281	1,166,199
Annuity, Life Income, and Other Funds	100,385	98,703	56,862	49,857	185,637
Plant Funds	1,199,515	833,529	672,618	477,122	376,408
Total Cash and Investments	$4,827,740	$4,038,746	$3,554,425	$3,060,938	$2,444,127

Source: Compiled by the Office of the Comptroller of the University.

Physical Plant

The following table sets forth, for each of the five previous fiscal years, the total investment in Plant of the University as reported or compiled for such years. For total investment in capital assets net of accumulated depreciation, see APPENDIX B, Annual Financial Report for the University of Illinois, footnote (4): Capital Assets.

Fiscal Year Ended June 30	Investment in Plant (Original Cost in thousands)
2014 (Unaudited)	$6,958,840
2013	6,711,588
2012	6,425,280
2011	6,186,124
2010	6,064,757

Employee Relations

Employees of the University are generally covered, pursuant to statute, by the State Universities Civil Service System, a separate entity of the State under the control of the University Civil Service Merit Board. The statute exempts faculty, principal administrative employees, and student workers from its coverage. Effective January 1, 1984, all employees of the University (including faculty) gained the right to bargain collectively with the University by virtue of the passage of the Illinois Educational Labor Relations Act. This act provides for the right to bargain on conditions of employment, the right to strike and the right to negotiate for a service fee for the elected employee representative group. Of the University's approximately 24,695 full-time faculty, administrative, and support staff employees for Fiscal Year 2014, approximately 31% (excludes graduate assistants and UIC faculty) are represented by 45 separate collective bargaining units.

The University believes its employee relations are satisfactory.

Retirement Benefits

Retirement benefits are provided for substantially all full-time employees under a separately created retirement plan administered by the State Universities Retirement System of Illinois ("SURS"). The State of Illinois makes substantially all of the statutorily prescribed contributions on behalf of the participating employers, including the University. The liability of SURS relating to University participants is not a liability of the Board under current State law.

2013 State Legislation Modifying Pension Structure

On December 3, 2013 the Illinois General Assembly adopted amended Senate Bill 1 which was subsequently signed by the Governor on December 5, 2013 as Public Act 98-0599 (the "2013 Pension Reform Act"). The 2013 Pension Reform Act seeks to achieve full funding of the State's retirement systems, including SURS, partially through increased payments from the State into the retirement systems and partially through a less generous benefits package for current and future retirees.

The 2013 Pension Reform Act provides for changes to cost-of-living adjustments, retirement ages, pensionable salary caps and employee contributions to SURS. It affects the benefits available to both current and future employees of the University. The effective date of the legislation was to be June 1, 2014.

Several lawsuits were filed seeking to overturn the 2013 Pension Reform Act on constitutional grounds. The litigation was consolidated in the Circuit Court of Sangamon County, Illinois as In Re: Pension Litigation before Circuit Court Judge John Belz. On November 21, 2014, Judge Belz ruled the 2013 Pension Reform Act unconstitutional. It is likely that this ruling will be appealed to the Illinois Supreme Court.

Including the University's share, the SURS total preliminary unfunded liability, at market values, was $20.038 billion at June 30, 2014, according to the Commission on Government Forecasting and Accountability. Should the 2013 Pension Reform Act be upheld, the SURS unfunded liability would be reduced. However, no assurance can be given that the implementation of the 2013 Pension Reform Act (if upheld) will solve the severe underfunding of the State's retirement systems, including SURS. Nor can assurance be given that future legislation would not require the University to assume part or all of the liability for funding its employees' pensions in the future. Further, recent governmental accounting standards may require that a portion of the University's share of the SURS unfunded liability be reported in the University's financial statements beginning with Fiscal Year 2015.

The University is studying the 2013 Pension Reform Act to identify deficiencies which may impact the University's ability to recruit and retain faculty and staff, with the intent to adopt and implement supplemental programs and options which address these concerns.

APPENDIX B

AUDITED FINANCIAL STATEMENTS FOR THE UNIVERSITY FOR THE YEAR ENDED JUNE 30, 2013

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UNIVERSITY OF ILLINOIS

Annual Financial Report

June 30, 2013

(With Independent Auditors' Report Thereon)

UNIVERSITY OF ILLINOIS

Annual Financial Report

June 30, 2013

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From the Vice President/Chief Financial Officer, Comptroller

UNIVERSITY OF ILLINOIS
Urbana-Champaign ● Chicago ● Springfield

Office of Vice President/Chief Financial Officer, Comptroller
349 Henry Administration Building
506 South Wright Street
Urbana, IL 61801

December 20, 2013

The information in this Annual Financial Report of the University of Illinois for the fiscal year ended June 30, 2013, documents that the financial position of the University remains sound.

The ongoing economic challenges impacting our state and nation continued to demand the best from administrators and business staff across the University. They made wise management and budgetary decisions with the goal of ensuring the financial integrity of University programs and initiatives through efficient and effective utilization of resources.

The University of Illinois' tradition of excellence in teaching, research, public service, health care and economic development has made it a distinguished leader in higher education. Our efforts focus on continuing that tradition, while increasing the stature of the University of Illinois and the return on investment it provides to the state and the nation.

Respectfully submitted,

Walter K. Knorr,
Vice President/Chief Financial Officer,
Comptroller

KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

Independent Auditors' Report

The Honorable William G. Holland
Auditor General of the State of Illinois
and
The Board of Trustees
University of Illinois:

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General of the State of Illinois, we have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units (University Related Organizations) of the University of Illinois, a component unit of the State of Illinois, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the University of Illinois' basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports 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 from material misstatement. The financial statements of The University of Illinois Alumni Association; Wolcott, Wood, and Taylor, Inc.; Prairieland Energy, Inc.; Illinois Ventures, LLC; The University of Illinois Research Park, LLC; and UI Singapore Research, LLC (all discretely presented component units) were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University of Illinois' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University of Illinois as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited the University of Illinois' 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 17, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013, on our consideration of the University of Illinois' 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* in considering the University of Illinois' internal control over financial reporting and compliance.

/s/ KPMG LLP

Chicago, Illinois
December 20, 2013

Introduction and Background

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the University of Illinois (University) for the year ended June 30, 2013. The MD&A should be read in conjunction with the audited financial statements and notes appearing in this report.

The University was founded in 1867 in response to the federal Land Grant Act of 1862. The University's evolution as a land-grant institution has produced a set of core values that underlie all aspects of its present and future programs. The University is a comprehensive public university, a family of three distinct campuses–Urbana-Champaign, Chicago and Springfield—serving the people of Illinois through a shared commitment to the University's missions of excellence in teaching, research, public service and economic development.

The University's campuses currently enroll approximately 77,000 students. The University has internationally renowned faculty that are known for being world leaders in research and currently employs approximately 5,800 faculty members on its three campuses. The University offers a diverse range of degree programs from baccalaureate to doctoral levels. Approximately 20,000 degrees are awarded annually. The operating budget for fiscal year 2013, from all fund sources, was approximately $5.4 billion. University faculty, staff and students share their knowledge and expertise and the resources of the University with citizens in every corner of Illinois through more than 700 public service and outreach programs.

Using the Financial Statements

The University's financial report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities and require that financial statements focus on the University as a whole.

The financial statements encompass the University and its discretely presented component units: University of Illinois Foundation; University of Illinois Alumni Association; Wolcott, Wood and Taylor, Inc.; Illinois Ventures, LLC; University of Illinois Research Park, LLC; Prairieland Energy, Inc.; and UI Singapore Research, LLC. This MD&A focuses on the University, excluding the discretely presented component units. Condensed financial information is disclosed separately for each of the discretely presented component units in note 16 to the financial statements.

Financial Highlights and Key Trends

The fiscal year 2013 state appropriations (excluding capital) were $667 million, down from $710 million in fiscal year 2012. The overall budget utilized by the University increased by 7.6%, even though direct funding from the State of Illinois (State) declined. This trend demonstrates the University's ability to rely on other diverse sources of funding to provide services to University students and support the University mission.

Net position, which represents the residual interest in the University's assets and deferred outflows of resources after liabilities and deferred inflows of resources, increased during the current year by $466 million.

Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets, deferred outflows of resources, and liabilities of the University using the accrual basis of accounting. The difference between total assets and deferred outflows of resources and total liabilities, net position, is one indicator of the current financial condition of the University. The changes in net position that occur over time indicate improvement or deterioration in the University's financial condition. Generally, assets and liabilities are reported at cost with the exception of investments and permanently endowed real estate and farms, which are reported at fair value. Capital assets are reported at historical cost less accumulated depreciation. Deferred outflows of resources represent the change in fair value of the swap agreements associated with the related bonds and certificates of participation. A summarized comparison of the University's assets, deferred outflows of resources, liabilities and net position at June 30, 2013 and 2012 is as follows:

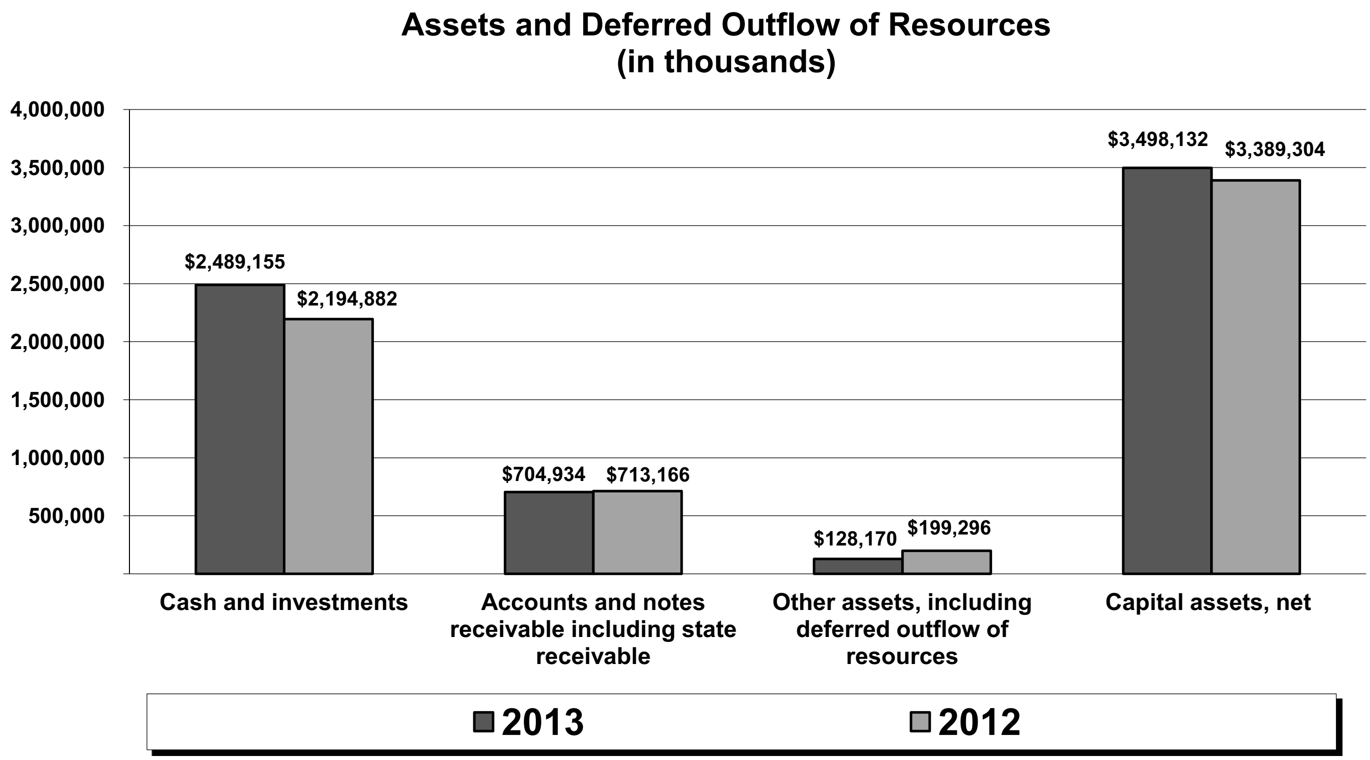
		2013	2012
		(In thousands)	
Current assets:			
Cash and investments	$	1,021,301	916,543
Accounts and notes receivable		488,080	454,659
Receivable from State of Illinois, related to appropriation		164,398	204,972
Other current assets		89,297	152,120
Noncurrent assets:			
Cash and investments		1,467,854	1,278,339
Notes receivable		52,456	53,535
Capital assets, net of accumulated depreciation		3,498,132	3,389,304
Other assets		15,354	14,148
Deferred outflows of resources		23,519	33,028
Total assets and deferred outflows of resources	$	6,820,391	6,496,648
Current liabilities:			
Accounts payable, accrued liabilities and deferred revenue	$	609,439	576,185
Bonds payable		45,551	41,066
Leaseholds payable and other obligations		39,830	145,836
Accrued self-insurance		60,751	60,933
Other current liabilities		98,298	173,399
Noncurrent liabilities:			
Bonds payable		1,057,531	1,093,724
Leaseholds payable and other obligations		417,357	353,916
Accrued self-insurance		171,571	184,777
Accrued compensated absences		175,982	178,434
Derivative instruments – swap liability		27,265	37,169
Total liabilities		2,703,575	2,845,439
Net position		4,116,816	3,651,209
Total liabilities and net position	$	6,820,391	6,496,648

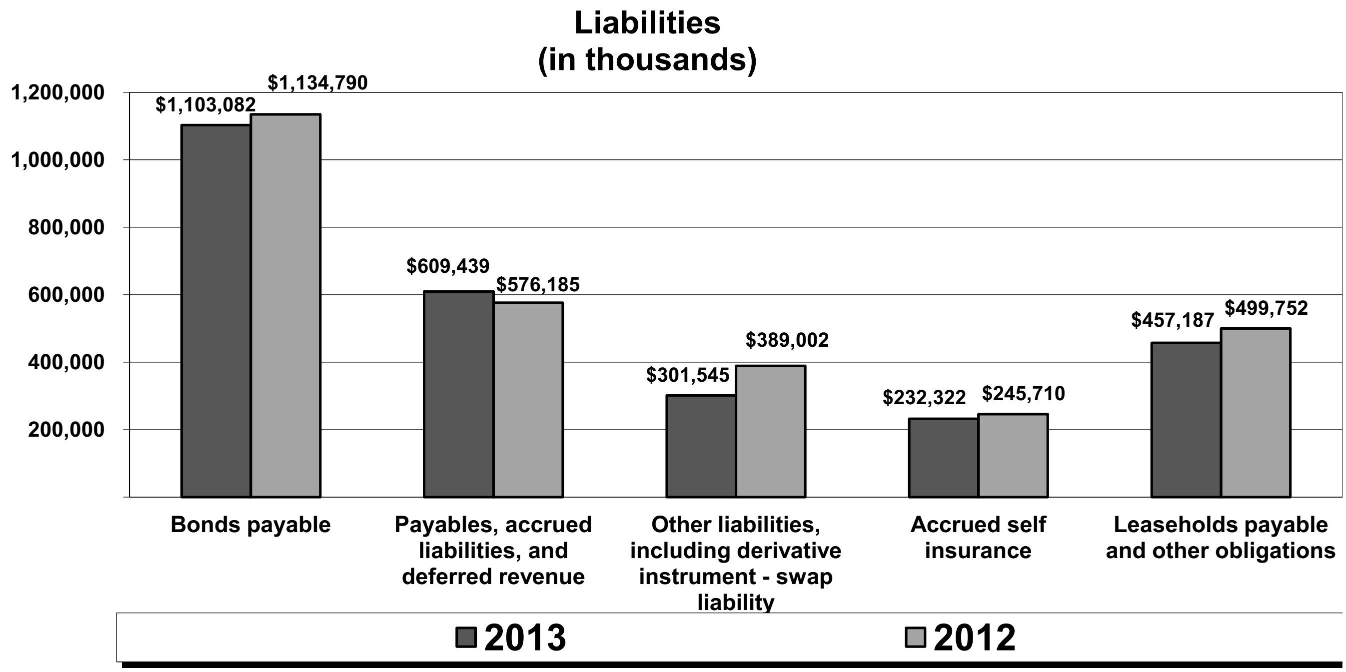
Total assets and deferred outflows of resources have increased by $324 million or 5.0% to $6.8 billion during fiscal year 2013. The primary drivers of this change were increases in cash and investments associated with tuition revenues invested for future use and an increase in capital assets, partially offset by a reduction in the receivable from the State related to appropriated funds and a reduction in securities lending activities.

Total liabilities decreased $142 million, or 5.0% for fiscal year 2013. This change largely resulted from a decrease of $74 million in long-term debt and a reduction of $65 million in the securities lending program.

It should be noted that a liquidity facility agreement related to the variable-rate Certificates of Participation Series 2004 was set to expire in fiscal year 2013, resulting in the entire outstanding balance of $119.4 million being classified as current liabilities in fiscal year 2012. The liquidity facility associated with these certificates was replaced with a new agreement in 2013.

The following graphs illustrate the University's assets, deferred outflows of resources, and liabilities with the current and noncurrent categories combined:





Capital Assets

The University's policy requires the capitalization of equipment at $5,000, software and other intangibles at $100,000, buildings and improvements at $100,000, infrastructure at $1,000,000 and all land and collection purchases regardless of cost. The University depreciates its capital assets on a straight-line basis, using estimated useful lives ranging from 3 to 50 years. The following table illustrates the composition of the University's capital assets, net of accumulated depreciation, by category:

Capital Assets, Net of Accumulated Depreciation
(In thousands)

	2013		2012	
Buildings	$ 2,296,560	65.7%	$ 2,353,319	69.4%
Improvements and infrastructure	309,189	8.8	328,780	9.7
Construction in progress	207,852	5.9	168,383	5.0
Land	135,822	3.9	134,707	4.0
Equipment and software	400,882	11.5	260,401	7.7
Collections	147,827	4.2	143,714	4.2
	$ 3,498,132	100.0%	$ 3,389,304	100.0%

Capital assets, net of accumulated depreciation, increased by $109 million in fiscal year 2013. This increase was largely due to current year additions of equipment and construction in progress, partially offset by current year depreciation. Facilities under construction included projects funded by revenue bonds, federal grants, private gifts, internal funds and state capital appropriations. Facilities under construction included the Electrical Computing Engineering and Ikenberry Commons buildings. Significant additions to equipment included $113 million of expenditures from federal grants related to the Petascale Computing Facility.

Long-Term Debt

The University has historically utilized revenue bonds to finance capital projects related to the Auxiliary Facilities System (AFS), the Health Services Facilities System and the UIC South Campus project. These activities have the ability to generate resources from student fees, users and third parties to service the debt. In fiscal year 2013, the University issued AFS Revenue Bonds of $213 million to refund previously issued bonds. The following table details the various bonded debt outstanding at June 30, 2013 and 2012:

Bonds Payable
(In thousands)

		2013	2012
Auxiliary Facilities System	$	999,898	1,025,068
Health Services Facilities System		50,868	53,507
UIC South Campus		52,316	56,215
	$	1,103,082	1,134,790

The University has issued certificates of participation (COPs), which are reported as leaseholds payable on the financial statements. The COPs have funded projects such as UI Integrate, utility infrastructure, College of Medicine facilities, Petascale Computing Facility and deferred maintenance on medical, academic and research facilities. The outstanding balances of the COPs as of June 30, 2013 and 2012 were $401,663,000 and $444,129,000 respectively.

The reduction in the outstanding balance of the long-term debt was due to scheduled redemptions.

Net Position

The University's resources are classified into net position categories on the Statement of Net Position. These categories are defined as (a) Net investment in capital assets, (b) Restricted nonexpendable – net position restricted by externally imposed stipulations, (c) Restricted expendable – net position subject to externally imposed restrictions that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time and (d) Unrestricted – net position not subject to externally imposed stipulations but may be designated for specific purposes by action of management or the Board of Trustees. The University's net position increased by $466 million during fiscal year 2013. Net position balances are detailed below:

Net Position
(In thousands)

		2013	2012
Net position:			
Net investment in capital assets	$	2,063,410	1,932,473
Restricted		725,784	677,838
Unrestricted		1,327,622	1,040,898
	$	4,116,816	3,651,209

The growth in unrestricted net position was $287 million. This resulted from increased tuition revenue, various expenditure constraints and increases related to self-supporting activities, such as hospital operations. Unexpended private gifts represented the largest component of the $48 million increase in restricted net position. The net investment in capital assets increased by $131 million, which included changes in capital assets and long-term debt as discussed in preceding sections of this MD&A.

Statement of Revenues, Expenses and Changes in Net Position

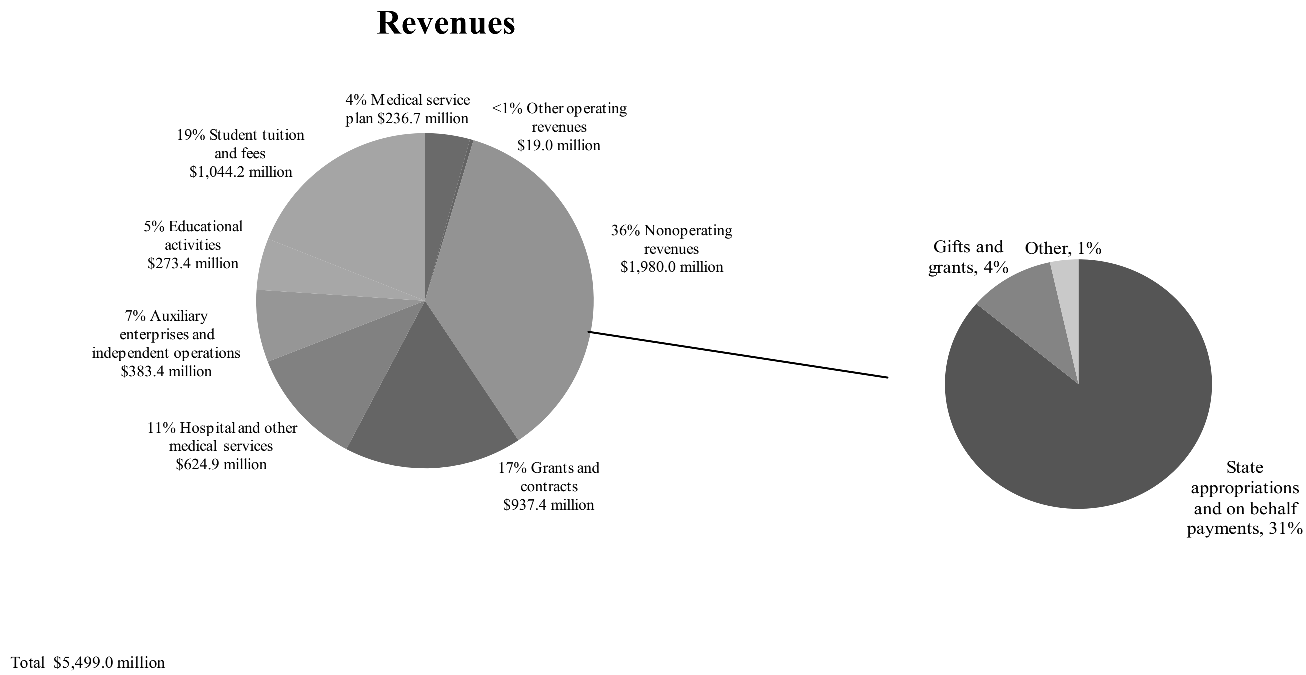
The Statement of Revenues, Expenses and Changes in Net Position presents the University's results of operations. In accordance with GASB reporting standards, revenues and expenses are classified as either operating or nonoperating. A summarized comparison of the University's Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2013 and 2012 is as follows:

	2013	2012
	(In thousands)	
Operating revenues:		
Student tuition and fees	$ 1,044,188	987,796
Grants and contracts	937,372	937,811
Hospital and other medical activities	624,858	601,360
Auxiliary enterprises and independent operations	383,434	376,402
Educational activities	273,394	258,298
Medical service plan	236,668	236,160
Other	18,998	20,017
Total operating revenues	3,518,912	3,417,844
Operating expenses	5,164,846	4,744,967
Operating loss	(1,645,934)	(1,327,123)
Nonoperating revenues (expenses):		
State appropriations and on behalf payments	1,750,397	1,527,767
Transfer of state appropriation to the Hospital Services Fund	(45,000)	(45,000)
Private gifts	139,039	141,700
Federal grants, nonoperating	67,535	69,529
Investment income	68,005	24,656
Net increase in the fair value of investments	5,312	10,979
Other nonoperating expenses, net	(32,413)	(30,421)
Net nonoperating revenues	1,952,875	1,699,210
Capital state appropriations and capital gifts and grants	154,584	87,293
Endowment gifts	4,082	323
Increase in net position	465,607	459,703
Net position, beginning of year	3,651,209	3,189,460
Change in accounting principles		2,046
Net position, end of year	$ 4,116,816	3,651,209

Revenues

The University's revenues are generated from multiple sources, which supplement what is received from state appropriations and student tuition and fees. GASB reporting standards require revenues to be categorized as operating or nonoperating. Operating revenues are derived from activities associated with providing goods and services by the University and generally result from exchange transactions where each of the parties to the transaction either give up or receive something of equal or similar value. The University also relies on revenue, such as state appropriations, gifts, certain federal grants and investment income to support operations, which GASB reporting standards define as nonoperating.

The following graph illustrates the revenues by source (both operating and certain nonoperating), which were used to fund the University's operating activities for the year ended June 30, 2013:



Operating and nonoperating revenues experienced a net increase of $363 million in fiscal year 2013. This increase included several significant components. State appropriations and on behalf payments, which are classified as nonoperating, increased by $223 million due to revenues from payments made by the State to Central Management Services (CMS) and the State Universities Retirement System (SURS). The increase associated with on behalf payments was partially offset by a decrease in State appropriations. Tuition and fee revenue increased by $56 million during fiscal year 2013 primarily due to a tuition increase approved by the Board of Trustees. Revenues associated with investments increased by $38 million in connection with market conditions. Hospital and other medical activities revenues increased by $23 million largely due to rate increases along with reimbursements for services provided in prior fiscal years.

Expenses

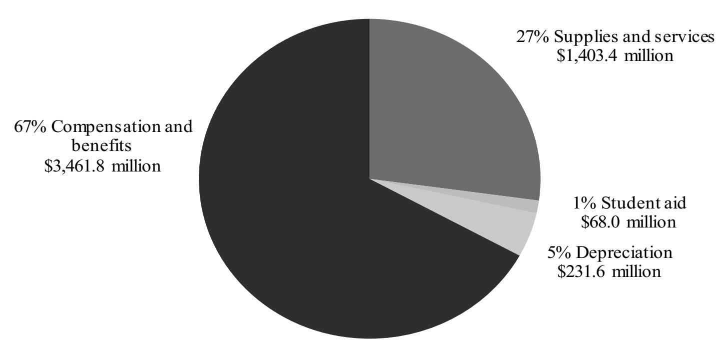
The majority of the University's expenses are exchange transactions, which GASB standards define as operating expenses. Nonoperating expenses include capital financing and other costs related to capital assets.

		2013			2012	
		(In thousands)				
Operating expenses:						
Instruction	$	1,249,732	24.2%	$	1,114,474	23.5%
Research		746,625	14.5		710,656	15.0
Public service		459,093	8.9		413,988	8.7
Support services		832,316	16.1		751,135	15.8
Hospital and medical activities		761,237	14.7		709,650	15.0
Auxiliary enterprises and independent operations		346,070	6.7		320,039	6.7
Scholarships and fellowships		255,930	4.9		241,008	5.1
Operation and maintenance of plant		282,287	5.5		270,947	5.7
Depreciation		231,556	4.5		213,070	4.5
Total operating expenses	$	5,164,846	100.0%	$	4,744,967	100.0%

The increase in operating expenses included increases in payments on behalf, which are allocated across the operating functions, and other increases associated with growth in activities and payroll expenses. Excluding the $266 million increase in on behalf payments, total operating expenses increased by $154 million, or 3.9%. The rise in operating expenses from the prior fiscal year was driven by increases in instruction and academic support functions to facilitate student and faculty achievement, public service initiatives and student scholarships and fellowships. Depreciation also contributed to the increase in operating expenses.

The University chooses to report its expenses by functional classifications in the Statement of Revenues, Expenses and Changes in Net Position. For the reader's information, the expenses are displayed in their natural classifications in note 14. The following graph illustrates the $5,164.8 million of operating expenses by natural classification:

Operating Expenses



The University's Economic Outlook

The University continues to maintain its level of excellence in service to students, patients, the research community, the State and the nation. A critical element to the University's future continues to be a strong partnership with the State since state appropriations from the Governor and General Assembly provide essential operating support for University programs. The direct appropriation for fiscal year 2014, signed into law by the Governor, reflects an increase of $1.2 million (0.2%) from the original budget appropriated in fiscal year 2013. While all major sources of funding for the University were strong in fiscal year 2013, cash flow issues that began in fiscal year 2010 continued to be an issue in fiscal year 2013, where the University ended the year with a receivable of $164.4 million from the State. This receivable from the State related to the University's fiscal year 2013 appropriation was received by the end of September 2013. Although the University received full payment of the fiscal year 2013 appropriation earlier than the past two years, the University expects cash flows from the State to continue to be a major concern, even with the tax increase in January 2011, as the economy slowly recovers. The State also appropriates funds for payments-on-behalf of University employees to CMS, as well as SURS, to pay benefits for University employees.

Based on multiple factors (such as enrollment levels, student mix and tuition rates), the University projects an increase in tuition and miscellaneous departmental revenue in fiscal year 2014. The recommended $1,064.2 million fiscal year 2014 tuition and miscellaneous departmental revenue budget represents a $52.2 million (5.2%) increase from fiscal year 2013. Undergraduate students have a four-year tuition guarantee. Incremental tuition income of $39.8 million results from general tuition rate increases of $99 per semester at Urbana-Champaign, $87 per semester at Chicago and $5.25 per credit hour at Springfield for the freshman cohort, and varying increases in the graduate and professional programs. The remaining increase results from cost recovery programs, extramural, adjustments for enrollment levels, investment income on tuition revenue, nonrecurring funds carried forward from fiscal year 2013 and revenues associated with the library/IT assessment.

In fiscal year 2009, the Governor and General Assembly transferred control of the State's four scientific surveys to the University, which had previously been operated by the Illinois Department of Natural Resources. Beginning in fiscal year 2013, the funds for the State Surveys, now known as the Prairie Research Institute, were directly included in the University of Illinois appropriation, versus an annual transfer of funds to the University's Income Fund as in years past. Private gifts are an important supplement to the University's sources of funding for operating costs, a significant factor in the growth of academic units, and essential for capital acquisition and construction.

Research is one of four components of the University's mission. Research leading to the development of new products and services is also an engine driving economic development, another component of the University's mission. The continuing strength of externally sponsored research revenues illustrates the entrepreneurial spirit of the University's research faculty and staff. Although the federal sequestration efforts impact is not fully known at this time, the University continues to increase the number of competitive grant proposals and is well positioned to increase its share of federal support. The fiscal year 2014 sponsored project budget is an estimate of grant and contract awards for direct costs and represents a 5.0% decrease from fiscal year 2013 grant and contract expenditures. This decrease is primarily related to the recognition of grant-funded capital projects in fiscal year 2013 including major nonrecurring funding for the Blue Waters project at the Urbana-Champaign campus.

The University experienced growth from a variety of funding sources during fiscal year 2013. To maintain its financial position, the University continues to develop multiple sources of revenue to support its mission of instruction, research, public service and economic development. The University's Board of Trustees, the administration, faculty and staff are committed to upholding the University's outstanding academic reputation and strong financial condition.

UNIVERSITY OF ILLINOIS

Statement of Net Position

June 30, 2013
(with comparative totals for June 30, 2012)

(In thousands)

Assets and Deferred Outflows of Resources	University 2013	University 2012	University Related Organizations 2013	University Related Organizations 2012
Current assets:				
Cash and cash equivalents	$ 580,765	609,372	12,325	7,032
Cash and cash equivalents, restricted	143,883	182,490	1,896	1,581
Investments	232,935	93,418	923	1,366
Investments, restricted	63,718	31,263		
Securities lending collateral	25,545	90,732		
Accrued investment income	4,991	3,936	789	1,273
Accounts receivable, net of allowance for uncollectible	478,819	446,014	12,214	8,267
Receivable from State of Illinois, related to appropriations	164,398	204,972		
Pledges receivable, net of allowance			28,640	35,010
Notes receivable, net of allowance for uncollectible	9,261	8,645	59	66
Accrued interest on notes receivable	3,589	3,149		
Inventories	29,394	32,481	6	9
Prepaid expenses and deferred charges	23,940	20,397	1,852	2,222
Due from related organizations	1,838	1,425		
Total current assets	1,763,076	1,728,294	58,704	56,826
Noncurrent assets:				
Cash and cash equivalents, restricted	10,465	17,615	97	147
Investments	1,029,365	812,879	21,886	22,113
Investments, restricted	428,024	447,845	1,542,519	1,356,305
Pledges receivable, net of allowance			202,378	73,019
Notes receivable, net of allowance for uncollectible	52,456	53,535		
Prepaid expenses and deferred charges	10,394	9,797		
Capital assets, net of accumulated depreciation	3,498,132	3,389,304	10,995	12,007
Other assets	4,960	4,351	127	131
Total noncurrent assets	5,033,796	4,735,326	1,778,002	1,463,722
Deferred outflows of resources	23,519	33,028		
Total assets and deferred outflows of resources	$ 6,820,391	6,496,648	1,836,706	1,520,548
Liabilities and Net Position				
Current liabilities:				
Accounts payable and accrued liabilities	$ 301,063	284,357	19,235	15,003
Accrued payroll	149,379	145,172	494	167
Accrued compensated absences, current portion	24,277	22,618	1,276	1,402
Accrued self-insurance, current portion	60,751	60,933		
Deferred revenue and student deposits	158,997	146,656	548	900
Accrued interest payable	15,665	17,455		
Securities lending collateral	25,545	90,732		
Notes payable			3,378	4,084
Bonds payable, current portion	45,551	41,066		
Due to related organizations, current portion			1,838	1,425
Leaseholds payable and other obligations, current portion	39,830	145,836	6,461	6,310
Assets held for others	32,811	42,594	2,014	2,013
Total current liabilities	853,869	997,419	35,244	31,304
Noncurrent liabilities:				
Bonds payable	1,057,531	1,093,724		
Leaseholds payable and other obligations	417,357	353,916	48,088	47,367
Accrued compensated absences	175,982	178,434		
Accrued self-insurance	171,571	184,777		
Deferred distributions			116	55
Derivative instrument – swap liability	27,265	37,169		
Total noncurrent liabilities	1,849,706	1,848,020	48,204	47,422
Total liabilities	2,703,575	2,845,439	83,448	78,726
Net investment in capital assets	2,063,410	1,932,473	7,618	7,923
Restricted:				
Nonexpendable	89,597	78,446	888,875	766,644
Expendable	636,187	599,392	830,558	661,460
Unrestricted	1,327,622	1,040,898	26,207	5,795
Total net position	4,116,816	3,651,209	1,753,258	1,441,822
Total liabilities and net position	$ 6,820,391	6,496,648	1,836,706	1,520,548

See accompanying notes to financial statements.

UNIVERSITY OF ILLINOIS

Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

(In thousands)

	University		University Related Organizations	
	2013	2012	2013	2012
Operating revenues:				
Student tuition and fees, net	$ 1,044,188	987,796		
Federal appropriations	16,830	18,072		
Federal grants and contracts	693,959	718,621		
State of Illinois grants and contracts	92,836	81,478		
Private and other government agency grants and contracts	150,577	137,712	178,278	139,766
Educational activities	273,394	258,298		
Auxiliary enterprises, net	369,814	363,319		
Hospital and other medical activities, net	624,858	601,360		
Medical service plan	236,668	236,160		
Independent operations	13,620	13,083		
Interest and service charges on student loans	2,168	1,945		
Allocation from the University			14,124	14,845
Other sources			84,187	47,984
Total operating revenues	3,518,912	3,417,844	276,589	202,595
Operating expenses:				
Instruction	1,249,732	1,114,474		
Research	746,625	710,656		
Public service	459,093	413,988		
Academic support	421,200	377,982		
Student services	160,960	141,130		
Institutional support	250,156	232,023	104,435	73,339
Operation and maintenance of plant	282,287	270,947		
Scholarships and fellowships	255,930	241,008		
Auxiliary enterprises	333,648	307,597		
Hospital and medical activities	761,237	709,650		
Independent operations	12,422	12,442		
Depreciation	231,556	213,070	1,066	1,091
Distributions on behalf of the University			147,680	151,657
Total operating expenses	5,164,846	4,744,967	253,181	226,087
Operating (loss) income	(1,645,934)	(1,327,123)	23,408	(23,492)
Nonoperating revenues (expenses):				
State appropriations	666,731	709,683		
Transfer of state appropriations to the Illinois DHFS Hospital Services Fund	(45,000)	(45,000)		
Private gifts	139,039	141,700		
Federal grants, nonoperating	67,535	69,529		
On-behalf payments for fringe benefits	1,083,666	818,084		
Net investment income (net of investment expense of $3,540)	68,005	24,656	22,067	14,784
Net increase in the fair value of investments	5,312	10,979	143,829	7,020
Interest expense	(70,877)	(71,489)	(53)	(76)
Loss on disposal of capital assets	(4,783)	(9,653)		
Other nonoperating revenues, net	43,247	50,721	(20)	31
Net nonoperating revenues	1,952,875	1,699,210	165,823	21,759
Income before other revenues	306,941	372,087	189,231	(1,733)
Capital state appropriations	26,123	30,910		
Capital gifts and grants	128,461	56,383		
Private gifts for endowment purposes	4,082	323	122,205	40,020
Increase in net position	465,607	459,703	311,436	38,287
Net position, beginning of year	3,651,209	3,189,460	1,441,822	1,403,535
Cumulative effect of change in accounting principle		2,046		
Net position, beginning of year, as adjusted	3,651,209	3,191,506	1,441,822	1,403,535
Net position, end of year	$ 4,116,816	3,651,209	1,753,258	1,441,822

See accompanying notes to financial statements.

UNIVERSITY OF ILLINOIS

Statement of Cash Flows

Year ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

(In thousands)

	University 2013	University 2012
Cash flows from operating activities:		
Student tuition and fees	$ 1,052,141	983,949
Federal appropriations	16,463	17,625
Federal, state, and local grants and contracts	807,638	754,233
Other governmental agencies and private grants and contracts	154,770	143,829
Sales and services of educational activities	263,987	253,552
Auxiliary activities and independent operations	383,805	382,860
Hospital and other medical activities	577,145	592,608
Medical service plan	239,267	251,607
Payments to employees and for benefits	(2,384,474)	(2,271,990)
Payments to suppliers	(1,402,871)	(1,316,977)
Payments for scholarships and fellowships	(67,548)	(65,213)
Student loans issued	(9,331)	(9,869)
Student loans collected	9,242	8,623
Student loan interest and fees collected	1,728	1,725
Net cash used in operating activities	(358,038)	(273,438)
Cash flows from noncapital financing activities:		
State appropriations	662,306	748,379
Gifts transferred from University of Illinois Foundation	139,039	141,700
Direct lending receipts	480,941	502,286
Direct lending payments	(481,541)	(501,534)
Federal grants and contracts, nonoperating	67,535	69,529
Private gifts for endowment purposes	4,082	323
(Advances to) repayments from related organizations, net	(413)	189
Other receipts	45,185	38,435
Other disbursements	(1,927)	(5,152)
Net cash provided by noncapital financing activities	915,207	994,155
Cash flows from capital and related financing activities:		
Proceeds from issuance of capital debt	248,900	169,424
Capital gifts and grants	126,306	52,451
Purchase of capital assets	(303,075)	(255,625)
Principal payments on bonds, capital leases, and other obligations	(335,760)	(161,764)
Interest payments on bonds, capital leases, and other obligations	(68,783)	(70,106)
Payment of bond and installment payment contract issuance costs	(2,745)	(1,702)
Net cash used in capital and related financing activities	(335,157)	(267,322)
Cash flows from investing activities:		
Interest and dividends on investments, net	27,021	18,401
Proceeds from sales and maturities of investments	2,380,014	1,433,924
Purchase of investments	(2,703,411)	(1,954,904)
Net cash used in investing activities	(296,376)	(502,579)
Net decrease in cash and cash equivalents	(74,364)	(49,184)
Cash and cash equivalents, beginning of year	809,477	858,661
Cash and cash equivalents, end of year	$ 735,113	809,477

UNIVERSITY OF ILLINOIS

Statement of Cash Flows

Year ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

(In thousands)

		University 2013	University 2012
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	$	(1,645,934)	(1,327,123)
Adjustments to reconcile operating loss to net cash used in operating activities:			
On-behalf payments for fringe benefits expense		1,083,666	818,084
Depreciation expense		231,556	213,070
Changes in assets and liabilities:			
Accounts receivable, net		(33,868)	(32,824)
Notes receivable, net		463	(714)
Accrued interest on notes receivable		(440)	(220)
Inventories		3,087	(1,294)
Prepaid expenses and deferred charges		(309)	659
Accounts payable and accrued liabilities		11,157	43,980
Accrued payroll		4,207	6,044
Deferred revenue and student deposits		12,341	(426)
Accrued compensated absences		(793)	(236)
Accrued self-insurance		(13,388)	1,216
Assets held for others		(9,783)	6,346
Net cash used in operating activities	$	(358,038)	(273,438)
Noncash investing, capital, and financing activities:			
On-behalf payments for fringe benefits	$	1,083,666	818,084
State appropriation		45,000	45,000
Transfers to Illinois DHFS Hospital Services Fund		(45,000)	(45,000)
Net increase in fair value of investments		5,312	10,979
Gifts in kind – capital assets		2,819	2,340
Increase of capital asset obligations in accounts payable		5,549	9,552
Capital asset acquisitions by Capital Development Board		26,123	30,910
Capital asset acquisitions via leaseholds payable		3,908	4,913
Net interest capitalized		3,722	6,210
Other capital asset adjustments		(29)	6,668
Loss on disposal of capital assets		(4,783)	(9,653)
Capital appreciation on bonds payable		8,959	9,476

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

Organization

The University of Illinois (University), a federal land grant institution, founded in 1867 and a component unit of the State of Illinois (State), conducts education, research, public service and related activities principally at its three campuses in Urbana-Champaign, Chicago, which includes the University of Illinois Hospital (Hospital) and other healthcare facilities, and Springfield. The governing body of the University is The Board of Trustees of the University of Illinois (Board).

As required by U.S. generally accepted accounting principles, as prescribed by the Governmental Accounting Standards Board (GASB), these financial statements present the financial position and financial activities of the University (the primary government) and its component units as well as certain activities and expenses funded by other State agencies on behalf of the University or its employees. The component units discussed below are included in the University's financial reporting entity (Entity) because of the significance of their financial relationship with the University.

The University Related Organizations (UROs) column in the financial statements includes the financial data of the University's discretely presented component units. The University of Illinois Foundation (Foundation), the University of Illinois Alumni Association (Alumni Association), Wolcott, Wood and Taylor, Inc. (WWT), Prairieland Energy, Inc. (Prairieland), Illinois Ventures, LLC (Illinois Ventures), The University of Illinois Research Park, LLC (Research Park) and UI Singapore Research, LLC (Singapore Research) are included in the University's reporting entity because of the significance of their operational or financial relationship with the University. These component units are discretely presented in a separate column and are legally separate from the University.

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. Complete financial statements for the Foundation may be obtained by writing the Senior Vice President for Administration, 400 Harker Hall, 1305 W. Green Street, Urbana, Illinois 61801.

The Alumni Association was formed to promote the general welfare of the University and to encourage and stimulate interest among students, former students and others in the University's programs. In this capacity, the Alumni Association offers memberships in the Alumni Association to former students, conducts various activities for students and alumni, and publishes periodicals for the benefit of alumni. Complete financial statements for the Alumni Association may be obtained by writing the Chief Financial Officer, Alice Campbell Alumni Center, 601 S. Lincoln Avenue, Urbana, Illinois 61801.

WWT was formed to provide practice management support services and operate as a billing/collection entity for healthcare activities under the laws of the State. Complete financial information may be obtained by writing the President and CEO, 200 W. Adams, Suite 225, Chicago, Illinois 60606.

Prairieland, a for-profit, wholly owned corporation, was formed for the purpose of providing support for the University through delivery of comprehensive economical utility services to the University and other organizations. Complete financial information may be obtained by writing the Controller, 106 Town Center, Suite 304, Champaign, Illinois 61820.

Illinois Ventures, a for-profit, wholly owned corporation, exists to facilitate the development of new companies commercializing technology originated or developed by faculty, staff and/or students of the University and other organizations. The University desires Illinois Ventures to foster technology commercialization and economic development in accordance with the teaching, research and public service missions of the University. Complete financial information may be obtained by writing the CEO and Managing Director, 2001 South First Street, Suite 201, Champaign, Illinois 61820.

Research Park, a for-profit, wholly owned corporation, was formed to aid and assist the University and other organizations by establishing and operating a research park on the University's Urbana-Champaign campus. The Research Park was designed to promote the development of new companies, which commercialize University technologies. Complete financial information may be obtained by writing The University of Illinois Research Park, LLC, 60 Hazelwood Drive, Champaign, Illinois 61820.

Singapore Research, a for-profit, wholly owned corporation, was formed to organize, develop, hold and operate, through a Singapore entity, a research center in Singapore to encourage and facilitate research, development and commercialization of the intellectual assets of the University. Complete financial information may be obtained by writing the Treasurer, UI Singapore Research, LLC, 349 Henry Administration Building, 506 South Wright Street, Urbana, Illinois 61801.

The Foundation, Alumni Association, WWT, Prairieland, Illinois Ventures, Research Park and Singapore Research are related organizations as defined under *University Guidelines* adopted by the State of Illinois Legislative Audit Commission.

The University is a component unit of the State 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.

Significant Accounting Policies

(a) Financial Statement Presentation and Basis of Accounting

University

The University prepared its financial statements as a Business-Type Activity, as defined by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, using the economic resources measurement focus and the accrual basis of accounting. Business-Type Activities are those financed in whole or in part by fees charged to external parties for goods and services.

Under the accrual basis, revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grant and contract revenues, which are received or receivable from external sources, are recognized as revenues to the extent of related expenses or satisfaction of eligibility requirements. Advances are classified as deferred revenue. Appropriations made from the State for the benefit of the University are recognized as nonoperating revenues when eligibility requirements are satisfied.

The financial statements include certain prior year comparative information, which has been derived from the University's 2012 financial statements. Such information does not include all of the information required to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2012.

UROs

The financial statements of WWT, Prairieland, Illinois Ventures, Research Park and Singapore Research are prepared using the same presentation and basis of accounting as the University, as described above.

The Foundation and Alumni Association follow FASB standards for financial statement presentation. Consequently, reclassifications have been made to convert their financial statements to the GASB format for inclusion in the UROs column of the financial statements and disclosure in note 16.

(b) Cash and Cash Equivalents

The Statement of Cash Flows details the change in the cash and cash equivalents balance for the fiscal year. Cash and cash equivalents include bank accounts and investments with original maturities of ninety days or less at the time of purchase. Such investments consist primarily of U.S. Treasury bills, commercial paper, repurchase agreements and money market funds.

(c) Inventories

Inventories are stated at the lower of cost or market. Cost is determined principally by the average cost method or the first-in, first-out method, depending on the type of inventory.

(d) Investments

Investments are recorded at fair value. Fair value is determined by quoted market prices for the University's investments. The fair values of the real estate and farm properties held as investments by permanent and term endowments are determined by a periodic appraisal of the property by a certified real estate appraiser. Fair value for investments in limited partnerships and certain mutual funds is determined using net asset values as provided by external investment managers. The University also has real estate and farm properties held as investments by quasi-endowments, which are carried at cost, or when donated, at the fair value at the date of donation.

Changes in fair value during the reporting period are reported as a net increase (decrease) in the fair value of investments. Net investment income includes interest, dividends, and realized gains and losses.

(e) Endowments

For donor-restricted endowments, the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted in Illinois, permits the respective Boards of both the University and the Foundation to appropriate an amount of realized and unrealized endowment appreciation as they determine to be prudent. The University's policy is to retain the realized and unrealized appreciation within the endowment after spending rule distributions.

University

The University utilizes the total return concept in allocating endowment income. The focus is to preserve the real value or purchasing power of endowment pool assets and the annual support the assets provide. Distributions are made from the University Endowment Fund to the University entities that benefit from the endowment funds. The endowment spending rule provides for an annual distribution of 4.0% of the two-quarter lagged, seven-year moving average market value of fund units. At June 30, 2013, net appreciation of $58,769,000 was available to be spent, of which $46,439,000 was restricted to specific purposes.

URO – Foundation

Interpretation of Relevant Law: The board of directors of the Foundation interprets UPMIFA to require consideration of the following factors, if relevant, in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund
- The purposes of the institution and the endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the institution
- The investment policy of the institution

In accordance with the Foundation's interpretation of UPMIFA, absent explicit donor stipulations to the contrary, the Foundation shall classify as permanently restricted net assets (restricted – nonexpendable) the original value of the gifts donated to the permanent endowment, but such classification does not limit the expenditures from the endowment fund only to income, interest, dividends, or rents, issues or profits. The portion of the fund's value spendable annually for the donor-designated purpose is to be determined, from time to time, by the Foundation's board of directors, acting in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, considering the above relevant factors. The Foundation's Board approved spending was $63,152,000 for fiscal year ended June 30, 2013.

(f) Capital Assets

Capital assets are recorded at cost or, if donated, at fair value at the date of a gift. Depreciation of the capital assets is calculated on a straight-line basis over the estimated useful lives (noted below) of the assets. The University's policy requires the capitalization of land and collection purchases regardless of cost, equipment over $5,000, software, easements, buildings and improvements over $100,000 and infrastructure over $1,000,000. The University does not capitalize collections of works of art or historical treasures held for public exhibition, education or research in furtherance of public service rather than capital gain, unless they were previously capitalized as of June 30, 1999. Proceeds from the sale, exchange or other disposal of any item belonging to a collection of works of art or historical treasures must be applied to the acquisition of additional items for the same collection. Estimated useful lives for capital assets are as follows:

	Useful life (in years)		**Useful life (in years)**
Buildings:		Improvements other than buildings:	
Shell	50	Site improvements	20
Service systems	25	Infrastructure	25
Fixed equipment	15		
Remodeling	25	Moveable equipment	3 – 20
Intangibles:			
Software	5 – 10		

(g) Deferred Outflows of Resources

Under hedge accounting, the University has determined that the interest rate swap agreements on bonds payable and certificates of participation, as hedging derivative instruments, are an effective hedge. Accordingly, changes in the fair values of the interest rate swaps, since being associated with the related outstanding bonds or certificates, are reported as deferred outflows of resources on the accompanying Statement of Net Position. Additionally, interest rate swaps reassigned to new debt, after a refunding of debt that the swap was previously hedging, normally have an other than zero fair value upon the reassociation. For swaps with a fair value of other than zero upon reassociation with a hedgeable item, the fair value is amortized as an adjustment to interest expense in a systematic manner.

(h) Compensated Absences

Accrued compensated absences for University personnel are charged as an operating expense, using the vesting method, based on earned but unused vacation and sick leave days including the University's share of Social Security and Medicare taxes. At June 30, 2013, the University estimates that $100,601,000 of the accrued compensated absences liability will be paid out of State appropriations to the University in subsequent years, rather than from unrestricted net position available at June 30, 2013. The amount associated with future State appropriations was calculated based upon the unused vacation and sick leave days and pay rates for the applicable employees.

(i) Premiums, Issuance Costs and Deferred Loss on Refundings

Premiums, issuance costs and losses on refundings for bonds and certificates of participation are deferred and amortized over the life of the debt issue using the straight-line method.

(j) Net Position

The Entity's resources are classified into net position categories and reported in the Statement of Net Position. These categories are defined as (a) Net investment in capital assets – capital assets net of accumulated depreciation and related outstanding debt balances attributable to the acquisition, construction, or improvement of those assets; (b) Restricted nonexpendable – net position restricted by externally imposed stipulations; (c) Restricted expendable – net position subject to externally imposed restrictions that can be fulfilled by actions of the Entity pursuant to those stipulations or that expire by the passage of time; and (d) Unrestricted – net position not subject to externally imposed stipulations but may be designated for specific purposes by action of management or the Board. The Entity first applies resources in restricted net position when an expense or outlay is incurred for purposes for which resources in both restricted and unrestricted net positions are available.

(k) Classification of Revenues

The Statement of Revenues, Expenses and Changes in Net Position classifies the Entity's fiscal year activity as operating and nonoperating. Operating revenues generally result from exchange transactions such as payments received for providing goods and services, including tuition and fees, net of scholarships and fellowships, certain grants and contracts, sales and services of educational activities, hospital, medical service plans, and auxiliary enterprises revenues. Certain revenue sources that the Entity relies on to provide funding for operations including State appropriations, gifts, on-behalf payments for fringe benefits and investment income are defined by GASB Statement No. 35 as nonoperating revenues. In addition, transactions related to capital and financing activities are components of nonoperating revenues.

In fiscal year 2013, $45,000,000 of State appropriations were transferred to the University of Illinois Hospital Services Fund, which is a special fund established in the State Treasury pursuant to the State Finance Act, 30 ILCS 105/6z-30. This fund is owned and operated by the Illinois Department of Healthcare and Family Services (DHFS) and this fund is not part of or a related organization of the University.

(l) Tuition, Scholarships and Fellowships

Scholarships and fellowships of $250,138,000 and $7,487,000 are netted against student tuition and fees and auxiliary enterprises revenues, respectively. Stipends and other payments made directly to students are reported as scholarship and fellowship expense. Net tuition and fees, except for summer session, are recognized as revenues as they are assessed. The portion of summer session tuition and fees applicable to the following fiscal year is deferred.

(m) Patient Services Revenue – Hospital

With respect to the Hospital, net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge reimbursed costs, discounted charges and per diem payments. Approximately 94% of the Hospital’s net patient service revenues were derived from Medicare, Medicaid, Blue Cross and managed care programs for the year ended June 30, 2013. Payments under these programs are based on established program rates or cost of rendering services to program beneficiaries. The Hospital provides contractual allowances on a current basis for the differences between charges for services rendered and the expected payments under these programs. For the year ended June 30, 2013, the contractual allowances totaled $1,197,714,000.

The University provides care without charge or at amounts at less than its established rates to patients who meet the criteria of its charity care policy. Because the University does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Consideration for eligibility of charity care is based on the application of the University’s charity care policy and includes patient qualification criteria, financial resource criteria and service criteria. The University does not include the unreimbursed cost of providing care to Medicaid and Medicare patients as charity care.

The net cost of charity care provided in fiscal year 2013 was $21,206,000, an increase of 19% from the prior year. The net cost of charity care is determined by the total charity care cost less any patient related revenue due to the sliding scale payments or other patient specific resources. Most of the patient specific resources came from the Center for Medicare & Medicaid Services 1011 program reimbursement.

(n) Classification of Expenses

The majority of the Entity’s expenses are exchange transactions, which GASB defines as operating expenses for financial statement presentation. Nonoperating expenses include transfers of state appropriations and capital financing costs.

(o) Employment Contracts

Employment contracts for certain academic personnel provide for twelve monthly salary payments, although the contracted services are rendered during a nine-month period. The liability for those employees who have completed their contracted services, but have not yet received final payment, was $56,777,000 at June 30, 2013 and is recorded in the accompanying financial statements as accrued payroll. This amount will be paid from amounts specifically included in State appropriations to the University for fiscal year 2014 rather than from the unrestricted net position available at June 30, 2013.

(p) On-Behalf Payments for Fringe Benefits

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the University reported payments made to the State Universities Retirement System on behalf of the Entity for contributions to retirement programs for Entity employees of $588,267,000 for the year ended June 30, 2013. Substantially all employees participate in group health insurance plans administered by the State. The employer contributions to these plans for University employees paid by State appropriations and auxiliary enterprises are paid to Central Management Services on behalf of the University and include postemployment benefits. The employer contributions to these plans on behalf of employees paid from other University held funds are paid by the University. The on-behalf payments were $495,399,000 for year ended June 30, 2013. On-behalf payments are reflected as nonoperating revenues. The corresponding on-behalf expense is reflected as an operating expense and is allocated by function.

(q) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 during the reported period. Actual results could differ from those estimates.

(r) New Accounting Pronouncements

The University adopted the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34,* which was effective July 1, 2012. GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity along with financial reporting entity display and disclosure requirements. Implementation of GASB Statement No. 61 did not impact the University's financial statements.

The University adopted the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which was effective July 1, 2012. The objective of GASB Statement No. 62 is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: (1) Financial Accounting Standards Board (FASB) Statements and Interpretations, (2) Accounting Principles Board Opinions, and (3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. Implementation of GASB Statement No. 62 did not impact the University's financial statements.

The University adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* which was effective July 1, 2012. GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Certain transactions that result in the consumption or acquisition of resources in one period that are applicable to future periods are identified as *deferred outflows of resources* and *deferred inflows of resources*, respectively, and are distinguished from assets and liabilities. The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is identified as *net position*. The University's Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The University's Statement of Revenues, Expenses, and Changes in Net Position reports all revenues and expenses, increases or decreases in net position, and beginning and ending net position. The new pronouncement required a change in the format of the University's financial statements, but did not have any quantitative impact.

(2) Cash, Cash Equivalents and Investments

The carrying amount of the University's cash totaled $(10,554,000) at June 30, 2013. The June 30, 2013 total bank account balances for the University aggregated $11,182,000 and was covered by federal depository insurance or by collateral held by an agent in the Entity's name.

Certificates of deposit held by the University totaled $21,400,000 at June 30, 2013 and was covered by federal depository insurance.

Illinois statutes require a third-party custodian to perfect the University's security interest under repurchase agreements. The University follows industry standards and requires that securities underlying repurchase agreements must have a fair value of at least 102% of the cost of the repurchase agreement. At June 30, 2013, the University had repurchase agreements of $316,000 and the market value of securities underlying these repurchase agreements was $335,000 at June 30, 2013.

Illinois statutes govern the investment policies of the University. The Board develops University policy on investments and delegates the execution of those policies to its administrative agents. The University follows the State of Illinois UPMIFA and the State of Illinois Public Funds Investment Act when investing its funds. Allowable investments under these policies include:

- Obligations of the U.S. Treasury, other federal agencies and instrumentalities
- Interest-bearing savings accounts and time deposits of any bank as defined by the Illinois Banking Act
- Asset-backed securities
- Corporate bonds, stocks and equities
- Commercial paper
- Repurchase agreements
- Limited partnerships
- Mutual funds

Additionally, the University has real estate and farm properties held as investments by permanent and term endowments reported at fair value of $74,372,000. The fair value of the real estate and farm properties is determined by a periodic appraisal of the property by a certified real estate appraiser. Changes in fair value during the reporting period are reported as investment income. The University also has real estate and farm properties held as investments by quasi-endowments reported at $8,559,000, which are carried at cost, or when donated, at the fair value at the date of donation. All other investments are carried at their fair value, as determined by quoted market prices when available, and otherwise by generally accepted valuation principles.

Nearly all of the University's investments are managed by external professional investment managers, who have full discretion to manage their portfolios subject to investment policy and manager guidelines established by the University, and in the case of mutual funds and other commingled vehicles, in accordance with the applicable prospectus.

The following details the carrying value of the University's cash, cash equivalents and investments as of June 30, 2013:

University Cash, Cash Equivalents and Investments

(In thousands)

U.S. Treasury bonds and bills	$	291,725
U.S. government agencies		184,938
Commercial paper		12,922
Corporate bonds		495,442
Bond mutual funds		83,031
Nongovernment mortgage-backed securities		65,844
Other asset-backed securities		171,336
Non-U.S. government bonds		41,950
Money market funds		739,588
Illinois public treasurer's investment pool		5,263
Subtotal before cash deposits, equities and other investments		2,092,039
U.S. equities		34,426
International equities		5
Equity mutual funds		233,960
Limited partnerships		34,632
Repurchase agreements		316
Certificates of deposit		21,400
Real estate and farm properties		82,931
Cash deposits		(10,554)
Total	$	2,489,155

(a) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the University employs multiple investment managers, of which each has specific maturity assignments related to the operating funds. The funds are structured with different layers of liquidity. Funds expected to be used within one year are invested in money market instruments. Core operating funds are invested in longer maturity investments. Core operating funds investment manager's performance benchmarks are the Barclays Capital one-year to three-year Government Bond Index, the Barclays Capital one-year to three-year Government Credit Bond Index and the Barclays Capital Intermediate Aggregate Bond Index. The University's manager guidelines provide that the average weighted duration of the portfolio, including option positions, not vary from that of their respective performance benchmarks by more than +/-20%.

The University's debt securities and maturities at June 30, 2013 are illustrated below:

University Investment Maturities

(In thousands)

		Total	Less than 1 year	1 – 5 years	6 – 10 years	Greater than 10 years
U.S. Treasury bonds and bills	$	291,725	61,027	193,425	37,252	21
U.S. government agencies		184,938	12,500	40,133	36,929	95,376
Commercial paper		12,922	12,922			
Corporate bonds		495,442	183,295	290,298	21,056	793
Bond mutual funds		83,031		795	82,236	
Nongovernment mortgage-backed securities		65,844		2,152	1,390	62,302
Other asset-backed securities		171,336	384	143,176	16,018	11,758
Non-U.S. government bonds		41,950	8,753	25,464	2,586	5,147
Money market funds		739,588	739,588			
Illinois public treasurer's investment pool		5,263	5,263			
Total	$	2,092,039	1,023,732	695,443	197,467	175,397

At June 30, 2013, the University's operating funds pool portfolio had an effective duration of 1.4 years.

(b) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's investment policy requires that operating funds be invested in fixed income securities and money market instruments. Fixed income securities shall be rated investment grade or better by one or more nationally recognized statistical rating organizations. Securities not covered by the investment grade standard are allowed if, in the manager's judgment, those instruments are of comparable credit quality. Securities that fall below the stated minimum credit requirements subsequent to initial purchase may be held at the manager's discretion. Per the University's investment policy, the average credit quality of the operating funds will not fall below Standard & Poor's AA – or equivalent.

At June 30, 2013, the University had debt securities and quality ratings as illustrated below:

University Investments Quality Ratings

(In thousands)

	Total	AAA	AA	A	BBB	BB	Less than BB or not rated
U.S. Treasury bonds and bills	$ 291,725		291,725				
U.S. government agencies	184,938	422	184,516				
Commercial paper	12,922		5,999	6,923			
Corporate bonds	495,442	12,366	119,763	259,681	100,367	582	2,683
Bond mutual funds	83,031		42,832	40,199			
Nongovernment mortgage-backed securities	65,844	37,110	5,425	4,742	1,942	1,636	14,989
Other asset-backed securities	171,336	151,581	15,540	49		885	3,281
Non-U.S. government bonds	41,950	15,590	19,393	5,722	884		361
Money market funds	739,588	737,544	2,044				
Illinois public treasurer's investment pool	5,263	5,263					
Total	$ 2,092,039	959,876	687,237	317,316	103,193	3,103	21,314

(c) ***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk relates to investment securities that are held by someone other than the University and are not registered in the University's name. The University investment policy does not limit the value of investments that may be held by an outside party. At June 30, 2013, the University's investments and deposits had no custodial credit risk exposure.

(d) ***Concentration of Credit Risk***

Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. The University's investment policy provides that the total operating funds portfolio will be broadly diversified across securities in a manner that is consistent with fiduciary standards of diversification. This diversification is achieved by employing multiple investment managers and imposing maximum position limits for each manager. Within the University's investment policy, the manager guidelines for operating investments provide that non-U.S. government obligations may not exceed 10% per issuer and private mortgage-backed and asset-backed securities may not exceed 10% per issuer (unless collateral is credit independent of the issuer and the security's credit enhancement is generated internally, in which case the limit is 25% per issuer). Obligations with other issuers, other than the U.S. government, U.S. agencies or U.S. government-sponsored corporations and agencies, may not exceed 5%. As of June 30, 2013, not more than 5% of the University's total investments were invested in securities of any one issuer, excluding securities issued or guaranteed by the U.S. government, mutual funds and external investment pools or other pooled investments.

(e) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University's operating fund investments generally are not exposed to foreign currency risk. The University does not have an overarching policy related to foreign currency risk; however, under the investment manager's guidelines, the portfolio's foreign currency exposure may be unhedged or hedged back into U.S. dollars. Cross hedging is not permitted.

The University invests in non-U.S. developed and emerging markets through commingled funds invested in non-U.S. equities, global equities, private equity and absolute return strategies. These funds are reported in U.S. dollars, both price changes of the underlying securities in local markets and changes to the value of local currencies relative to the U.S. dollar are embedded in investment returns.

(f) Securities Lending

To enhance the return on investments, the Board has authorized participation in a securities lending program. Through its custodian bank, the University loans securities to independent third parties. Such loans are secured by collateral consisting of cash, cash equivalents or U.S. government securities and irrevocable bank letters of credit in an amount not less than 102% of the fair value of the securities loaned. Noncash collateral cannot be pledged or sold by the University unless the borrower defaults. Cash collateral is invested by the custodian bank in a short-term investment pool. As of June 30, 2013, the short-term investment pool has a weighted average maturity of 88 days. The University receives interest and dividends during the loan period as well as a fee from the custodian. Marking to market is performed every business day and the borrower is required to deliver additional collateral when necessary so that the total collateral held by the custodian will equal at least the fair value plus accrued interest of the borrowed securities. All security loans can be terminated on demand by either the University or the borrowers. The University's pro rata share of cash received as securities lending collateral was $25,545,000 at June 30, 2013, and is recorded as an asset and corresponding liability on the University's Statement of Net Position. As of June 30, 2013, $24,978,000 of the investments reported on the University's Statement of Net Position was on loan, secured by collateral with a fair value of $25,545,000. At June 30, 2013, the University has no credit risk exposure to borrowers because the amounts the University owes the borrowers exceed the amounts the borrowers owe the University.

(Continued)

(g) URO – Foundation Investments

As the investments of the University's Foundation are considered material to the University's financial statements taken as a whole, the following disclosures are made:

The Foundation financial statements follow FASB standards; therefore, the required disclosures, within the University's statements, for the Foundation investments differ from GASB requirements.

FASB standards have established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The fair value hierarchy is as follows:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Foundation has the ability to access as of the measurement date. Level 1 inputs would also include investments valued at prices in active markets that the Foundation has access to where transactions occur with sufficient frequency and volume to provide reliable pricing information.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data. Level 2 investments also include alternative investments, measured using the practical expedient, that do not have any significant redemption restrictions, lock up periods, gates or other characteristics that would cause liquidation and report date net asset value (NAV) to be significantly different, if redemption were requested at report date.

Level 3 – Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability. The Foundation reports the fair value of certain Level 3 investments using the practical expedient. The practical expedient allows for the use of NAV, either as reported by the investee fund or as adjusted by the Foundation based on various factors, to be used to determine fair value, under certain conditions. The fair value of the investment is based on a combination of audited financial statements of the investees and monthly or quarterly statements received from the investees. These investments could have significant redemption and other restrictions that would limit the Foundation's ability to redeem out of the fund at report date NAV.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Investments: Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds, exchange-traded equities and mutual funds.

If quoted market prices are not available, then the fair values are estimated by using pricing models, quoted prices of securities with similar characteristics and other valuation methodologies. Level 2 securities would include mortgage-backed agency securities, certain corporate securities, mutual funds of Level 1 securities where values are based on net asset value provided by the investment manager, emerging market funds where the value is based on the net asset value provided by the investment manager and other certain securities. These securities are valued primarily through a multidimensional relational model including standard inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers, reference data and net asset value provided by the investment manager.

In certain cases where there is limited activity or less transparency around inputs to the valuation, including alternative investments, securities are classified within Level 3 of the valuation hierarchy and may include equity and/or debt securities issued by private entities and certain corporate bonds. The Foundation's private equity, hedge and real estate investment funds do not have a readily determinable fair value. These funds are valued using the practical expedient.

Beneficial interest in trusts and trusts held by others: The values of the beneficial interest in trusts are derived from the underlying investments of the trusts. The value of those investments is determined in the same manner as investments described above. The Foundation owns an interest in trust and not the underlying investments. The estimated future value of that interest in the trust based on Foundation management's estimate of the trusts' expected performance is then present valued back to the date of the financial statements based on life expectancy factors published by the Internal Revenue Service.

There have been no changes in valuation techniques used for any assets measured at fair value during the year ended June 30, 2013.

The following table summarizes assets measured at fair value on a recurring basis as of June 30, 2013, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

URO – Foundation Fair Value Measurements as of June 30, 2013

(In thousands)

	Fair value	Level 1	Level 2	Level 3
Assets:				
U.S. Treasury bonds and bills	$ 5,435		5,435	
International government bonds	1,126		33	1,093
U.S. government agencies	19,392		19,392	
International government agencies	599		599	
Municipal bonds	568		568	
Corporate bonds and notes	14,362		14,362	
Commercial mortgage-backed securities	1,052		1,052	
Asset-backed securities	3,063		2,926	137
Nongovernment backed collateralized mortgage obligation (CMOS)	2,784		2,625	159
Other fixed income	2,503		2,503	
Common stock, domestic:				
Consumer goods	56,208	56,208		
Energy	10,358	10,358		
Financial services	24,106	23,100	1,006	
Healthcare	27,078	27,078		
Industrials	18,141	18,141		
Information technology	31,313	31,313		
Materials	11,448	11,448		
Telecommunications	418	418		
Utilities	1,166	1,166		
Common stock, foreign:				
Consumer goods	27,943	27,943		
Energy	4,127	4,127		
Financial services	11,673	11,673		
Health care	12,696	12,696		
Industrials	14,561	14,561		
Information technology	1,271	1,271		
Materials	2,661	2,661		
Miscellaneous	13,540			13,540
Hedged/alternative investments	410,358			410,358
Private equity	102,759			102,759
Real estate trusts and partnerships	71,336			71,336
Subtotal forward	$ 904,045	254,162	50,501	599,382

URO – Foundation Fair Value Measurements as of June 30, 2013 (Continued)

(In thousands)

	Fair value	Level 1	Level 2	Level 3
Subtotal forward	$ 904,045	254,162	50,501	599,382
Bond mutual funds:				
U.S. government	28,087	849	27,238	
Mortgages	24,947	659	24,288	
Corporate bonds and notes	12,908	397	12,511	
High yield	2,874	83	2,791	
Municipals	4,360	111	4,249	
Internationals	9,827	309	9,518	
Equity mutual funds:				
Small cap	630	454	176	
Mid cap	12,808	12,808		
Large cap	139,909	38,135	101,774	
International	109,728	8,981	100,747	
Money market mutual funds	159,963	159,963		
Other	2,953			2,953
Farms	58,254		58,254	
Beneficial interest in trusts	32,082			32,082
Trusts held by others	20,042			20,042
Cash surrender value of life insurance	5,732			5,732
Other assets	7,517		7,517	
Total investments	$ 1,536,666	476,911	399,564	660,191

The investments above exclude $5,853,000 of real estate, which is carried at cost.

The following table presents additional information about investments measured at fair value on a recurring basis for which the URO – Foundation has utilized Level 3 inputs to determine fair value:

URO – Foundation Significant Unobservable Inputs (Level 3) as of June 30, 2013
(In thousands)

	Beginning balance	Purchases	Sales (distributions)	Total gains or losses*	Net transfers in/out of Level 3	Ending balance
U.S. government agencies	$ 90		(8)	(27)	(55)	—
International government bonds	783	804	(450)	(44)		1,093
Miscellaneous common stock	13,221	266		53		13,540
Hedged/alternative assets	365,988			44,370		410,358
Private equity	103,634	6,677	(18,413)	10,861		102,759
Real estate trusts and partnerships	74,952	412	(8,443)	4,415		71,336
Other investments	2,750		(90)	293		2,953
Beneficial interest in trusts	30,289			1,793		32,082
Trusts held by others	15,483			4,559		20,042
Cash surrender value of life insurance	5,363			369		5,732
Asset backed securities	130			7		137
Nongovernment backed CMOS	—		(19)	19	159	159
Balance, ending	$ 612,683	8,159	(27,423)	66,668	104	660,191

*(realized/unrealized) included in change in net position

Gains and losses on Level 3 investments included in change in net position for the period above are reported as realized and unrealized gains (losses) on investments.

The following table sets forth additional disclosure of the Foundation's investments whose fair value is estimated using net asset value (NAV) per share (or its equivalent) as of June 30, 2013:

URO – Foundation Investments, Fair Value Estimated Using NAV (or its equivalent)
(In thousands)

	Fair value	Unfunded commitment	Redemption frequency	Redemption notice period
Hedged/alternative investments (A)	$ 410,358		(A)	(A)
Private equity (B)	102,759	15,986	(B)	(B)
Real estate trusts and partnerships (B)	71,336	2,787	(B)	(B)
Large cap equity fund (C)	101,774		Daily	Trade Date Plus 1 – 3 Days
International equity fund (D)	100,747		Daily/10 days	Trade Date Plus 1 day – 30 Days
	$ 786,974	18,773		

(A) The partnerships in this category consist of funds that invest in multiple limited partnerships with various investment strategies and long and short positions in equity securities of companies within the USA and outside of the USA. These funds can be redeemed daily, monthly, quarterly or annually depending on the partnership agreement within redemption notice periods of none to 90 days. The fund values of these investments have been estimated using the NAV per share of the investments provided by the fund manager.

(B) The partnerships in this category consist of funds that invest in the following types of investments in the USA and outside of the USA: venture capital partnerships, buyout partnerships, mezzanine/subordinated debt partnerships, restructuring/distressed debt partnerships and special situation partnerships, and real estate. These investments cannot be redeemed during the life of the partnership, which can be up to 12 years; however, they can be transferred to another eligible investor. Distributions will be received as the underlying investments of the funds are liquidated over time. The fair value of this investment has been estimated using the NAV provided by the fund manager and an adjustment determined by management for the time period between the date of the last available net asset value from the investment manager and June 30, 2013.

(C) These funds invest in marketable equities that are all exchange traded in the USA and that are categorized as large cap. These funds can be redeemed at the month-end net asset value per share based on the fair value of the underlying assets. The fair values of these investments have been estimated using the NAV per share of the investments provided by the fund manager.

(D) These funds invest in international equities that are all exchange traded in countries outside of the USA. These funds can be redeemed at the month-end net asset value per share based on the fair value of the underlying assets. The fair values of these investments have been estimated using the NAV per share of the investments provided by the fund manager.

All URO – Foundation investments are considered noncurrent assets.

(3) Accounts, Notes and Pledges Receivable

The University provides allowances for uncollectible accounts and notes receivable based upon management's best estimate considering type, age, collection history of receivables and any other factors as considered appropriate. Accounts and notes receivable are reported net of allowances at June 30, 2013.

The composition of accounts receivable and notes and pledges receivable at June 30, 2013 is summarized as follows:

University Accounts Receivable, Net of Allowance
(In thousands)

		Gross receivables	Allowance for uncollectible	Net receivables
Receivables from sponsoring agencies	$	201,212	(2,406)	198,806
Hospital and other medical activities		449,999	(306,964)	143,035
Student tuition and fees		34,307	(10,114)	24,193
Auxiliaries		14,466	(5,578)	8,888
Medical service plan		80,763	(29,913)	50,850
Educational activities		39,425	(5,673)	33,752
Other		25,689	(6,394)	19,295
Total	$	845,861	(367,042)	478,819

Notes and Pledges Receivable
(In thousands)

Student notes receivable – University:		
Student notes outstanding	$	64,673
Allowance for uncollectible loans		(2,956)
Total student notes receivable, net	$	61,717
Gift pledges receivable, URO – Foundation:	$	248,727
Less:		
Allowance for doubtful pledges		(14,115)
Present value discount		(3,612)
Total gift pledges outstanding, net	$	231,000

(4) Capital Assets

Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Net interest of $3,722,000 was capitalized during the year ended June 30, 2013.

Capital assets activity during the year ended June 30, 2013 is summarized as follows:

University Capital Assets
(In thousands)

		Beginning balance	Additions	Retirements	Transfers	Ending balance
Nondepreciable capital assets:						
Land	$	134,707	1,306	(191)		135,822
Construction in progress		168,383	257,955		(218,486)	207,852
Inexhaustible collections		21,320	490	(1)		21,809
Total nondepreciable capital assets		324,410	259,751	(192)	(218,486)	365,483
Depreciable capital assets:						
Buildings		3,674,976	295	(4,246)	35,267	3,706,292
Improvements and infrastructure		678,452			3,458	681,910
Equipment		1,026,305	60,211	(53,521)	176,702	1,209,697
Software		169,253			3,059	172,312
Exhaustible collections		551,884	25,864	(1,854)		575,894
Total depreciable capital assets		6,100,870	86,370	(59,621)	218,486	6,346,105
Less accumulated depreciation:						
Buildings		1,321,657	90,951	(2,876)		1,409,732
Improvements and infrastructure		349,672	23,049			372,721
Equipment		794,720	80,893	(51,200)		824,413
Software		140,437	16,277			156,714
Exhaustible collections		429,490	20,386			449,876
Total accumulated depreciation		3,035,976	231,556	(54,076)	—	3,213,456
Total net depreciable capital assets		3,064,894	(145,186)	(5,545)	218,486	3,132,649
Total	$	3,389,304	114,565	(5,737)	—	3,498,132

(5) Accrued Self-Insurance and Loss Contingency

The University's accrued self-insurance liability of $232,322,000 at June 30, 2013 covers hospital patient liability; hospital and medical professional liability; estimated general and contract liability; and workers' compensation liability related to employees paid from local funds. The accrued self-insurance liability was discounted at rates of 2% to 5% at June 30, 2013. Amounts increasing the accrued self-insurance liability are charged as expenses based upon estimates made by actuaries and the University's risk management division. An additional workers' compensation self-insurance liability of $23,470,000 at June 30, 2013 related to employees who are paid from State appropriations is included in the University's accounts payable. These claims will be paid from State appropriations in the year in which the claims are finalized, rather than from unrestricted net position as of June 30, 2013.

The accrued self-insurance liability includes $174,592,000 at June 30, 2013 for the currently estimated ultimate cost of uninsured medical malpractice liabilities. Ultimate cost consists of amounts estimated by the University's risk management division and independent actuaries for asserted claims, unasserted claims arising from reported incidents, expected litigation expenses and amounts determined by actuaries using relevant industry data and hospital specific data to cover projected losses for claims incurred but not reported. Because the amounts accrued are estimates, the aggregate claims actually incurred could differ significantly from the accrued self-insurance liability at June 30, 2013. Changes in these estimates will be reflected in the Statement of Revenues, Expenses and Changes in Net Position in the period when additional information is available.

Changes in Accrued Self-Insurance

(In thousands)

		2013	2012
Balance, beginning of year	$	245,710	244,494
Claims incurred and changes in estimates		27,827	60,338
Claim payments and other deductions		(41,215)	(59,122)
Balance, end of year		232,322	245,710
Less current portion		(60,751)	(60,933)
Balance, end of year – noncurrent portion	$	171,571	184,777

The University has contracted with several commercial carriers to provide varying levels and upper limits of excess indemnity coverage. These coverages have been considered in determining the required accrued self-insurance liability. There were no material settlements that exceeded insurance coverage during the last three years.

The University purchases excess indemnity coverage for certain areas such as commercial general liability, Board legal liability, and hospital and medical liability.

(6) Accrued Compensated Absences

Accrued compensated absences includes personnel earned but unused vacation and sick leave days, including the University's share of Social Security and Medicare taxes, valued at the current rate of pay.

Section 14a of the State Finance Act (30 ILCS 105/14a) provides that employees eligible to participate in the State Universities Retirement System or the Federal Retirement System are eligible for compensation at time of resignation, retirement, death or other termination of University employment for one-half (1/2) of the unused sick leave earned between January 1, 1984 and December 31, 1997. Any sick leave days that were earned before or after this period of time are noncompensable.

Changes in Compensated Absences Balance

(In thousands)

Balance, beginning of year	$	201,052
Additions		20,845
Deductions		(21,638)
Balance, end of year		200,259
Less current portion		(24,277)
Balance, end of year – noncurrent portion	$	175,982

(7) Bonds Payable

On May 15, 2013, the University issued $212,540,000 of AFS Revenue Bonds, Series 2013A. Proceeds of these bonds were used to provide for the partial refunding of the outstanding principal of three different Series of AFS Revenue Bonds, Series 2003A, Series 2005A, and Series 2006. Proceeds were also used to fund all costs incidental to the issuance of the Series 2013A Bonds. The refunding resulted in a projected savings of $22,921,000 over the life of the issue at a present value of $17,972,000. The difference between the reacquisition price and the net carrying amount of the old debt, (gain) loss on refunding for each Series, was $(282,000), $2,737,000 and $18,870,000, respectively. This (gain) loss is deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Bonds Payable
(In thousands)

	Maturity dates	Beginning balance	Additions	Deductions	Ending balance	Current portion
Auxiliary Facilities System:						
Current interest bonds	2014 – 2041	$ 874,145	212,540	(236,600)	850,085	21,905
Capital appreciation bonds	2014 – 2030	186,250		(16,270)	169,980	16,270
Health Services Facilities System	2014 – 2027	57,080		(2,890)	54,190	3,005
UIC South Campus	2014 – 2023	62,090		(4,515)	57,575	4,950
		1,179,565	212,540	(260,275)	1,131,830	46,130
Unaccreted appreciation		(59,133)	8,959		(50,174)	(849)
		1,120,432	221,499	(260,275)	1,081,656	45,281
Unamortized debt premium		34,819	36,360	(11,567)	59,612	3,059
Unamortized loss on refunding		(20,461)	(21,325)	3,600	(38,186)	(2,789)
Total		$ 1,134,790	236,534	(268,242)	1,103,082	45,551

Capital appreciation bonds of $169,980,000 outstanding at June 30, 2013 do not require current interest payments and have a net unappreciated value of $119,806,000. The University records the annual increase in the principal amount of these bonds as interest expense and accretion on bonds payable.

None of the University's bonds described above constitute obligations of the State. Costs associated with the issuance of the Series 1991, 1999A, 1999B, 2001A, 2001B, 2003A, 2005A, 2006, 2008, 2009A, 2010A, 2011A, 2011B, 2011C and 2013A AFS Bonds; Series 1997B and 2008 Health Services Facilities System Bonds; and Series 2003 and 2008 UIC South Campus Bonds have been recorded as deferred charges and are being amortized over the life of the related bond issue.

Included in bonds payable is $124,320,000 of variable rate demand bonds. These bonds mature serially through April 2038. These bonds have variable interest rates that are adjusted periodically (i.e., daily, weekly, or monthly), generally with interest paid at the beginning of each month. The bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days' notice and delivery to the University's several remarketing agents. The University pays the remarketing agent fees on the outstanding bond balance. If the remarketing agent is unable to resell any bonds that are "put" to the agent, the University has a standby bond purchase agreement with a liquidity facility entity. The University has several such agreements, with the fees on the Bond Purchase Commitment (formula based on outstanding bonds plus pro forma interest). The University, in the event a liquidity facility is utilized, has reimbursement agreements with different financial entities. Generally, the payback period is five to seven years, at an interest rate initially set at slightly above prime or the federal funds rate. The due date of the initial payment per the reimbursement agreements varies depending upon the variable rate bond issue. Certain reimbursement agreements require an initial payment due date 366 days after the event which caused the liquidity facility to be utilized.

The required future interest payments for these variable rate bonds have been calculated using the current interest rate, based upon short-term tax-exempt rates, or the synthetic fixed rate, as illustrated in the table below. Other outstanding bond issues bear interest at fixed rates ranging from 2.00% to 7.56%.

Variable Rate Bonds

Bond issues	Interest rate at June 30, 2013	Remarketing agent	Remarketing fee	Liquidity facility			Liquidity fee
				Bank	Expiration	Insured by	
UIC South Campus, Series 2008	0.07%	JPMorgan Securities	0.075%	JPMorgan Chase	6/24/2015	Letter of Credit	0.525%
AFS, Series 2008	0.06	Loop Capital	0.075	JPMorgan Chase	5/19/2016	None	0.525
HSFS, Series 1997B	0.07	JPMorgan Securities	0.070	JPMorgan Chase	4/1/2014	Letter of Credit	0.55
HSFS, Series 2008	0.06	Goldman Sachs	0.070	JPMorgan Chase	6/3/2014	Letter of Credit	0.55

(a) Interest Rate Swap Agreements on Bonds Payable

The University has entered into three separate pay-fixed/receive-variable interest rate swap agreements. The objective of these swaps was to effectively change the University's variable interest rate on the bonds to a synthetic fixed rate. The notional amount of the interest rate swaps is equal to the par amount of the related bonds, except for HSFS Series 2008, of which $315,000 is not covered by the swap agreement. In addition, the swaps were entered at the same time as the bonds were issued and terminate with maturity of the bonds. No cash was paid or received when the original swap agreements were entered into.

Credit Risk – As of June 30, 2013, the University was not exposed to credit risk because the swaps had a negative fair value. If interest rates change and the fair value of the swap became positive, the University would be exposed to credit risk in the amount of the derivative's fair value. The terms, fair values and credit ratings of the outstanding swaps as of June 30, 2013 are listed below:

Interest Rate Swaps

Bond issues	Outstanding notional amount	Effective date	Fixed rate paid	Variable rate received	Fair value	Swap termination date	Counterparty	Counterparty credit rating (S&P/Moody's)
HSFS 2008	$ 37,675,000	Nov 2008*	3.534%	68% of LIBOR**	$ (4,967,000)	Oct-2026	Loop	A+/A2
UIC SC 2008	25,830,000	Feb 2006*	4.086	68% of LIBOR**	(3,646,000)	Jan-2022	Morgan Stanley	A-/Baa1
UIC SC 2008	25,375,000	Feb 2006*	4.092	68% of LIBOR**	(3,575,000)	Jan-2022	JPMorgan Chase	A+/Aa3

* Swap agreement was transferred from original issue to refunded bond issues.
** LIBOR – London Interbank Offered Rate

The University engaged a third-party consultant to calculate the "mark to market" or "market value" of the swap transactions. Since these are negative numbers, they represent an approximation of the amount of money that the University may have to pay a swap provider to terminate the swap. The counterparty may have to post collateral in the University's favor in certain conditions, and the University would never be required to post collateral in the counterparty's favor.

Interest Rate Risk – Since inception of the swaps, declining interest rates exposed the University to interest rate risk, which adversely affected the fair values of the swap agreements.

Termination Risk – The University has the option to terminate any of the swaps early. The University or the counterparties may terminate a swap if the other party fails to perform under the terms of the contract. The University may terminate a swap if both credit ratings of the counterparties fall below BBB+ as issued by Standard & Poor's and Baa1 as issued by Moody's Investors Service. If a swap is terminated, the variable-rate bonds would no longer carry a synthetic fixed interest rate. In addition, if at the time of termination, a swap has a negative fair value, the University would be liable to the counterparties for a payment equal to the swap's fair value.

Basis Risk – The swaps expose the University to basis risk should the relationship between LIBOR and the variable weekly rate determined by remarketing agents change, changing the synthetic rate on the bonds. If a change occurs that results in the difference in rates widening, the expected cost savings may not be realized.

Other Risks – Since the swap agreements extend to the maturity of the related bond, the University is not exposed to rollover risk. In addition, the University is not exposed to foreign currency risk or to market access risk as of June 30, 2013. However, if the University decides to issue refunding bonds and credit is more costly at that time, it could be exposed to market access risk.

(b) Pledged Revenues and Debt Service Requirements

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

Pledged Revenues

Bond issues	Purpose	Source of revenue pledged	Future revenues pledged [2] (In thousands)	Term of commitment	Debt service to pledged revenues (current year)
Auxiliary Facilities System	Refunding, various improvements and additions to the System	Net AFS revenue, student tuition and fees	$ 1,569,754	2041	7.17%
Health Services Facilities System	Additions to System and refunding	Net HSFS revenue, Medical Service Plan revenue net of bad debt expense, College of Medicine net tuition revenue	64,167	2027	1.45
UIC South Campus	South Campus Development Project[1] and refunding	Defined Tax Increment Financing District (TIF) revenue, student tuition and fees, and sales of certain land in the UIC South Campus project	69,981	2023	2.10
		Total future revenues pledged	$ 1,703,902		

[1]An integrated academic, residential, recreational and commercial development south of UIC's main campus

[2]Total future principal and interest payments on debt

Future debt service requirements for all bonds outstanding at June 30, 2013 are as follows:

Debt Service Requirements

		Principal	Interest
		(In thousands)	
2014	$	46,130	43,363
2015		46,870	43,323
2016		48,565	42,113
2017		50,600	40,743
2018		52,520	39,324
2019 – 2023		290,650	170,275
2024 – 2028		243,535	114,331
2029 – 2033		222,605	61,889
2034 – 2038		117,585	15,347
2039 – 2041		12,770	1,364
Total	$	1,131,830	572,072

Using the actual rates of 0.07% (UIC South Campus, Series 2008) and 0.06% (Health Services Facilities System, Series 2008), in effect as of June 30, 2013, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will also vary.

UIC South Campus Revenue Refunding Bonds, Series 2008
Variable-Rate Debt Service Requirements
(In thousands)

		Variable-rate bonds		Interest rate	
		Principal	Interest	swaps, net	Total
2014	$	4,425	36	1,990	6,451
2015		4,610	33	1,809	6,452
2016		4,810	30	1,620	6,460
2017		5,370	26	1,419	6,815
2018		5,610	22	1,199	6,831
2019 – 2022		26,380	47	2,328	28,755
Total	$	51,205	194	10,365	61,764

Health Services Facilities System Revenue Bonds, Series 2008
Variable-Rate Debt Service Requirements
(In thousands)

		Variable-rate bonds		Interest rate	
		Principal	**Interest**	**swaps, net**	**Total**
2014	$	2,105	23	1,260	3,388
2015		2,220	22	1,184	3,426
2016		2,240	20	1,108	3,368
2017		2,365	19	1,028	3,412
2018		2,485	17	943	3,445
2019 - 2023		13,620	64	3,354	17,038
2024 - 2027		12,955	20	831	13,806
Total	$	37,990	185	9,708	47,883

Certain bonds of the University (AFS Series 1991) have debt service reserve requirements. The Maximum Annual Net Debt Service for those bonds, as defined, is $14,927,000.

(c) Advanced Refunded Bonds Payable

The University has defeased bonds through advanced funding in the current year, and accordingly, they are not reflected in the accompanying financial statements. The amount of bonds that have been defeased as of June 30, 2013 consists of the following:

Advanced Refunded Bonds
(In thousands)

Series		Outstanding at June 30, 2013
Auxiliary Facilities System, Series 2005A	$	54,950
Auxiliary Facilities System, Series 2006		160,460
Total	$	215,410

(8) Leaseholds Payable and Other Obligations

Leaseholds payable and other obligations for the year ended June 30, 2013 activity consists of the following:

Leaseholds Payable and Other Obligations
(In thousands)

		Beginning balance	Additions	Deductions	Ending balance	Current portion
University:						
Certificates of participation	$	439,795		(41,380)	398,415	32,690
Unamortized debt premium		10,313		(1,736)	8,577	1,368
Unamortized deferred loss on refunding		(5,979)		650	(5,329)	(651)
		444,129	—	(42,466)	401,663	33,407
Other capital leases		37,232	7,376	(5,207)	39,401	5,308
Energy services agreement installment payment contract		16,780		(1,010)	15,770	1,042
Environmental remediation liability		1,611	17	(1,275)	353	73
Total University	$	499,752	7,393	(49,958)	457,187	39,830
URO – Foundation:						
Annuities payable	$	46,102	7,533	(6,310)	47,325	6,461
Other liabilities		7,575		(351)	7,224	
Total URO – Foundation	$	53,677	7,533	(6,661)	54,549	6,461

The University leases various plant facilities and equipment under capital leases. This includes assets obtained with certificates of participation proceeds and recorded as capital leases, as well as, other capital lease agreements funded through operations.

Included in leaseholds payable is $118,160,000 of variable-rate demand Certificates of Participation (COP). These COPs mature serially through August 2021. These COPs have variable interest rates that are adjusted periodically (i.e., daily, weekly, or monthly), generally with interest paid at the beginning of each month. The COPs are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days' notice and delivery to the University's remarketing agent. The University pays the remarketing agent fees on the outstanding COPs balance. If the remarketing agent is unable to resell any COPs that are "put" to the agent, the University has a standby certificate purchase agreement with a liquidity facility entity. The University has an agreement, with the fees based on the Adjusted Principal (formula based on COPs outstanding plus pro forma interest). The University, in the event a liquidity facility is utilized, has a reimbursement agreement with a financial entity. Generally, the payback period is five to seven years, at an interest rate initially set at slightly above prime or the federal funds rate. The required future interest payments for these variable-rate certificates have been calculated using the synthetic fixed rate for Series 2004, as illustrated in the table below. Other outstanding certificates bear interest at fixed rates ranging from 3.50% to 5.25%.

Variable Rate Certificates of Participation

COP issue	Interest rate at June 30, 2013	Remarketing agent	Remarketing fee	Liquidity facility: Bank	Liquidity facility: Expiration	Liquidity facility: Insured by	Liquidity fee
COP Series 2004	0.07%	Morgan Stanley	0.10%	Bank of New York Mellon	8/31/2015	None	0.45%

(a) *Interest Rate Swap Agreement on Certificates of Participation*

To facilitate the advance refunding of the COP (Utility Infrastructure Projects) Series 2001 A & B; and, as a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, the University entered into an interest rate swap in connection with its COP (Utility Infrastructure Projects) Series 2004.

The objective of the swap was to effectively change the University's variable interest rate on the COP to a synthetic fixed rate. The notional amount of the interest rate swap is equal to the par amount of the related COP. The swap agreement was entered at the same time as the COP were issued and terminate with maturity. No cash was paid or received when the original swap agreements were entered into.

Credit Risk – As of June 30, 2013, the University was not exposed to credit risk because the swaps had a negative fair value. If interest rates change and the fair value of the swap became positive, the University would be exposed to credit risk in the amount of the derivative's fair value. The terms, fair value and credit rating of the outstanding swap as of June 30, 2013 are listed below:

Interest Rate Swap

COP issue	Outstanding notional amount	Effective date	Fixed rate paid	Variable rate received	Fair value	Swap termination date	Counterparty	Counterparty credit rating (S&P/Moody's)
COP 2004	$ 118,160,000	March 2004	3.765%	100% of SIFMA	$ (15,077,000)	August 2021	Morgan Stanley	A-/Baa1

The University engaged a third-party consultant to calculate the "mark to market" or "market value" of the swap transactions. Since these are negative numbers, they represent an approximation of the amount of money that the University may have to pay a swap provider to terminate the swap. The counterparty may have to post collateral in the University's favor in certain conditions, and the University would never be required to post collateral in the counterparty's favor.

Interest Rate Risk – Since inception of the swap, declining interest rates exposed the University to interest rate risk, which adversely affected the fair values of the swap agreements.

Termination Risk – The University has the option to terminate the swap early. The University or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The University may terminate the swap if both credit ratings of the counterparty fall below BBB+ as issued by Standard & Poor's and Baa1 as issued by Moody's Investors Service. If the swap is terminated, the variable-rate certificates would no longer carry a synthetic fixed interest rate. In addition, if at the time of termination, the swap has a negative fair value, the University would be liable to the counterparty for a payment equal to the swap's fair value.

Basis Risk – Starting in fiscal year 2006, the notional value of the swap and the principal amount of the associated COP began to decline. Conversely, the COP's variable interest rates are expected to approximate SIFMA. As noted above, the swap exposes the University to basis risk should the relationship between SIFMA and the variable weekly rate determined by remarketing agents converge, changing the synthetic rate on the bonds. If a change occurs that results in the rates widening, the expected cost savings may not be realized.

Other Risks – Since the swap agreements extend to the maturity of the related COP, the University is not exposed to rollover risk. In addition, the University is not exposed to foreign currency risk or to market access risk as of June 30, 2013. However, if the University decides to issue refunding COPs and credit is more costly at that time, it could be exposed to market access risk.

Using the actual rate of 0.07% in effect as of June 30, 2013, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable-rate certificate interest payments and net swap payments will also vary.

Utility Infrastructure Certificates of Participation, Series 2004
Variable-Rate Debt Service Requirements
(In thousands)

		Variable-rate certificates		Interest rate	
		Principal	**Interest**	**swaps, net**	**Total**
2014	$	7,410	83	4,227	11,720
2015		7,710	77	3,947	11,734
2016		8,015	72	3,656	11,743
2017		8,345	67	3,354	11,766
2018		15,990	61	2,902	18,953
2019-2022		70,690	126	5,329	76,145
Total	$	118,160	486	23,415	142,061

(b) Capital Leases (includes Certificates of Participation)

Assets held under capital leases are included in capital assets at June 30, 2013 as follows:

Assets Held Under Capital Lease
(In thousands)

Land	$	8,423
Buildings		159,270
Improvements		263,386
Equipment		152,653
Subtotal		583,732
Less accumulated depreciation		273,926
Total	$	309,806

The net present value of outstanding capital leases at June 30, 2013 is as follows:

Outstanding Capital Leases
(In thousands)

Certificates of participation:		
Series 2003 UI Integrate	$	26,215
Series 2003 Utility Infrastructure		26,190
Series 2004 Utility Infrastructure		118,160
Series 2005 College of Medicine		14,505
Series 2006A Academic Facilities		60,900
Series 2007A		72,015
Series 2007B		45,645
Series 2009A		34,785
Other capital leases		39,401
Net present value	$	437,816

As of June 30, 2013, future minimum lease payments under capital leases are as follows:

Future Minimum Lease Payments Under Capital Leases
(In thousands)

2014	$	57,216
2015		54,822
2016		49,288
2017		48,464
2018		47,912
2019 – 2023		199,562
2024 – 2028		107,528
2029 – 2033		9,269
Total minimum lease payments		574,061
Amount representing interest		(136,245)
Net present value	$	437,816

(c) Other Obligations

As part of an energy services agreement, the University has entered into installment payment contracts to finance energy conservation measures. As of June 30, 2013, future minimum lease payments under installment payment contracts are as follows:

Future Minimum Lease Payments Under Installment Payment Contract
(In thousands)

2014	$	1,544
2015		1,544
2016		1,544
2017		1,544
2018		1,545
2019 – 2023		7,722
2024 – 2026		3,861
Total minimum lease payments		19,304
Amount representing interest		(3,534)
Net present value	$	15,770

The University monitors environmental matters and records an estimated liability for identified environmental remediation costs. The estimated liability at June 30, 2013 is $353,000.

At June 30, 2013, the URO – Foundation had annuities payable outstanding of $47,325,000. Annuities payable represent an actuarial computation of the present value of future payments to annuitants.

(d) Operating Leases

The University also leases various buildings and equipment under operating lease agreements. Total rental expense under these agreements was $12,557,000 for the year ended June 30, 2013. The future minimum lease payments (excluding those leases renewed on an annual basis) are as follows:

Future Minimum Operating Lease Payments

(In thousands)

2014	$	10,740
2015		7,958
2016		4,601
2017		3,219
2018		1,959
2019 – 2022		1,270
Total	$	29,747

(9) Net Position

As discussed in note 1, the University's net position is classified for accounting and reporting purposes into one of four net position categories according to externally imposed restrictions. The following tables include detail of the net position balances for the University and the Foundation including major categories of restrictions and internal designations of unrestricted funds.

University Net Position

(In thousands)

Net investment in capital assets	$	2,063,410
Restricted – nonexpendable:		
Invested in perpetuity to produce income expendable for – scholarships, fellowships and research		89,597
Restricted – expendable for:		
Scholarships, fellowships and research		355,819
Loans		79,808
Service plans		136,300
Retirement of indebtedness		44,611
Capital projects		19,649
Unrestricted:		
Designated		1,327,622
Undesignated		
Total	$	4,116,816

URO – Foundation Net Position
(In thousands)

Net investment in capital assets	$	5,002
Restricted – nonexpendable:		
Invested in perpetuity to produce income expendable for academic programs, scholarships, fellowships and research		888,875
Restricted – expendable for:		
Academic programs, scholarships, fellowships and research		830,558
Unrestricted		(426)
Total	$	1,724,009

(10) Funds Held in Trust by Others

The University and Foundation are income beneficiaries of several irrevocable trusts which are held and administered by outside trustees. The University and Foundation have no control over these funds as to either investment decisions or income distributions. In accordance with GASB standards, the principal is not recorded in the accompanying financial statements for the University. The Foundation has recorded the principal as investments in the accompanying financial statements in accordance with FASB standards. The fair value of these funds at June 30, 2013 and the amount of income received from these trusts during the year then ended were as follows:

Funds Held in Trust by Others
(In thousands)

		University	URO – Foundation
Fair value of funds held in trust by others	$	45,381	52,124
Income received from funds held in trust by others		1,467	1,186

(11) State Universities Retirement System

The Entity 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 makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established 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 accessing the Web site at www.SURS.org or by calling 1-800-275-7877.

Eligible employees must participate upon initial employment. Employees are ineligible to participate if (a) employed after having attained age 68; (b) employed less than 50% of full time; or (c) employed less than full time and attending classes with an employer. Of those Entity employees ineligible to participate, the majority are students at the University.

Plan members are required to contribute 8.0% of their annual covered salary and substantially all employer contributions are made by the State on behalf of the individual employers at an actuarially determined rate. The current rate is 35.20% 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, 2013, 2012 and 2011 were $622,664,000, $439,316,000 and $350,480,000, respectively, equal to the required contributions for each year.

The Entity's 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% of their gross salary for Medicare. The Entity is required to match this contribution.

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.

(12) Postemployment Benefits

The State Employees Group Insurance Act of 1971 (Act), as amended, authorizes the State to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially, all State and university employees become eligible for these other postemployment benefits (OPEB) if they eventually become annuitants of one of the State sponsored pension plans. The Department of Healthcare and Family Services and the Department of Central Management Services administer these benefits for annuitants with the assistance of the State's sponsored pension plans. The portions of the Act related to OPEB establish a cost-sharing multiple-employer defined-benefit OPEB plan (plan) with a special funding situation in which the State funds substantially all nonparticipant contributions. The plan does not issue a stand-alone financial report but is included as a part of the State's financial statements. A copy of the financial statements of the State can be obtained at www.ioc.state.il.us.

The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and various unions that represent the State's and the University employees in accordance with limitations established in the Act. Therefore, the benefits provided and contribution amounts are subject to periodic change. The Act requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time the benefit amount becomes $5,000.

The State makes substantially all of the contributions for OPEB on behalf of the State universities. Since the State contributes substantially all of the employer contributions, the single-employer provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, have been followed for reporting the plan. The State is not required to and does not fund the plan other than the pay-as-you-go amount necessary to provide the current benefits.

Annuitants may be required to contribute toward health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State or a university, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed healthcare plan. For fiscal year 2013, the annual cost of health, dental, and vision benefits before the State's contribution was $8,397 ($4,485 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization (HMO) and $11,913 ($4,322 if Medicare eligible) if the annuitant chose other benefits. Additional contributions by annuitants for dependents ranging from $960 to $2,814 ($900 to $2,538 if

Medicare eligible) are also required depending on the benefits selected and whether there is one or multiple dependents.

For current employees, contributions are dependent upon annual salary and whether or not the employee chooses to receive benefits through an HMO. Current employee contribution amounts to the plan for fiscal year 2013 are shown as follows:

Annual Employee Health, Dental, and Vision Contribution Requirements

		Benefits provided through	
		HMO	**Others**
Employee annual salary:			
$30,200 and below	$	696	996
$30,201 – $45,600		756	1,056
$45,601 – $60,700		786	1,086
$60,701 – $75,900		816	1,116
$75,901 and above		846	1,146

Additional contributions by employees for dependents ranging from $960 to $2,814 ($900 to $2,538 if Medicare eligible) are also required depending on the benefits selected and whether there is one or multiple dependents.

(13) Commitments and Contingencies

At June 30, 2013, the University had commitments on various construction projects and contracts for repairs and renovation of facilities of $140,815,000.

The University purchases the majority of natural gas and electricity from Prairieland and guarantees payment by Prairieland to its energy suppliers. Unconditional guaranty agreements are in place with Prairieland's energy suppliers for an aggregate amount not to exceed $45,000,000.

The University receives moneys from federal and state government agencies under grants and contracts for research and other activities. The costs, both direct and indirect, charged to these grants and contracts are subject to audit and disallowance by the granting agency. The University believes that any disallowances or adjustments would not have a material effect on the University's financial position.

The University also receives moneys under third-party payor arrangements for payment of medical services rendered at its hospital and clinics. Some of these arrangements allow for settlement adjustments based on costs and other factors. The University believes that any adjustments would not have a material effect on the University's financial position.

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

The University's hospital and clinics are involved in regulatory audits arising in the normal course of business. On June 8, 2007, a notice was received from the Office of Inspector General (OIG) on behalf of the Illinois Department of Healthcare and Family Services (IDHFS) indicating that the University received an overpayment of $14,800,000 on behalf of Medicaid patients covering the period May 2004 through April 2006. University management is in the process of contesting this overpayment and estimates the University's probable liability related to this overpayment is $5,000,000 based on additional documentation received from IDHFS subsequent to the original notice. During fiscal year 2010, the University submitted additional documentation and evidence of its positions. As of September 29, 2011, the OIG, on behalf of the IDHFS, contacted the University to request its settlement offer to resolve the audit. The University intends to pursue settlement discussion with OIG and IDHFS with a view toward resolution of the matter. The estimated liability including a provision for subsequent audits has been reflected in the University's statement of net position and results from operations as accounts payable for $9,700,000.

(14) Operating Expenses by Natural Classification

Operating expenses by natural classification for the year ended June 30, 2013 for the University and the URO – Foundation are summarized as follows:

University Operating Expenses by Natural Classification

(In thousands)

		Compensation and benefits	Supplies and services	Student aid	Depreciation	Total
Instruction	$	1,113,456	129,165	7,111		1,249,732
Research		473,955	269,868	2,802		746,625
Public service		279,829	177,290	1,974		459,093
Academic support		300,204	115,430	5,566		421,200
Student services		119,869	39,241	1,850		160,960
Institutional support		239,264	10,866	26		250,156
Operations and maintenance of plant		60,006	215,662	6,619		282,287
Scholarships and fellowships		228,846	1,251	25,833		255,930
Auxiliary enterprises		155,196	162,130	16,322		333,648
Hospital and medical activities		489,360	271,877			761,237
Independent operations		1,785	10,637			12,422
Depreciation					231,556	231,556
Total	$	3,461,770	1,403,417	68,103	231,556	5,164,846

URO – Foundation Operating Expenses by Natural Classification

(In thousands)

		Distributions on behalf of the University	Institutional support	Depreciation	Total
Fund-raising	$		11,902		11,902
Distributions on behalf of the University		144,058			144,058
General and administrative			13,221		13,221
Actuarial adjustments			226		226
Depreciation				529	529
Total	$	144,058	25,349	529	169,936

(15) Segment Information

The following financial information represents identifiable activities within the University financial statements for which one or more revenue bonds are outstanding. The Auxiliary Facilities System comprises University owned housing units, student unions, recreation and athletic facilities, and similar auxiliary service units, including parking. The Health Services Facilities System comprises the University of Illinois Hospital and associated clinical facilities providing patient care.

Condensed Statements of Net Position

June 30, 2013

(In thousands)

		Auxiliary Facilities System	Health Services Facilities System	Total
Assets and deferred outflows of resources:				
Current assets	$	189,541	290,066	479,607
Noncurrent assets:				
Capital assets, net of accumulated depreciation		985,780	168,238	1,154,018
Other noncurrent assets		52,025	9,155	61,180
Deferred outflow of resources			3,929	3,929
Total assets and deferred outflows of resources	$	1,227,346	471,388	1,698,734
Liabilities:				
Current liabilities	$	85,275	103,585	188,860
Noncurrent liabilities:				
Long-term debt		969,017	53,560	1,022,577
Other liabilities		5,226	26,259	31,485
Total liabilities		1,059,518	183,404	1,242,922
Net position:				
Net investment in capital assets		10,499	111,699	122,198
Restricted:				
Expendable		23,925	8,872	32,797
Unrestricted		133,404	167,413	300,817
Total net position		167,828	287,984	455,812
Total liabilities and net position	$	1,227,346	471,388	1,698,734

Condensed Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2013

(In thousands)

		Auxiliary Facilities System	Health Services Facilities System	Total
Operating revenues	$	326,054	609,297	935,351
Operating expenses		281,905	768,455	1,050,360
Depreciation expense		31,228	18,978	50,206
Operating income (loss)		12,921	(178,136)	(165,215)
Nonoperating (expenses) revenues, net		(1,028)	206,898	205,870
Increase in net position		11,893	28,762	40,655
Net position, beginning of year		155,935	259,222	415,157
Net position, end of year	$	167,828	287,984	455,812

Condensed Statement of Cash Flows

Year ended June 30, 2013

(In thousands)

Net cash flows provided by operating activities	$	92,886	8,029	100,915
Net cash flows (used in) provided by noncapital financing activities		(45)	668	623
Net cash flows used in capital and related financing activities		(113,316)	(25,674)	(138,990)
Net cash flows provided by investing activities		47,117	2,614	49,731
Net increase (decrease) in cash and cash equivalents		26,642	(14,363)	12,279
Cash and cash equivalents, beginning of year		161,860	160,279	322,139
Cash and cash equivalents, end of year	$	188,502	145,916	334,418

(Continued)

(16) University Related Organizations

The Entity's financial statements include the activities of the University Related Organizations, which are presented as discretely presented component units in the accompanying financial statements. Below are condensed financial statements by organization:

Condensed Statements of Net Position

June 30, 2013

(In thousands)

		Foundation	Alumni Association	WWT	Illinois Ventures
Assets:					
Current assets	$	42,470	2,128	294	1,570
Noncurrent assets:					
Capital assets, net of accumulated depreciation		8,380	602	138	5
Other noncurrent assets		1,745,051	15,647		6,309
Total assets	$	1,795,901	18,377	432	7,884
Liabilities:					
Current liabilities	$	23,697	613	496	500
Due to related organizations					
Noncurrent liabilities:					
Other noncurrent liabilities		48,195	9		
Total liabilities		71,892	622	496	500
Net position:					
Net investment in capital assets		5,002	602	138	5
Restricted:					
Nonexpendable		888,875			
Expendable		830,558			
Unrestricted		(426)	17,153	(202)	7,379
Total net position		1,724,009	17,755	(64)	7,384
Total liabilities and net position	$	1,795,901	18,377	432	7,884

Condensed Statements of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2013

(In thousands)

		Foundation	Alumni Association	WWT	Illinois Ventures
Operating revenues	$	194,231	6,637	10,050	2,618
Operating expenses		169,407	7,679	10,012	2,514
Depreciation expense		529	34	143	8
Operating income (loss)		24,295	(1,076)	(105)	96
Nonoperating revenues (expenses)		164,876	2,299	(1)	(1,332)
Contributions to endowments		122,205			
Increase (decrease) in net position		311,376	1,223	(106)	(1,236)
Net position, beginning of year		1,412,633	16,532	42	8,620
Net position, end of year	$	1,724,009	17,755	(64)	7,384

Condensed Statements of Net Position

June 30, 2013

(In thousands)

		Research Park	Prairieland	Singapore Research	Total
Assets:					
Current assets	$	750	8,259	3,233	58,704
Noncurrent assets:					
Capital assets, net of accumulated depreciation		1,549	47	274	10,995
Other noncurrent assets					1,767,007
Total assets	$	2,299	8,306	3,507	1,836,706
Liabilities:					
Current liabilities	$	271	6,443	1,386	33,406
Due to related organizations				1,838	1,838
Noncurrent liabilities:					
Other noncurrent liabilities					48,204
Total liabilities		271	6,443	3,224	83,448
Net position:					
Net investment in capital assets		1,549	47	275	7,618
Restricted:					
Nonexpendable					888,875
Expendable					830,558
Unrestricted		479	1,816	8	26,207
Total net position		2,028	1,863	283	1,753,258
Total liabilities and net position	$	2,299	8,306	3,507	1,836,706

Condensed Statements of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2013

(In thousands)

Operating revenues	$	618	51,399	11,036	276,589
Operating expenses		346	51,207	10,950	252,115
Depreciation expense		66	12	274	1,066
Operating income (loss)		206	180	(188)	23,408
Nonoperating revenues (expenses)			1	(20)	165,823
Contributions to endowments					122,205
Increase (decrease) in net position		206	181	(208)	311,436
Net position, beginning of year		1,822	1,682	491	1,441,822
Net position, end of year	$	2,028	1,863	283	1,753,258

(17) Subsequent Events

In September 2013, the University issued Health Services Facilities System Revenue Bonds, Series 2013, in the amount of $70,785,000. The proceeds of the Series 2013 Bonds will be used to (i) finance a portion of the costs for the acquisition, construction, and equipping of improvements to the System and (ii) pay certain expenses incurred in connection with the issuance and sale of the Series 2013 Bonds.

In September 2013, the University closed on an Energy Services Agreement for the installation of Energy Conservation Measures (ECMs) to various facilities at the Chicago campus. Concurrently with this agreement, the University entered into an Installment Payment Contract to finance the ECMs in the amount of $32,600,000. The repayment terms, commencing in April 2014, are semiannual for 15 years at an interest rate of 2.77%.

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APPENDIX C

SUMMARY OF CERTAIN LEGAL DOCUMENTS

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SUMMARY OF CERTAIN SERIES 2014A CERTIFICATES LEGAL DOCUMENTS

The following are brief summaries of the provisions of each Installment Purchase Contract, the Indenture and each Acquisition Agreement relating to the Series 2014A Certificates. 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 under the heading "ADDITIONAL INFORMATION" in this Official Statement.

CERTAIN DEFINITIONS

The following words and terms as used in this Official Statement shall have the following meanings unless the context or use indicates another or different meaning or intent. Certain words and terms used in this Official Statement and not defined below are defined in the body of this Official Statement.

"*Acquisition Agreement*" shall mean collectively, the following agreements: (i) with respect to the Fire Service Institute Project, the Acquisition Agreement, dated as of December 1, 2007, between the Trustee and the Board, and (ii) with respect to the Deferred Maintenance Project, the Acquisition Agreement, dated as of December 1, 2007, between the Trustee and the Board and, in each case, with any duly authorized and executed amendments thereto. Reference to an Acquisition Agreement shall mean either of the foregoing agreements, as applicable.

"*Acquisition Costs*" shall mean the price paid or to be paid by the Trustee to cause the acquisition and construction of the Improvements in accordance with the Acquisition Agreement, together with all other costs and expenses incidental to such acquisition and construction, including but not limited to the salaries of certain designated employees of the Board employed in connection with the acquisition 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 the Indenture for the purpose of paying Acquisition Costs.

"*Additional Payments*" shall mean all costs and expenses incurred by the Trustee to comply with the provisions of the Indenture, including without limitation compensation due to the Trustee, all costs and expenses of auditors, engineers, accountants and legal counsel, if necessary, but excluding costs of issuance (which shall be paid as Acquisition Costs), any advances by the Trustee to cure any failure by the Board to perform its covenant obligations with respect to the Improvements under an Installment Purchase Contract, 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 an Installment Purchase Contract.

"*Board*" shall mean The Board of Trustees of the University of Illinois, a body corporate and politic of the State of Illinois, and its successors and assigns.

"*Board Representative*" shall mean the President, the Secretary or the Comptroller 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, any Installment Purchase Contract or any Acquisition Agreement.

"*Bond Counsel*" shall mean counsel of nationally recognized standing, acceptable to the Board Representative and the Trustee, in matters relating to the authorization of, and the exclusion of interest from gross income on, obligations issued by states and their political subdivisions or agencies.

"*Book-Entry System*" shall mean the system of registration with the Securities Depository described in the Indenture.

"*Business Day*" shall mean any day other than a Saturday, Sunday or other day on which banks located in each of the cities in which the principal offices of the Board and the designated corporate trust office of the Trustee are located are required or authorized to remain closed.

"*Certificates*" shall mean, for purposes of this Appendix, the Certificates authorized to be issued under the Indenture, including the Series 2014A Certificates.

"*Code*" shall mean the Internal Revenue Code of 1986, as amended, and any applicable regulations thereunder.

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

"*Construction Contract*" shall mean any construction contract or contracts between the Board (acting in its capacity as the Trustee's agent pursuant to an Installment 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 an Installment Purchase Contract) or the Trustee.

"*Defeasance Obligations*" shall mean non-callable (a) direct obligations of the United States of America, (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, or (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America.

"*Deferred Maintenance Project*" means the Deferred Maintenance Project which was originally financed or refinanced with the proceeds of the Prior Certificates.

"*Delivery Costs*" shall mean all items of expense directly or indirectly payable by or reimbursable to the Board relating to the authorization, execution, sale and delivery of the Financing Agreements or any Certificates.

"*Escrow Agreement*" means the Escrow Agreement dated as of December 23, 2014 between the Board and the Trustee, as escrow agent, relating to the refunding and defeasance of the Prior Certificates.

"*Event of Default*" shall mean an event of default under (and as defined in) any Installment Purchase Contract and, in addition, if the Installment Purchase Contract has terminated pursuant to its terms, 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 the Installment Payments on any date payment is due. The term "Event of Default" shall not include 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 Non-Appropriation*" shall mean the failure of the General Assembly of the State to appropriate requested funds necessary to make all or any portion of that portion of the Installment Payments due during the then current fiscal year payable from State-appropriated funds.

"*Financing Agreements*" shall mean the Indenture, each Installment Purchase Contract and each Acquisition Agreement.

"*Fire Service Institute Project*" means the Fire Service Institute Project which was financed or refinanced with the proceeds of the Prior Certificates.

"*First Supplemental Indenture*" shall mean that certain First Supplemental Indenture of Trust dated as of December 1, 2014 by and between the Board and the Trustee, as the same may be amended from time to time.

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

"*Improvements*" shall mean collectively, (a) the Deferred Maintenance Project and (b) the Fire Service Institute Project.

"*Improvements Documents*" shall mean any of (i) the Improvement Contracts; (ii) the evidence of liability insurance and/or self-insurance with respect to general liability and property insurance, as required by the Installment Purchase Contract, 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 the Indenture of Trust, dated as of December 1, 2007, from the Board to the Trustee, together with the First Supplemental Indenture and any other permitted amendments or supplements to it.

"*Installment Payments*" shall mean, with respect to any Installment Purchase Contract, all payments required to be paid by the Board on any date pursuant to such Installment Purchase Contract and as set forth therein and, if not referred to individually, means all such payments under all Installment Purchase Contracts.

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

"*Installment Purchase Contract*" or "*Purchase Contract*" shall mean collectively the following agreements: (a) the Installment Purchase Contract, dated as of December 1, 2007 as amended by the First Amendment to Installment Purchase Contract dated as of December 1, 2014, each between the Board and the Trustee, relating to the repurchase of the Fire Service Institute Project and (b) the Installment Purchase Contract dated as of December 1, 2007 as amended by the First Amendment to Installment Purchase Contract dated as of December 1, 2014, each between the Board and the Trustee relating to the repurchase of the Deferred Maintenance Project, in each case together with any duly authorized and executed amendments thereto. References to an Installment Purchase Contract or Purchase Contract shall mean either of the foregoing agreements.

"*Interest Payment Date*" shall mean each of the dates on which interest is due and payable with respect to any of the Series 2014A Certificates.

"*Legally Available Non-Appropriated 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.

"*Outstanding*," when used with reference to the Certificates, shall mean, as of any date of determination, all Certificates executed and delivered under the Indenture, except:

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

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

(c) Certificates in lieu of which other Certificates 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 shall mean the person in whose name such Certificate is registered.

"*Parity Certificates*" shall mean any additional Certificates authorized to be issued under the Indenture and ranking *pari passu* with the Series 2014A Certificates, including the Board's Certificates of Participation (Refunding and Projects), Series 2007A which do not constitute Prior Certificates.

"*Permitted Encumbrances*" shall mean, as of any particular time: (i) each Installment 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*" shall mean investments which are permitted under the statutes of the State providing for the investment of funds of the Board, as such statutes may be amended from time to time, as listed in the Indenture.

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

"*Principal*" shall mean the amount attributable to the principal component of each Installment Payment.

"*Prior Certificates*" means that portion of the Certificates of Participation (Refunding and Projects), Series 2007A being refunded by the Series 2014A Certificates.

"*Professional and Specialty Services Contract*" shall mean any professional services or specialty services contract between the Board (acting; as the Trustee's agent pursuant to an Installment Purchase Contract) or the Trustee and any Contractor providing for the acquisition and delivery of the Improvements; provided, 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 such contract is or will be on file with the Board.

"*Rebate Fund*" shall mean the fund of that name established and held by the Trustee pursuant to the Indenture.

"*Regular Record Date*" shall mean the close of business on the first day of the month in which an Interest Payment Date occurs, whether or not such first day is a Business Day.

"*Securities Depository*" shall mean The Depository Trust Company, New York, New York, or its nominee, and the successors and assigns of such nominee, or any successor appointed under the Indenture.

"*Series 2014A Certificates*" shall mean the $25,055,000 aggregate principal amount of Certificates of Participation (Refunding), Series 2014A, to be executed and delivered pursuant to the Indenture.

"*Special Interest Payment Date*" shall mean, with respect to the Series 2014A Certificates, the Business Day established by the Trustee for the payment of overdue Interest on the Series 2014A Certificates pursuant to the Indenture.

"*Special Record Date*" shall mean, with respect to the Series 2014A Certificates, the Business Day established by the Trustee for determination of the Owners entitled to receive overdue Interest on the Series 2014A Certificates pursuant to the Indenture.

"*State*" shall mean the State of Illinois.

"*Supply Contract*" shall mean any equipment contract or purchase order between the Board (acting as the Trustee's agent pursuant to an Installment Purchase Contract) or the Trustee and any Contractor providing for the acquisition and delivery of the Improvements, a copy of each of which is or will be on file with the Board.

"*Trustee*" shall mean The Bank of New York Mellon Trust Company, N. A., or any successor, not individually but acting as trustee under the Indenture.

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

INSTALLMENT PURCHASE CONTRACTS

Purchase of Improvements

The Trustee agrees to sell the Improvements to the Board pursuant to the Installment Purchase Contracts. The term of each Installment Purchase Contract commenced on December 1, 2007 and continues until October 1, 2027, unless terminated or renewed and extended prior to that date in accordance with the related Installment Purchase Contract. (See "SECURITY OF THE CERTIFICATES – Termination of Installment Purchase Contracts.")

No later than the Business Day before each Interest Payment Date, the Board shall deposit with the Trustee the full amount of funds necessary to make all Installment Payments coming due on such dates. The Board's failure to provide for such payments to the Trustee shall terminate all of the Board's right, title and interest in and payment obligations under the Installment Purchase Contract as provided therein and to all of the Improvements.

Installment Payments

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

Maintenance; Modification of Improvements

The Board has agreed, at its own expense during the term of the Installment Purchase Contract, to pay for, or otherwise arrange for the payment of, all improvement, repair and maintenance of the Improvements. The Board must pay or cause to be paid all taxes, assessments, utility and other charges with respect to the Improvements.

The Board and any lessee of the Board may remodel any Improvements or to make additions, modifications and improvements to the Improvements which do not (a) damage any Improvements, (b) cause them to be used for purposes not authorized under the provisions of State or federal law, or (c) 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 Installment Purchase Contract.

The Board and any lessee of the Board 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 or upon the Improvements. All of such items will remain the sole property of the Board or such lessee, in which the Trustee will not have any interest, and may be modified or removed by such party at any time provided that such party repairs and restores any and all damage to the Improvements resulting from the installation, modification or removal of any such items.

Insurance

The Board is required to maintain, or cause to be maintained, throughout the term of the Installment Purchase Contract, 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.

Damage or Destruction

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 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 the description of the Improvements attached to the Installment Purchase Contract and the Indenture 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 of an amount which, upon investment together with investment earnings, will be sufficient to pay a portion of the unpaid Installment Payments, including both the principal and interest components and premium, if any.

Purchase Option; Prepayment

On or after an Event of Non-Appropriation, the Board may, or upon termination or failure to renew the Installment Purchase Contract the Board shall, exercise its option to purchase all of the Improvements by paying the prepayment price of principal and accrued interest and redemption premium, if any, on all of the Certificates corresponding to the payments under the related Installment Purchase Contract to the date that such Installment 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 Government, together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, 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. If the Board makes a deposit sufficient to pay, or provide for the payment of, all unpaid Installment Payments, all obligations of the Board under the Installment Purchase Contract, and all security provided by the Installment Purchase Contract for said obligations, shall cease and terminate, except for the obligations of the Board to make, or cause to be made, Installment Payments from such deposit.

Assignment and Leasing

The Board may not assign any of its rights in the Installment Purchase Contract. The Improvements may be leased in whole or in part by the Board, but only with the written consent of the Trustee and subject to the conditions contained in the Installment Purchase Contract.

Events of Default

The following are "events of default" under the Installment Purchase Contract:

(i) Failure by the Board to pay any Installment Payment or other payment required under the Installment 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 Installment Purchase Contract or the Indenture, other than default described in clause (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 Installment Purchase Contract, including, but not limited to, the right to sue the Board for any amounts appropriated by the General Assembly 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 Installment Purchase Contract, title to the Improvements is subject to immediately re-vesting in the Trustee and the Trustee at its option may terminate the Installment Purchase Contract and rent, lease or sell all, or any portion of, its interests in the Improvements. Any amounts received by the Trustee from such renting, 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 Owners as provided in the Indenture.

INDENTURE

Pledge and Security

Pursuant to the Indenture, the Board has granted to the Trustee a security interest in, and has released, assigned, transferred, pledged, granted and conveyed to the Trustee, and Trustee has established a trust to receive and to hold as security for the Owners of the Certificates, the following:

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

B. All right, title and interest of the Board in and to the Improvements now or subsequently acquired by the Board, and in and to the Improvement Contracts between the Board and any Contractor, and any duly authorized and executed amendments to them, 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 the Improvements in existence on the date of delivery of a Purchase Contract will automatically vest in the Board without action by the Trustee, and title to all Improvements acquired after the date of delivery of a Purchase Contract will automatically so vest in the Board upon acquisition without action by the Trustee, but subject to the provisions of each Purchase Contract immediately revesting such title in the Trustee upon the occurrence of an Event of Default under such Purchase Contract.

With respect to each item of Improvements, as long, and only as long, as such item of Improvements is subject to a Purchase Contract and the Board is entitled to possession of such item of Improvements under a 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.

C. All right, title and interest of the Board in each Acquisition Agreement and each Installment Purchase Contract, but excluding the Board's option to terminate a Purchase Contract as provided therein, the Board's reserved rights under each Installment Purchase Contract to (i) quiet enjoyment of the Improvements, (ii) title to the Improvements, (iii) prepay the Installment Payments, (iv) maintain, modify, contest taxes, assessments and other charges with respect to, use, respond to damage to or destruction of the Improvements, and install and remove equipment on the Improvements, and (v) receive all notices, certificates, requests, directions and other communications under the Indenture and each Installment Purchase Contract.

D. All right, title and interest of the Trustee in and to each Installment 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 under each Installment Purchase Contract, including, but not limited to the Installment Payments and the Additional Payments, (ii) bring actions and proceedings under or for the enforcement of each Installment Purchase Contract, and (iii) do any and all things which the Trustee is or may become entitled to do under each Installment Purchase Contract.

E. All right, title and interest of the Trustee and 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 of such amounts for the purposes and on the terms and conditions set forth in the Indenture.

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

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.

The net proceeds received by the Trustee from the sale of the Series 2014A Certificates, consisting of the principal amount of the Series 2014A Certificates and accrued interest, if any, thereon less an underwriters' fee, shall be applied as follows: first, the Trustee shall deposit in the Installment Payment Fund an amount equal to the portion of the proceeds of the Series 2014A Certificates representing the accrued interest, if any, thereon. Second, the Trustee shall transfer an amount which will be sufficient to provide for the redemption of the Prior Certificates as provided in the Escrow Agreement.

Acquisition Fund. The balance of the proceeds of the sale of the Series 2014A Certificates will be deposited in the Acquisition Fund and disbursed by the Board pursuant to the Indenture to pay Delivery Costs.

Moneys remaining in the Acquisition Fund after payment of such costs shall be deposited in the Installment Payment Fund and used to pay interest on the Series 2014A Certificates.

If (i) an Event of Default (or an event which with notice or lapse of time or both would constitute an Event of Default) occurs and is continuing, (ii) an Event of Non-Appropriation occurs, or (iii) the Installment Purchase Contract terminates pursuant to its terms, then the moneys in the Acquisition Fund must be paid by the Board to the Trustee and applied as set forth below under the heading "Application of Funds."

Installment Payment Fund. The Trustee is required to deposit into the Installment Payment Fund all Installment Payments, Additional Payments and Prepayments, including any other moneys required to be deposited in such fund pursuant to the Installment Purchase Contract or the Indenture. Moneys on deposit in the Installment Payment Fund shall be held by the Trustee in trust for the benefit of the Owners and used to pay principal of and interest on the Certificates as the same become due and payable.

Any surplus remaining in the Installment Payment Fund after redemption or payment of all Certificates, or provision for such redemption or payment has been made, will be remitted to the Board.

Investments. The Trustee is required to invest and reinvest all moneys held under the Indenture upon order of a representative of the Board in Permitted Investments. Moneys in the Acquisition Fund shall be invested by the Board in Permitted Investments. Any earnings on 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 until all Acquisition Costs have been paid, and any surplus remaining at such time shall be deposited into the Installment Payment Fund and used to pay interest on the Certificates.

Events of Default and Remedies

Upon the occurrence of an Event of Default, if requested by the Owners of not less than 25% in aggregate principal amount of the Certificates then Outstanding, the Trustee may, or if requested by the Owners of a majority in aggregate principal amount of the Certificates then outstanding, the Trustee shall, exercise any and all remedies available at law or granted pursuant to any Installment Purchase Contract and the Indenture, including declaring the principal portion of the Installment Payments under such Installment Purchase Contract relating to the Certificates to be immediately due and payable, whereupon that portion of the principal portion of such 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 to the contrary notwithstanding.

If one or more Events of Default occur and are 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, shall, proceed to protect or enforce its rights or the rights of the Owners by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Indenture, the foreclosure of any lien granted in the Indenture, or in aid of the execution of any power granted in the Indenture, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee deems most effectual in support of any of its rights or duties under the Indenture.

If the Trustee, upon the occurrence of an Event of Default, has taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, 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 will 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,* that the Trustee may not discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity without the consent of the Owners of a majority in aggregate principal amount of the Certificates Outstanding.

No remedy conferred upon or reserved to the Trustee or the Owners in the Indenture is intended to be exclusive of any other remedy, and every such remedy is cumulative and is in addition to every other remedy given under the Indenture or now or subsequently existing, at law or in equity or by statute or otherwise.

Limitation of Owners' Rights to Pursue Remedies

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 given written notice to the Trustee of such 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 Resulting from Pursuit of Remedies

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture or the Installment Purchase Contract must be applied by the Trustee in the following order. Payments to Owners described below will be made upon presentation of the Certificates, and if the Certificates are only partly paid, the Trustee will note the fact on each Certificate before returning it to its Owner, and if the Certificates are fully paid, the Trustee will retain them and cancel them.

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

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 following payment of principal and interest and interest on overdue principal), 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 principal and interest without preference or priority, ratably in proportion to the aggregate of such principal and interest.

Amendments

The Indenture, each Acquisition Agreement and each Installment Purchase Contract may be amended by agreement among the parties without the consent of the Owners, but only to the extent permitted by law and only for the following purposes:

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

(b) to add to the covenants and agreements of the Board contained in the Indenture or any other Financing Agreement 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 Estate 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, any supplemental indenture or any other Financing Agreement 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) in connection with an interest rate swap agreement, to (i) provide for payments to be made by the Board to any provider of an interest rate swap, (ii) provide for the disposition of payments to be received from any provider of an interest rate swap, and (iii) add covenants for the benefit of any provider of an interest rate swap which are not materially adverse to the Owners;

(i) to secure or maintain ratings on the Certificates;

(j) to provide for the appointment of a Co-Trustee or a successor Trustee; and

(k) to authorize the issuance of additional Parity Certificates and to renew or extend the term of any Purchase Contract in connection therewith.

Unless approved in writing by the Owners of all affected Certificates, nothing in the Indenture shall permit, or be construed as permitting, (i) a change in the time, 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 borne by it, 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 indenture or supplemental agreement.

Notwithstanding the foregoing, under certain circumstances described in the Installment Purchase Contract, additions to the description of the Improvements in the Indenture and in the Installment Purchase Contract may be made solely at the direction of the Board Representative and without the consent of, or notice, to any person.

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.

Defeasance

Upon (a) payment of all Outstanding Certificates, either at or before maturity, or upon the irrevocable deposit with the Trustee of money or Defeasance Obligations sufficient with other available funds, without reinvestment, to pay and discharge all Certificates at or before maturity, and (b) the delivery to the Trustee of certain other certificates and opinions, 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 of a Certificate in authorized denominations may be paid and discharged as provided in the preceding paragraph; *provided,* that if any such Certificate or portion of a Certificate 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 of a Certificate is to be redeemed and as to the giving of notice of such redemption; and *provided further,* that if any such Certificate or portion of a Certificate 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 (subject to the provisions described in the following paragraph) 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) assert all claims for damage with respect to each item of Improvements arising as a result of any default by the applicable Contractor, and (e) compel performance of the terms of the Improvement Contracts with respect to such Improvements; *provided,* that title to the Improvements in existence on the date of delivery of the Installment Purchase Contract will automatically vest in the Board without action by the Trustee, and title to all Improvements acquired after the delivery of the Installment Purchase Contract will automatically so vest in the Board upon acquisition without action by the Trustee, subject to the provisions of the Installment Purchase Contract immediately revesting such title in the Trustee upon the occurrence of an Event of Default under the Installment Purchase Contract.

With respect to each item of Improvements, so long as such item of Improvements is subject to an Installment Purchase Contract, the Board reserves (a) the rights to demand, accept and retain all rights in and to all property (other than the Improvements), 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.

In the Acquisition Agreement, the Board constitutes the Trustee the true and lawful attorney of the Board, irrevocably, with full power (in the name of the Board or in its own name) to (a) 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 moneys and claims for money have been assigned by the Acquisition Agreement, (b) endorse any checks or other instruments or orders, and (c) file any claims or take any action or institute any proceedings which to the Trustee may seem to be necessary or advisable.

The Board on behalf of the Trustee agrees in the Acquisition Agreement, subject to the delivery of the invoice or invoices and other conditions set forth in the Installment 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 prices of such Improvements.

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SUMMARY OF CERTAIN SERIES 2014B CERTIFICATES LEGAL DOCUMENTS

The following are brief summaries of the provisions of the Installment Purchase Contract, the Indenture and the Acquisition Agreement relating to the Series 2014B Certificates. 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 under the heading "ADDITIONAL INFORMATION" in this Official Statement.

CERTAIN DEFINITIONS

The following words and terms as used in this Official Statement shall have the following meanings unless the context or use indicates another or different meaning or intent. Certain words and terms used in this Official Statement and not defined below are defined in the body of this Official Statement.

"*Acquisition Agreement*" shall mean the Amended and Restated Acquisition Agreement, dated as of December 1, 2014, between the Trustee and the Board.

"*Acquisition Costs*" shall mean the price paid or to be paid by the Trustee to cause the acquisition and construction of the Improvements in accordance with the Acquisition Agreement, together with all other costs and expenses incidental to such acquisition and construction, including but not limited to the salaries of certain designated employees of the Board employed in connection with the acquisition 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 the Indenture for the purpose of paying Acquisition Costs.

"*Additional Payments*" shall mean all costs and expenses incurred by the Trustee to comply with the provisions of the Indenture, including without limitation compensation due to the Trustee, all costs and expenses of auditors, engineers, accountants and legal counsel, if necessary, but excluding costs of issuance (which shall be paid as Acquisition Costs), any advances by the Trustee to cure any failure by the Board to perform its covenant obligations with respect to the Improvements under an Installment Purchase Contract, 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 an Installment Purchase Contract.

"*Board*" shall mean The Board of Trustees of the University of Illinois, a body corporate and politic of the State of Illinois, and its successors and assigns.

"*Board Representative*" shall mean the President, the Secretary or the Comptroller 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, any Installment Purchase Contract or any Acquisition Agreement.

"*Bond Counsel*" shall mean counsel of nationally recognized standing, acceptable to the Board Representative and the Trustee, in matters relating to the authorization of, and the exclusion of interest from gross income on, obligations issued by states and their political subdivisions or agencies.

"*Book-Entry System*" shall mean the system of registration with the Securities Depository described in the Indenture.

"*Business Day*" shall mean any day other than a Saturday, Sunday or other day on which (i) banks located in each of the cities in which the principal offices of the Board and the designated corporate trust office of the Trustee are located are required or authorized to remain closed or (ii) The New York Stock Exchange, Inc. is closed.

"*Certificates*" shall mean, for purposes of this Appendix, the Certificates authorized to be issued under the Indenture, including the Series 2014B Certificates.

"*Code*" shall mean the Internal Revenue Code of 1986, as amended, and any applicable regulations thereunder.

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

"*Construction Contract*" shall mean any construction contract or contracts between the Board (acting in its capacity as the Trustee's agent pursuant to an Installment 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 an Installment Purchase Contract) or the Trustee.

"*Defeasance Obligations*" shall mean non-callable (a) direct obligations of the United States of America, (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, or (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America.

"*Delivery Costs*" shall mean all items of expense directly or indirectly payable by or reimbursable to the Board relating to the authorization, execution, sale and delivery of the Financing Agreements or any Certificates.

"*Escrow Agreement*" means the Escrow Agreement dated as of December 23, 2014 between the Board and The Bank of New York Mellon Trust Company, N.A., successor trustee under the Indenture of Trust dated as of February 15, 2005 from the Board to such successor trustee, relating to the Prior Certificates, as escrow agent, relating to the refunding and defeasance of the Prior Certificates.

"*Event of Default*" shall mean an event of default under (and as defined in) any Installment Purchase Contract and, in addition, if the Installment Purchase Contract has terminated pursuant to its terms, the failure of the Trustee to receive, from Legally Available Non-Appropriated Funds, an amount sufficient to pay the Installment Payments on any date payment is due.

"*Financing Agreements*" shall mean the Indenture, the Installment Purchase Contract and the Acquisition Agreement.

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

"*Improvements*" shall mean the UIC Medical Research Project as more fully described in the Indenture.

"*Improvements Documents*" shall mean any of (i) the Improvement Contracts; (ii) the evidence of liability insurance and/or self-insurance with respect to general liability and property insurance, as required by the Installment Purchase Contract, 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 the Indenture of Trust, dated as of December 1, 2014, from the Board to the Trustee, together with any permitted amendments or supplements to it.

"*Installment Payments*" shall mean, with respect to any Installment Purchase Contract, all payments required to be paid by the Board on any date pursuant to such Installment Purchase Contract and as set forth therein and, if not referred to individually, means all such payments under all Installment Purchase Contracts.

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

"*Installment Purchase Contract*" or "*Purchase Contract*" shall mean the Installment Purchase Contract dated as of December 1, 2014 between the Board and the Trustee, relating to the repurchase of the Improvements.

"*Interest Payment Date*" shall mean each of the dates on which interest is due and payable with respect to any of the Series 2014B Certificates.

"*Legally Available Non-Appropriated Funds*" shall mean 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, shall mean, as of any date of determination, all Certificates executed and delivered under the Indenture, except:

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

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

(c) Certificates in lieu of which other Certificates 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 shall mean the person in whose name such Certificate is registered.

"*Parity Certificates*" shall mean any additional Certificates authorized to be issued under the Indenture and ranking *pari passu* with the Series 2014B Certificates.

"*Permitted Encumbrances*" shall mean, as of any particular time: (i) the Installment 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*" shall mean investments which are permitted under the statutes of the State providing for the investment of funds of the Board, as such statutes may be amended from time to time, as listed in the Indenture.

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

"*Principal*" shall mean the amount attributable to the principal component of each Installment Payment.

"*Prior Certificates*" means the Certificates of Participation (UIC College of Medicine Research Building Project), Taxable Series 2005.

"*Professional and Specialty Services Contract*" shall mean any professional services or specialty services contract between the Board (acting as the Trustee's agent pursuant to an Installment Purchase Contract) or the Trustee and any Contractor providing for the acquisition and delivery of the Improvements; provided, 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 such contract is or will be on file with the Board.

"*Regular Record Date*" shall mean the close of business on the first day of the month in which an Interest Payment Date occurs, whether or not such first day is a Business Day.

"*Securities Depository*" shall mean The Depository Trust Company, New York, New York, or its nominee, and the successors and assigns of such nominee, or any successor appointed under the Indenture.

"*Series 2014B Certificates*" shall mean the $11,040,000 aggregate principal amount of Certificates of Participation (Refunding), Taxable Series 2014B, to be executed and delivered pursuant to the Indenture.

"*Special Interest Payment Date*" shall mean, with respect to the Series 2014B Certificates, the Business Day established by the Trustee for the payment of overdue Interest on the Series 2014B Certificates pursuant to the Indenture.

"*Special Record Date*" shall mean, with respect to the Series 2014B Certificates, the Business Day established by the Trustee for determination of the Owners entitled to receive overdue Interest on the Series 2014B Certificates pursuant to the Indenture.

"*State*" shall mean the State of Illinois.

"*Supply Contract*" shall mean any equipment contract or purchase order between the Board (acting as the Trustee's agent pursuant to an Installment Purchase Contract) or the Trustee and any Contractor providing for the acquisition and delivery of the Improvements, a copy of each of which is or will be on file with the Board.

"*Trustee*" shall mean The Bank of New York Mellon Trust Company, N. A., or any successor, not individually but acting as trustee under the Indenture.

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

INSTALLMENT PURCHASE CONTRACT

Purchase of Improvements

The Trustee agrees to sell the Improvements to the Board pursuant to the Installment Purchase Contract. The term of the Installment Purchase Contract continues until February 15, 2024, unless terminated in accordance with the Installment Purchase Contract. (See "SECURITY OF THE CERTIFICATES – Termination of Installment Purchase Contracts.")

No later than the Business Day before each Interest Payment Date, the Board shall deposit with the Trustee the full amount of funds necessary to make all Installment Payments coming due on such dates. The Board's failure to provide for such payments to the Trustee shall terminate all of the Board's right, title and interest in and payment obligations under the Installment Purchase Contract as provided therein and to all of the Improvements.

Installment Payments

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

Maintenance; Modification of Improvements

The Board has agreed, at its own expense during the term of the Installment Purchase Contract, to pay for, or otherwise arrange for the payment of, all improvement, repair and maintenance of the Improvements. The Board must pay or cause to be paid all taxes, assessments, utility and other charges with respect to the Improvements.

The Board and any lessee of the Board may remodel any Improvements or to make additions, modifications and improvements to the Improvements which do not (a) damage any Improvements, (b) cause them to be used for purposes not authorized under the provisions of State or federal law, or (c) 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 Installment Purchase Contract.

The Board and any lessee of the Board 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 or upon the Improvements. All of such items will remain the sole property of the Board or such lessee, in which the Trustee will not have any interest, and may be modified or removed by such party at any time provided that such party repairs and restores any and all damage to the Improvements resulting from the installation, modification or removal of any such items.

Insurance

The Board is required to maintain, or cause to be maintained, throughout the term of the Installment Purchase Contract, 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.

Damage or Destruction

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 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 the description of the Improvements attached to the Installment Purchase Contract and the Indenture 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 of an amount which, upon investment together with investment earnings, will be sufficient to pay a portion of the unpaid Installment Payments, including both the principal and interest components and premium, if any.

Purchase Option; Prepayment

On or after the Board certifies to the Trustee that the Board has determined that there are not sufficient Legally Available Non-Appropriated Funds to pay all of the Installment Payments coming due during the then current fiscal year, the Board may, or upon termination of the Installment Purchase Contract the Board shall, exercise its option to purchase all of the Improvements by paying the prepayment price of principal and accrued interest and redemption premium, if any, on all of the Certificates to the date the Installment 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 Government, together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, 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. If the Board makes a deposit sufficient to pay, or provide for the payment of, all unpaid Installment Payments, all obligations of the Board under the Installment Purchase Contract, and all security provided by the Installment Purchase Contract for said obligations, shall cease and terminate, except for the obligations of the Board to make, or cause to be made, Installment Payments from such deposit.

Assignment and Leasing

The Board may not assign any of its rights in the Installment Purchase Contract. The Improvements may be leased in whole or in part by the Board, but only with the written consent of the Trustee and subject to the conditions contained in the Installment Purchase Contract.

Events of Default

The following are "events of default" under the Installment Purchase Contract:

(i) Failure by the Board to pay any Installment Payment or other payment required under the Installment 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 Installment Purchase Contract or the Indenture, other than default described in clause (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 Installment Purchase Contract.

Upon the occurrence of an event of default under the Installment Purchase Contract, title to the Improvements is subject to immediately re-vesting in the Trustee and the Trustee at its option may terminate the Installment Purchase Contract and rent, lease or sell all, or any portion of, its interests in the Improvements. Any amounts received by the Trustee from such renting, 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 Owners as provided in the Indenture.

INDENTURE

Pledge and Security

Pursuant to the Indenture, the Board has granted to the Trustee a security interest in, and has released, assigned, transferred, pledged, granted and conveyed to the Trustee, and Trustee has established a trust to receive and to hold as security for the Owners of the Certificates, 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 subsequently acquired by the Board, and in and to the Improvement Contracts between the Board and any Contractor, and any duly authorized and executed amendments to them, 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 the Improvements in existence on the date of delivery of a Purchase Contract will automatically vest in the Board without action by the Trustee, and title to all Improvements acquired after the date of delivery of a Purchase Contract will automatically so vest in the Board upon acquisition without action by the Trustee, but subject to the provisions of each Purchase Contract immediately revesting such title in the Trustee upon the occurrence of an Event of Default under such Purchase Contract.

With respect to each item of Improvements, as long, and only as long, as such item of Improvements is subject to a Purchase Contract and the Board is entitled to possession of such item of Improvements under a 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.

C. All right, title and interest of the Board in the Acquisition Agreement and the Installment Purchase Contract, but excluding the Board's option to terminate or renew a Purchase Contract as provided therein, the Board's reserved rights under the Installment Purchase Contract to (i) quiet enjoyment of the Improvements, (ii) title to the Improvements, (iii) prepay the Installment Payments, (iv) maintain, modify, contest taxes, assessments and other charges with respect to, use, respond to damage to or destruction of the Improvements, and install and remove equipment on the Improvements, and (v) receive all notices, certificates, requests, directions and other communications under the Indenture and the Installment Purchase Contract.

D. All right, title and interest of the Trustee in and to the Installment 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 under the Installment Purchase Contract, including, but not limited to the Installment Payments and the Additional Payments, (ii) bring actions and proceedings under or for the enforcement of the Installment Purchase Contract, and (iii) do any and all things which the Trustee is or may become entitled to do under the Installment Purchase Contract.

E. All right, title and interest of the Trustee and the Board in and to amounts on deposit from time to time in the funds and accounts created pursuant to the Indenture, subject to the provisions of the Indenture permitting the application of such amounts for the purposes and on the terms and conditions set forth in the Indenture.

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

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.

The net proceeds received by the Trustee from the sale of the Series 2014B Certificates, consisting of the principal amount of the Series 2014B Certificates and accrued interest, if any, thereon less an underwriters' fee, shall be applied as follows: first, the Trustee shall deposit in the Installment Payment Fund an amount equal to the portion of the proceeds of the Series 2014B Certificates representing the accrued interest, if any, thereon. Second, the Trustee shall transfer an amount which will be sufficient to provide for the redemption of the Prior Certificates as provided in the Escrow Agreement.

Acquisition Fund. The balance of the proceeds of the sale of the Series 2014B Certificates will be deposited in the Acquisition Fund and disbursed by the Board pursuant to the Indenture to pay Delivery Costs.

Moneys remaining in the Acquisition Fund after payment of such costs shall be deposited in the Installment Payment Fund and used to pay interest on the Series 2014B Certificates.

If (i) an Event of Default (or an event which with notice or lapse of time or both would constitute an Event of Default) occurs and is continuing or (ii) the Installment Purchase Contract terminates pursuant to its terms, then the moneys in the Acquisition Fund must be paid by the Board to the Trustee and applied as set forth below under the heading "Application of Funds."

Installment Payment Fund. The Trustee is required to deposit into the Installment Payment Fund all Installment Payments, Additional Payments and Prepayments, including any other moneys required to be deposited in such fund pursuant to the Installment Purchase Contract or the Indenture. Moneys on deposit in the Installment Payment Fund shall be held by the Trustee in trust for the benefit of the Owners and used to pay principal of and interest on the Certificates as the same become due and payable.

Any surplus remaining in the Installment Payment Fund after redemption or payment of all Certificates, or provision for such redemption or payment has been made, will be remitted to the Board.

Investments. The Trustee is required to invest and reinvest all moneys held under the Indenture upon order of a representative of the Board in Permitted Investments. Moneys in the Acquisition Fund shall be invested by the Board in Permitted Investments. Any earnings on 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 until all Acquisition Costs have been paid, and any surplus remaining at such time shall be deposited into the Installment Payment Fund and used to pay interest on the Certificates.

Events of Default and Remedies

Upon the occurrence of an Event of Default, if requested by the Owners of not less than 25% in aggregate principal amount of the Certificates then Outstanding, the Trustee may, or if requested by the Owners of a majority in aggregate principal amount of the Certificates then outstanding, the Trustee shall, exercise any and all remedies available at law or granted pursuant to any Installment Purchase Contract and the Indenture, including declaring the principal portion of the Installment Payments under the Installment Purchase Contract relating to the Certificates to be immediately due and payable, whereupon that portion of the principal portion of such 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 to the contrary notwithstanding.

If one or more Events of Default occur and are 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, shall, proceed to protect or enforce its rights or the rights of the Owners by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Indenture, the foreclosure of any lien granted in the Indenture, or in aid of the execution of any power granted in the Indenture, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee deems most effectual in support of any of its rights or duties under the Indenture.

If the Trustee, upon the occurrence of an Event of Default, has taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, 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 will 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,* that the Trustee may not discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity without the consent of the Owners of a majority in aggregate principal amount of the Certificates Outstanding.

No remedy conferred upon or reserved to the Trustee or the Owners in the Indenture is intended to be exclusive of any other remedy, and every such remedy is cumulative and is in addition to every other remedy given under the Indenture or now or subsequently existing, at law or in equity or by statute or otherwise.

Limitation of Owners' Rights to Pursue Remedies

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 given written notice to the Trustee of such 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 Resulting from Pursuit of Remedies

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture or the Installment Purchase Contract must be applied by the Trustee in the following order. Payments to Owners described below will be made upon presentation of the Certificates, and if the Certificates are only partly paid, the Trustee will note the fact on each Certificate before returning it to its Owner, and if the Certificates are fully paid, the Trustee will retain them and cancel them.

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

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 following payment of principal and interest and interest on overdue principal), 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 principal and interest without preference or priority, ratably in proportion to the aggregate of such principal and interest.

Amendments

The Indenture, the Acquisition Agreement and the Installment Purchase Contract may be amended by agreement among the parties without the consent of the Owners, but only to the extent permitted by law and only for the following purposes:

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

(b) to add to the covenants and agreements of the Board contained in the Indenture or any other Financing Agreement 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 Estate 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, any supplemental indenture or any other Financing Agreement 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) in connection with an interest rate swap agreement, to (i) provide for payments to be made by the Board to any provider of an interest rate swap, (ii) provide for the disposition of payments to be received from any provider of an interest rate swap, and (iii) add covenants for the benefit of any provider of an interest rate swap which are not materially adverse to the Owners;

(i) to secure or maintain ratings on the Certificates;

(j) to provide for the appointment of a Co-Trustee or a successor Trustee; and

(k) to authorize the issuance of additional Parity Certificates and to renew or extend the term of any Purchase Contract in connection therewith.

Unless approved in writing by the Owners of all affected Certificates, nothing in the Indenture shall permit, or be construed as permitting, (i) a change in the time, 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 borne by it, 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 indenture or supplemental agreement.

Notwithstanding the foregoing, under certain circumstances described in the Installment Purchase Contract, additions to the description of the Improvements in the Indenture and in the Installment Purchase Contract may be made solely at the direction of the Board Representative and without the consent of, or notice, to any person.

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.

Defeasance

Upon (a) payment of all Outstanding Certificates, either at or before maturity, or upon the irrevocable deposit with the Trustee of money or Defeasance Obligations sufficient with other available funds, without reinvestment, to pay and discharge all Certificates at or before maturity, and (b) the delivery to the Trustee of certain other certificates and opinions, 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 of a Certificate in authorized denominations may be paid and discharged as provided in the preceding paragraph; *provided,* that if any such Certificate or portion of a Certificate 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 of a Certificate is to be redeemed and as to the giving of notice of such redemption; and *provided further,* that if any such Certificate or portion of a Certificate 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 (subject to the provisions described in the following paragraph) 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) assert all claims for damage with respect to each item of Improvements arising as a result of any default by the applicable Contractor, and (e) compel performance of the terms of the Improvement Contracts with respect to such Improvements; *provided,* that title to the Improvements in existence on the date of delivery of the Installment Purchase Contract will automatically vest in the Board without action by the Trustee, and title to all Improvements acquired after the delivery of the Installment Purchase Contract will automatically so vest in the Board upon acquisition without action by the Trustee, subject to the provisions of the Installment Purchase Contract immediately revesting such title in the Trustee upon the occurrence of an Event of Default under the Installment Purchase Contract.

With respect to each item of Improvements, so long as such item of Improvements is subject to an Installment Purchase Contract, the Board reserves (a) the rights to demand, accept and retain all rights in and to all property (other than the Improvements), 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.

In the Acquisition Agreement, the Board constitutes the Trustee the true and lawful attorney of the Board, irrevocably, with full power (in the name of the Board or in its own name) to (a) 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 moneys and claims for money have been assigned by the Acquisition Agreement, (b) endorse any checks or other instruments or orders, and (c) file any claims or take any action or institute any proceedings which to the Trustee may seem to be necessary or advisable.

The Board on behalf of the Trustee agrees in the Acquisition Agreement, subject to the delivery of the invoice or invoices and other conditions set forth in the Installment 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 prices of such Improvements.

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SUMMARY OF CERTAIN SERIES 2014C CERTIFICATES LEGAL DOCUMENTS

The following are brief summaries of the provisions of the Installment Purchase Contract, the Indenture and the Acquisition Agreement relating to the Series 2014C Certificates. 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 under the heading "ADDITIONAL INFORMATION" in this Official Statement.

CERTAIN DEFINITIONS

The following words and terms as used in this Official Statement shall have the following meanings unless the context or use indicates another or different meaning or intent. Certain words and terms used in this Official Statement and not defined below are defined in the body of this Official Statement.

"*Acquisition Agreement*" shall mean the Amended and Restated Acquisition Agreement, dated as of December 1, 2014, between the Trustee and the Board.

"*Acquisition Costs*" shall mean the price paid or to be paid by the Trustee to cause the acquisition and construction of the Improvements in accordance with the Acquisition Agreement, together with all other costs and expenses incidental to such acquisition and construction, including but not limited to the salaries of certain designated employees of the Board employed in connection with the acquisition 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 the Indenture for the purpose of paying Acquisition Costs.

"*Additional Payments*" shall mean all costs and expenses incurred by the Trustee to comply with the provisions of the Indenture, including without limitation compensation due to the Trustee, all costs and expenses of auditors, engineers, accountants and legal counsel, if necessary, but excluding costs of issuance (which shall be paid as Acquisition Costs), any advances by the Trustee to cure any failure by the Board to perform its covenant obligations with respect to the Improvements under an Installment Purchase Contract, 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 an Installment Purchase Contract.

"*Board*" shall mean The Board of Trustees of the University of Illinois, a body corporate and politic of the State of Illinois, and its successors and assigns.

"*Board Representative*" shall mean the President, the Secretary or the Comptroller 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, any Installment Purchase Contract or any Acquisition Agreement.

"*Bond Counsel*" shall mean counsel of nationally recognized standing, acceptable to the Board Representative and the Trustee, in matters relating to the authorization of, and the exclusion of interest from gross income on, obligations issued by states and their political subdivisions or agencies.

"*Book-Entry System*" shall mean the system of registration with the Securities Depository described in the Indenture.

"*Business Day*" shall mean any day other than a Saturday, Sunday or other day on which (i) banks located in each of the cities in which the principal offices of the Board and the designated corporate trust office of the Trustee are located are required or authorized to remain closed or (ii) The New York Stock Exchange, Inc. is closed.

"*Certificates*" shall mean, for purposes of this Appendix, the Certificates authorized to be issued under the Indenture, including the Series 2014C Certificates.

"*Code*" shall mean the Internal Revenue Code of 1986, as amended, and any applicable regulations thereunder.

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

"*Construction Contract*" shall mean any construction contract or contracts between the Board (acting in its capacity as the Trustee's agent pursuant to an Installment 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 an Installment Purchase Contract) or the Trustee.

"*Defeasance Obligations*" shall mean non-callable (a) direct obligations of the United States of America, (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, or (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America.

"*Delivery Costs*" shall mean all items of expense directly or indirectly payable by or reimbursable to the Board relating to the authorization, execution, sale and delivery of the Financing Agreements or any Certificates.

"*Escrow Agreement*" means the Escrow Agreement dated as of December 23, 2014 between the Board and The Bank of New York Mellon Trust Company, N.A., successor trustee under the Indenture of Trust dated as of May 16, 2006 from the Board to such successor trustee, relating to the Prior Certificates, as escrow agent, relating to the refunding and defeasance of the Prior Certificates.

"*Event of Default*" shall mean an event of default under (and as defined in) any Installment Purchase Contract and, in addition, if the Installment Purchase Contract has terminated pursuant to its terms, the failure of the Trustee to receive, from Legally Available Non-Appropriated Funds, an amount sufficient to pay the Installment Payments on any date payment is due.

"*Financing Agreements*" shall mean the Indenture, the Installment Purchase Contract and the Acquisition Agreement.

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

"*Improvements*" shall mean the Academic Facilities Project as more fully described in the Indenture.

"*Improvements Documents*" shall mean any of (i) the Improvement Contracts; (ii) the evidence of liability insurance and/or self-insurance with respect to general liability and property insurance, as required by the Installment Purchase Contract, 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 the Indenture of Trust, dated as of December 1, 2014, from the Board to the Trustee, together with any permitted amendments or supplements to it.

"*Installment Payments*" shall mean, with respect to any Installment Purchase Contract, all payments required to be paid by the Board on any date pursuant to such Installment Purchase Contract and as set forth therein and, if not referred to individually, means all such payments under all Installment Purchase Contracts.

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

"*Installment Purchase Contract*" or "*Purchase Contract*" shall mean the Installment Purchase Contract dated as of December 1, 2014 between the Board and the Trustee, relating to the repurchase of the Improvements.

"*Interest Payment Date*" shall mean each of the dates on which interest is due and payable with respect to any of the Series 2014C Certificates.

"*Legally Available Non-Appropriated Funds*" shall mean 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, shall mean, as of any date of determination, all Certificates executed and delivered under the Indenture, except:

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

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

(c) Certificates in lieu of which other Certificates 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 shall mean the person in whose name such Certificate is registered.

"*Parity Certificates*" shall mean any additional Certificates authorized to be issued under the Indenture and ranking *pari passu* with the Series 2014C Certificates.

"*Permitted Encumbrances*" shall mean, as of any particular time: (i) the Installment 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*" shall mean investments which are permitted under the statutes of the State providing for the investment of funds of the Board, as such statutes may be amended from time to time, as listed in the Indenture.

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

"*Principal*" shall mean the amount attributable to the principal component of each Installment Payment.

"*Prior Certificates*" means the Certificates of Participation (Academic Facilities Projects), Series 2006A.

"*Professional and Specialty Services Contract*" shall mean any professional services or specialty services contract between the Board (acting as the Trustee's agent pursuant to an Installment Purchase Contract) or the Trustee and any Contractor providing for the acquisition and delivery of the Improvements; provided, 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 such contract is or will be on file with the Board.

"*Rebate Fund*" shall mean the fund of that name established and held by the Trustee pursuant to the Indenture.

"*Regular Record Date*" shall mean the close of business on the first day of the month in which an Interest Payment Date occurs, whether or not such first day is a Business Day.

"*Securities Depository*" shall mean The Depository Trust Company, New York, New York, or its nominee, and the successors and assigns of such nominee, or any successor appointed under the Indenture.

"*Series 2014C Certificates*" shall mean the $29,160,000 aggregate principal amount of Certificates of Participation (Refunding), Series 2014C, to be executed and delivered pursuant to the Indenture.

"*Special Interest Payment Date*" shall mean, with respect to the Series 2014C Certificates, the Business Day established by the Trustee for the payment of overdue Interest on the Series 2014C Certificates pursuant to the Indenture.

"*Special Record Date*" shall mean, with respect to the Series 2014C Certificates, the Business Day established by the Trustee for determination of the Owners entitled to receive overdue Interest on the Series 2014C Certificates pursuant to the Indenture.

"*State*" shall mean the State of Illinois.

"*Supply Contract*" shall mean any equipment contract or purchase order between the Board (acting as the Trustee's agent pursuant to an Installment Purchase Contract) or the Trustee and any Contractor providing for the acquisition and delivery of the Improvements, a copy of each of which is or will be on file with the Board.

"*Trustee*" shall mean The Bank of New York Mellon Trust Company, N. A., or any successor, not individually but acting as trustee under the Indenture.

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

INSTALLMENT PURCHASE CONTRACT

Purchase of Improvements

The Trustee agrees to sell the Improvements to the Board pursuant to the Installment Purchase Contracts. The term of the Installment Purchase Contract continues until March 15, 2026, unless terminated prior to that date in accordance with the Installment Purchase Contract. (See "SECURITY OF THE CERTIFICATES – Termination of Installment Purchase Contracts.")

No later than the Business Day before each Interest Payment Date, the Board shall deposit with the Trustee the full amount of funds necessary to make all Installment Payments coming due on such dates. The Board's failure to provide for such payments to the Trustee shall terminate all of the Board's right, title and interest in and payment obligations under the Installment Purchase Contract as provided therein and to all of the Improvements.

Installment Payments

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

Maintenance; Modification of Improvements

The Board has agreed, at its own expense during the term of the Installment Purchase Contract, to pay for, or otherwise arrange for the payment of, all improvement, repair and maintenance of the Improvements. The Board must pay or cause to be paid all taxes, assessments, utility and other charges with respect to the Improvements.

The Board and any lessee of the Board may remodel any Improvements or to make additions, modifications and improvements to the Improvements which do not (a) damage any Improvements, (b) cause them to be used for purposes not authorized under the provisions of State or federal law, or (c) 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 Installment Purchase Contract.

The Board and any lessee of the Board 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 or upon the Improvements. All of such items will remain the sole property of the Board or such lessee, in which the Trustee will not have any interest, and may be modified or removed by such party at any time provided that such party repairs and restores any and all damage to the Improvements resulting from the installation, modification or removal of any such items.

Insurance

The Board is required to maintain, or cause to be maintained, throughout the term of the Installment Purchase Contract, 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.

Damage or Destruction

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 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 the description of the Improvements attached to the Installment Purchase Contract and the Indenture 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 of an amount which, upon investment together with investment earnings, will be sufficient to pay a portion of the unpaid Installment Payments, including both the principal and interest components and premium, if any.

Purchase Option; Prepayment

On or after the Board certifies to the Trustee that the Board has determined that there are not sufficient Legally Available Non-Appropriated Funds to pay all of the Installment Payments coming due during the then current fiscal year, the Board may, or upon termination of the Installment Purchase Contract the Board shall, exercise its option to purchase all of the Improvements by paying the prepayment price of principal and accrued interest and redemption premium, if any, on all of the Certificates to the date the Installment 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 Government, together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, 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. If the Board makes a deposit sufficient to pay, or provide for the payment of, all unpaid Installment Payments, all obligations of the Board under the Installment Purchase Contract, and all security provided by the Installment Purchase

Contract for said obligations, shall cease and terminate, except for the obligations of the Board to make, or cause to be made, Installment Payments from such deposit.

Assignment and Leasing

The Board may not assign any of its rights in the Installment Purchase Contract. The Improvements may be leased in whole or in part by the Board, but only with the written consent of the Trustee and subject to the conditions contained in the Installment Purchase Contract.

Events of Default

The following are "events of default" under the Installment Purchase Contract:

(i) Failure by the Board to pay any Installment Payment or other payment required under the Installment 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 Installment Purchase Contract or the Indenture, other than default described in clause (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 Installment Purchase Contract.

Upon the occurrence of an event of default under the Installment Purchase Contract, title to the Improvements is subject to immediately re-vesting in the Trustee and the Trustee at its option may terminate the Installment Purchase Contract and rent, lease or sell all, or any portion of, its interests in the Improvements. Any amounts received by the Trustee from such renting, 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 Owners as provided in the Indenture.

INDENTURE

Pledge and Security

Pursuant to the Indenture, the Board has granted to the Trustee a security interest in, and has released, assigned, transferred, pledged, granted and conveyed to the Trustee, and Trustee has established a trust to receive and to hold as security for the Owners of the Certificates, 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 subsequently acquired by the Board, and in and to the Improvement Contracts between the Board and any Contractor, and any duly authorized and executed amendments to them, 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 the Improvements in existence on the date of delivery of a Purchase Contract will automatically vest in the Board without action by the Trustee, and title to all Improvements acquired after the date of delivery of a Purchase Contract will automatically so vest in the Board upon acquisition without action by the Trustee, but subject to the provisions of each Purchase Contract immediately revesting such title in the Trustee upon the occurrence of an Event of Default under such Purchase Contract.

With respect to each item of Improvements, as long, and only as long, as such item of Improvements is subject to a Purchase Contract and the Board is entitled to possession of such item of Improvements under a 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.

C. All right, title and interest of the Board in the Acquisition Agreement and the Installment Purchase Contract, but excluding the Board's option to terminate or renew a Purchase Contract as provided therein, the Board's reserved rights under the Installment Purchase Contract to (i) quiet enjoyment of the Improvements, (ii) title to the Improvements, (iii) prepay the Installment Payments, (iv) maintain, modify, contest taxes, assessments and other charges with respect to, use, respond to damage to or destruction of the Improvements, and install and remove equipment on the Improvements, and (v) receive all notices, certificates, requests, directions and other communications under the Indenture and the Installment Purchase Contract.

D. All right, title and interest of the Trustee in and to the Installment 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 under the Installment Purchase Contract, including, but not limited to the Installment Payments and the Additional Payments, (ii) bring actions and proceedings under or for the enforcement of the Installment Purchase Contract, and (iii) do any and all things which the Trustee is or may become entitled to do under the Installment Purchase Contract.

E. All right, title and interest of the Trustee and 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 of such amounts for the purposes and on the terms and conditions set forth in the Indenture.

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

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.

The net proceeds received by the Trustee from the sale of the Series 2014C Certificates, consisting of the principal amount of the Series 2014C Certificates and accrued interest, if any, thereon less an underwriters' fee, shall be applied as follows: first, the Trustee shall deposit in the Installment Payment Fund an amount equal to the portion of the proceeds of the Series 2014C Certificates representing the accrued interest, if any, thereon. Second, the Trustee shall transfer an amount which will be sufficient to provide for the redemption of the Prior Certificates as provided in the Escrow Agreement.

Acquisition Fund. The balance of the proceeds of the sale of the Series 2014C Certificates will be deposited in the Acquisition Fund and disbursed by the Board pursuant to the Indenture to pay Delivery Costs.

Moneys remaining in the Acquisition Fund after payment of such costs shall be deposited in the Installment Payment Fund and used to pay interest on the Series 2014C Certificates.

If (i) an Event of Default (or an event which with notice or lapse of time or both would constitute an Event of Default) occurs and is continuing or (ii) the Installment Purchase Contract terminates pursuant to its terms, then the moneys in the Acquisition Fund must be paid by the Board to the Trustee and applied as set forth below under the heading "Application of Funds."

Installment Payment Fund. The Trustee is required to deposit into the Installment Payment Fund all Installment Payments, Additional Payments and Prepayments, including any other moneys required to be deposited in such fund pursuant to the Installment Purchase Contract or the Indenture. Moneys on deposit in the Installment Payment Fund shall be held by the Trustee in trust for the benefit of the Owners and used to pay principal of and interest on the Certificates as the same become due and payable.

Any surplus remaining in the Installment Payment Fund after redemption or payment of all Certificates, or provision for such redemption or payment has been made, will be remitted to the Board.

Investments. The Trustee is required to invest and reinvest all moneys held under the Indenture upon order of a representative of the Board in Permitted Investments. Moneys in the Acquisition Fund shall be invested by the Board in Permitted Investments. Any earnings on 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 until all Acquisition Costs have been paid, and any surplus remaining at such time shall be deposited into the Installment Payment Fund and used to pay interest on the Certificates.

Events of Default and Remedies

Upon the occurrence of an Event of Default, if requested by the Owners of not less than 25% in aggregate principal amount of the Certificates then Outstanding, the Trustee may, or if requested by the Owners of a majority in aggregate principal amount of the Certificates then outstanding, the Trustee shall, exercise any and all remedies available at law or granted pursuant to any Installment Purchase Contract and the Indenture, including declaring the principal portion of the Installment Payments under such Installment Purchase Contract relating to the Certificates to be immediately due and payable, whereupon that portion of the principal portion of such 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 to the contrary notwithstanding.

If one or more Events of Default occur and are 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, shall, proceed to protect or enforce its rights or the rights of the Owners by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Indenture, the foreclosure of any lien granted in the Indenture, or in aid of the execution of any power granted in the Indenture, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee deems most effectual in support of any of its rights or duties under the Indenture.

If the Trustee, upon the occurrence of an Event of Default, has taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, 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 will 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,* that the Trustee may not discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity without the consent of the Owners of a majority in aggregate principal amount of the Certificates Outstanding.

No remedy conferred upon or reserved to the Trustee or the Owners in the Indenture is intended to be exclusive of any other remedy, and every such remedy is cumulative and is in addition to every other remedy given under the Indenture or now or subsequently existing, at law or in equity or by statute or otherwise.

Limitation of Owners' Rights to Pursue Remedies

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 given written notice to the Trustee of such 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 Resulting from Pursuit of Remedies

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture or the Installment Purchase Contract must be applied by the Trustee in the following order. Payments to Owners described below will be made upon presentation of the Certificates, and if the Certificates are only partly paid, the Trustee will note the fact on each Certificate before returning it to its Owner, and if the Certificates are fully paid, the Trustee will retain them and cancel them.

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

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 following payment of principal and interest and interest on overdue principal), 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 principal and interest without preference or priority, ratably in proportion to the aggregate of such principal and interest.

Amendments

The Indenture, the Acquisition Agreement and the Installment Purchase Contract may be amended by agreement among the parties without the consent of the Owners, but only to the extent permitted by law and only for the following purposes:

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

(b) to add to the covenants and agreements of the Board contained in the Indenture or any other Financing Agreement 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 Estate 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, any supplemental indenture or any other Financing Agreement 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) in connection with an interest rate swap agreement, to (i) provide for payments to be made by the Board to any provider of an interest rate swap, (ii) provide for the disposition of payments to be received from any provider of an interest rate swap, and (iii) add covenants for the benefit of any provider of an interest rate swap which are not materially adverse to the Owners;

(i) to secure or maintain ratings on the Certificates;

(j) to provide for the appointment of a Co-Trustee or a successor Trustee; and

(k) to authorize the issuance of additional Parity Certificates and to renew or extend the term of any Purchase Contract in connection therewith.

Unless approved in writing by the Owners of all affected Certificates, nothing in the Indenture shall permit, or be construed as permitting, (i) a change in the time, 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 borne by it, 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 indenture or supplemental agreement.

Notwithstanding the foregoing, under certain circumstances described in the Installment Purchase Contract, additions to the description of the Improvements in the Indenture and in the Installment Purchase Contract may be made solely at the direction of the Board Representative and without the consent of, or notice, to any person.

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.

Defeasance

Upon (a) payment of all Outstanding Certificates, either at or before maturity, or upon the irrevocable deposit with the Trustee of money or Defeasance Obligations sufficient with other available funds, without reinvestment, to pay and discharge all Certificates at or before maturity, and (b) the delivery to the Trustee of certain other certificates and opinions, 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 of a Certificate in authorized denominations may be paid and discharged as provided in the preceding paragraph; *provided,* that if any such Certificate or portion of a Certificate 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 of a Certificate is to be redeemed and as to the giving of notice of such redemption; and *provided further,* that if any such Certificate or portion of a Certificate 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 (subject to the provisions described in the following paragraph) 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) assert all claims for damage with respect to each item of Improvements arising as a result of any default by the applicable Contractor, and (e) compel performance of the terms of the Improvement Contracts with respect to such Improvements; *provided,* that title to the Improvements in existence on the date of delivery of the Installment Purchase Contract will automatically vest in the Board without action by the Trustee, and title to all Improvements acquired after the delivery of the Installment Purchase Contract will automatically so vest in the Board upon acquisition without action by the Trustee, subject to the provisions of the Installment Purchase Contract immediately revesting such title in the Trustee upon the occurrence of an Event of Default under the Installment Purchase Contract.

With respect to each item of Improvements, so long as such item of Improvements is subject to an Installment Purchase Contract, the Board reserves (a) the rights to demand, accept and retain all rights in and to all property (other than the Improvements), 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.

In the Acquisition Agreement, the Board constitutes the Trustee the true and lawful attorney of the Board, irrevocably, with full power (in the name of the Board or in its own name) to (a) 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 moneys and claims for money have been assigned by the Acquisition Agreement, (b) endorse any checks or other instruments or orders, and (c) file any claims or take any action or institute any proceedings which to the Trustee may seem to be necessary or advisable.

The Board on behalf of the Trustee agrees in the Acquisition Agreement, subject to the delivery of the invoice or invoices and other conditions set forth in the Installment 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 prices of such Improvements.

APPENDIX D

FORM OF OPINIONS OF BOND COUNSEL

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December 23, 2014

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

We have examined a record of proceedings of the Board of Trustees of the University of Illinois (the "Board") relating to the issuance of $25,055,000 aggregate principal amount of University of Illinois Certificates of Participation (Refunding), Series 2014A (the "Certificates"). The Certificates are authorized and issued by virtue of a Resolution entitled "Resolution Authorizing the Issuance and Sale of University of Illinois Certificates of Participation (Refunding), Taxable Series 2014A, Taxable Series 2014B, Series 2014C and Series 2014D" adopted by the Board on November 13, 2014 (the "Resolution"). The Certificates are being issued pursuant to an Indenture of Trust dated as of December 1, 2007, as supplemented by a First Supplemental Indenture of Trust dated as of December 1, 2014 (collectively, the "Indenture") each between the Board and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Certificates are being issued to refund certain existing certificates of participation, as described in the Indenture. In connection therewith, the Board has entered into separate Acquisition Agreements, each dated December 1, 2007 (the "Acquisition Agreements"), with the Trustee and separate Installment Purchase Contracts, each dated as of December 1, 2007 and each as amended by a First Amendment to Installment Contract dated as of December 1, 2014 (collectively, the "Installment Purchase Contracts"), with the Trustee pursuant to which the Board agrees to pay to the Trustee installment payments on the dates and in the amounts set forth therein (the "Installment Payments"). The Acquisition Agreements, the Installment Purchase Contracts and the Indenture are hereafter collectively referred to herein as the "Financing Agreements". Capitalized terms used herein and not defined have the meanings set forth in the Indenture.

The Certificates are dated the date hereof and bear interest from their date payable on April 1, 2015 and semi-annually thereafter on each April 1 and October 1 until paid. The Certificates mature on October 1 in each of the following years in the respective principal amounts set opposite such years and the Certificates maturing in each such year bear interest at the respective rates of interest per annum set opposite such years in the following table:

Year	Principal Amount	Rate of Interest
2015	$2,095,000	4.00%
2016	2,175,000	4.00
2017	2,265,000	5.00
2018	2,395,000	5.00
2019	2,510,000	5.00
2020	2,655,000	5.00
2021	2,785,000	5.00
2022	1,325,000	5.00
2023	1,460,000	5.00
2024	1,595,000	5.00
2025	1,685,000	5.00
2026	2,110,000	5.00

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

Based upon our examination of said record of proceedings, we are of the opinion that:

1. The Board has all requisite power and authority under the Constitution and the laws of the State of Illinois to adopt the Resolution.

2. The Financing Agreements have been duly authorized, executed and delivered by the Board, constitute valid and binding obligations of the Board and are legally enforceable in accordance with their 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 the Installment Payments to be made by the Board pursuant to the Installment Purchase Contracts.

4. Under existing law, the interest portion of the Installment Payments, for so long as the Installment Purchase Contracts are in effect ("Certificate Interest"), is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that Certificate Interest will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Certificates are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, Certificate Interest is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, Certificate Interest is includable in corporate earnings and profits and therefore must be taken into account when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of Certificate Interest. These requirements relate to the use and investment of the proceeds of the Certificates, the payment of certain amounts to the United States, the security and source of payment of the Certificates and the ownership and use of the property financed with the proceeds of the Certificates. The Board has covenanted to comply with these requirements.

With respect to the exclusion from gross income for Federal income tax purposes of Certificate Interest we have relied on the verification report of Grant Thornton LLP, certified public accountants, regarding the computation of the arbitrage yield on the Certificates and of certain investments made with the proceeds of the Certificates.

We express no opinion on the excludability from gross income for Federal income tax purposes of any payment on the Certificates to the extent such payment accrues from and after the effective date of a termination of the Board's obligation to make Installment Payments under any of the Installment Purchase Contracts.

Certificate Interest is not exempt from Illinois income taxes.

In rendering the foregoing opinion, we have relied, among other things, upon the representations and certifications of the Board with respect to certain material facts solely within its knowledge relating to the application of the proceeds of the Certificates and the property financed or refinanced with such proceeds.

In rendering the foregoing opinion, we advise you that the enforceability (but not the validity or binding effect) of the Financing Agreements and the Certificates (i) may be limited by any applicable bankruptcy, insolvency or other laws affecting the rights or remedies of creditors now or hereafter in effect and (ii) is subject to principles of equity in the event that equitable remedies are sought, either in an action at law or in equity.

Respectfully submitted

December 23, 2014

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

We have examined a record of proceedings of the Board of Trustees of the University of Illinois (the "Board") relating to the issuance of $11,040,000 aggregate principal amount of University of Illinois Certificates of Participation (Refunding), Taxable Series 2014B (the "Certificates"). The Certificates are authorized and issued by virtue of a Resolution entitled "Resolution Authorizing the Issuance and Sale of University of Illinois Certificates of Participation (Refunding), Taxable Series 2014A, Taxable Series 2014B, Series 2014C and Series 2014D" adopted by the Board on November 13, 2014 (the "Resolution"). The Certificates are being issued pursuant to an Indenture of Trust dated as of December 1, 2014 (the "Indenture") between the Board and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Certificates are being issued to refund certain existing certificates of participation as more fully described in the Indenture. In connection therewith, the Board has entered into an Amended and Restated Acquisition Agreement, dated December 1, 2014 (the "Acquisition Agreement"), with the Trustee and an Installment Purchase Contract, dated as of December 1, 2014 (the "Installment Purchase Contract"), with the Trustee pursuant to which the Board agrees to pay to the Trustee installment payments on the dates and in the amounts set forth therein (the "Installment Payments"). The Acquisition Agreement, the Installment Purchase Contract and the Indenture are hereafter collectively referred to herein as the "Financing Agreements". Capitalized terms used herein and not defined have the meanings set forth in the Indenture.

The Certificates are dated the date hereof and bear interest from their date payable on February 15, 2015 and semi-annually thereafter on each February 15 and August 15 until paid. The Certificates mature on October 1 in each of the following years in the respective principal amounts set opposite such years and the Certificates maturing in each such year bear interest at the respective rates of interest per annum set opposite such years in the following table:

Year	Principal Amount	Rate of Interest
2016	$1,140,000	1.308%
2017	1,155,000	1.853
2018	1,180,000	2.252
2019	1,205,000	2.652
2020	1,240,000	2.990
2021	1,270,000	3.340
2022	1,320,000	3.471
2023	1,360,000	3.571
2024	1,170,000	3.721

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

Based upon our examination of said record of proceedings, we are of the opinion that:

1. The Board has all requisite power and authority under the Constitution and the laws of the State of Illinois to adopt the Resolution.

2. The Financing Agreements have been duly authorized, executed and delivered by the Board, constitute valid and binding obligations of the Board and are legally enforceable in accordance with their 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 the Installment Payments to be made by the Board pursuant to the Installment Purchase Contract.

Certificate Interest is not exempt from Federal or Illinois income taxes.

In rendering the foregoing opinions, we have relied, among other things, upon the representations and certifications of the Board with respect to certain material facts solely within its knowledge relating to the application of the proceeds of the Certificates and the property financed or refinanced with such proceeds.

In rendering the foregoing opinions, we advise you that the enforceability (but not the validity or binding effect) of the Financing Agreements and the Certificates (i) may be limited by any applicable bankruptcy, insolvency or other laws affecting the rights or remedies of creditors now or hereafter in effect and (ii) is subject to principles of equity in the event that equitable remedies are sought, either in an action at law or in equity.

Respectfully submitted

December 23, 2014

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

We have examined a record of proceedings of the Board of Trustees of the University of Illinois (the "Board") relating to the issuance of $29,160,000 aggregate principal amount of University of Illinois Certificates of Participation (Refunding), Series 2014C (the "Certificates"). The Certificates are authorized and issued by virtue of a Resolution entitled "Resolution Authorizing the Issuance and Sale of University of Illinois Certificates of Participation (Refunding), Taxable Series 2014A, Taxable Series 2014B, Series 2014C and Series 2014D" adopted by the Board on November 13, 2014 (the "Resolution"). The Certificates are being issued pursuant to an Indenture of Trust dated as of December 1, 2014 (the "Indenture") between the Board and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Certificates are being issued to refund certain existing certificates of participation as more fully described in the Indenture. In connection therewith, the Board has entered into an Amended and Restated Acquisition Agreement, dated December 1, 2014 (the "Acquisition Agreement"), with the Trustee and an Installment Purchase Contract, dated as of December 1, 2014 (the "Installment Purchase Contract"), with the Trustee pursuant to which the Board agrees to pay to the Trustee installment payments on the dates and in the amounts set forth therein (the "Installment Payments"). The Acquisition Agreement, the Installment Purchase Contract and the Indenture are hereafter collectively referred to herein as the "Financing Agreements". Capitalized terms used herein and not defined have the meanings set forth in the Indenture.

The Certificates are dated the date hereof and bear interest from their date at the rate of five percent (5%) per annum, payable on March 15, 2015 and semi-annually thereafter on each March 15 and September 15 until paid. The Certificates mature on March 15 in each of the following years in the respective principal amounts set opposite such years in the following table:

Year	Principal Amount
2017	$2,320,000
2018	2,430,000
2019	2,555,000
2020	2,685,000
2021	2,815,000
2022	2,960,000
2023	3,110,000
2024	3,260,000
2025	3,430,000
2026	3,595,000

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

Based upon our examination of said record of proceedings, we are of the opinion that:

1. The Board has all requisite power and authority under the Constitution and the laws of the State of Illinois to adopt the Resolution.

2. The Financing Agreements have been duly authorized, executed and delivered by the Board, constitute valid and binding obligations of the Board and are legally enforceable in accordance with their 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 the Installment Payments to be made by the Board pursuant to the Installment Purchase Contract.

4. Under existing law, the interest portion of the Installment Payments, for so long as the Installment Purchase Contract is in effect ("Certificate Interest"), is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that Certificate Interest will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Certificates are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, Certificate Interest is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, Certificate Interest is includable in corporate earnings and profits and therefore must be taken into account when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of Certificate Interest. These requirements relate to the use and investment of the proceeds of the Certificates, the payment of certain amounts to the United States, the security and source of payment of the Certificates and the ownership and use of the property financed with the proceeds of the Certificates. The Board has covenanted to comply with these requirements.

With respect to the exclusion from gross income for Federal income tax purposes of Certificate Interest we have relied on the verification report of Grant Thornton LLP, certified public accountants, regarding the computation of the arbitrage yield on the Certificates and of certain investments made with the proceeds of the Certificates.

We express no opinion on the excludability from gross income for Federal income tax purposes of any payment on the Certificates to the extent such payment accrues from and after the effective date of a termination of the Board's obligation to make Installment Payments under the Installment Purchase Contract.

Certificate Interest is not exempt from Illinois income taxes.

In rendering the foregoing opinions, we have relied, among other things, upon the representations and certifications of the Board with respect to certain material facts solely within its knowledge relating to the application of the proceeds of the Certificates and the property financed or refinanced with such proceeds.

In rendering the foregoing opinions, we advise you that the enforceability (but not the validity or binding effect) of the Financing Agreements and the Certificates (i) may be limited by any applicable bankruptcy, insolvency or other laws affecting the rights or remedies of creditors now or hereafter in effect and (ii) is subject to principles of equity in the event that equitable remedies are sought, either in an action at law or in equity.

Respectfully submitted

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the "*Agreement*") is executed and delivered by The Board of Trustees of the University of Illinois (the "*Board*") in connection with the issuance by the Board of its $65,255,000 Certificates of Participation (Refunding), Series 2014A, Taxable Series 2014B and Series 2014C of the University of Illinois (collectively the "*Series 2014 Certificates*"). The Series 2014 Certificates are being issued pursuant to a Resolution of the Board approved November 13, 2014 (the "*Resolution*"). The Board covenants, undertakes and agrees as follows:

1. **Purpose of the Agreement**. This Agreement is being executed and delivered by the Board for the benefit of registered and beneficial owners of the Series 2014 Certificates and in order to assist the Participating Underwriters (as defined below) in complying with SEC Rule 15c2-12(b)(5). The Board is an "obligated person" within the meaning of the Rule. As required by the Rule, this Agreement is enforceable by registered and beneficial owners of the Series 2014 Certificates, as further provided in Section 10 of this Agreement.

2. **Definitions**. Initially capitalized terms used but not otherwise defined in this Agreement have the same meanings given them in the Resolution. In addition, the following terms have the following meanings:

   "*Board Annual Report*" means the annual report of the Board described in Section 3 below.

   "*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.

   "*MSRB*" means the Municipal Securities Rulemaking Board.

   "*Participating Underwriters*" means any of the original purchasers of the Series 2014 Certificates required to comply with the Rule in connection with the offering of the Series 2014 Certificates.

   "*Prescribed Form*" means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB in accordance with the Rule and which shall be in effect on the date of filing of such information. As of the date hereof, MSRB Rule G-32 requires that all documents submitted to the MSRB through EMMA be word-searchable files in portable document format configured to be saved, viewed, printed and electronically retransmitted.

   "*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission ("*SEC*") under the Securities Exchange Act of 1934, as the same may be amended from time to time ("*1934 Act*").

   "*Significant Event(s)*" means any one or more of the events described in Section 5 hereof.

   "*State*" means the State of Illinois.

3. **Board Annual Report**. Within 180 days after each fiscal year of the Board, commencing with the fiscal year ended June 30, 2014, the Board shall file with EMMA, and provide to each

registered or beneficial owner of the Series 2014 Certificates who requests such information, a report (the "*Board Annual Report*"), which shall contain:

(a) 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):

"THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS

– Student Enrollment,"

– Student Admissions,"

– Tuition and Fees,"

– Financial Aid to Students,"

– Financial Condition of the University,"

– 2015 Budget and State Appropriations,"

– Voluntary Support,"

– University and Foundation Investments," and

– Physical Plant."

(b) Audited financial statements of the Board and the System for the most recently ended fiscal year, in Prescribed Form, prepared in conformity with U.S. generally accepted accounting principles and audited in accordance to generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* (2011 Revision), issued by the Comptroller General of the United States. The Board may from time to time, in order to comply with Federal or State legal requirements, modify the basis upon which its financial statements are prepared. Notice of any such modification shall be filed with EMMA and shall include a reference to the specific Federal or State law or regulation describing such accounting basis.

If audited financial statements are not available by the 180th day after the end of the applicable fiscal year, then they shall be provided when available, and unaudited financial statements shall be filed in place of audited financial statements by such date. If the Board changes its fiscal year, the Board shall send, or cause to be sent, notice of such change to EMMA.

If the Board does not provide the Board Annual Report by the date required in <u>Section 3</u> to the parties described therein, the Board shall send a notice to such effect, in a timely manner, to EMMA.

If a change is made to the basis on which financial statements are prepared, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

The Board will also file with EMMA, in a timely manner, notice of a failure to satisfy the requirements of this Section.

4. **Incorporation by Reference**. Any or all of the items listed in Section 3 above may be incorporated by reference from other documents, including other official statements of the Board or related public entities, which have been submitted to EMMA or filed with the SEC. If the document incorporated by reference is a final official statement, it must be available through EMMA. The Board shall clearly identify each such other document so incorporated by reference in the Board Annual Report.

5. **Reporting of Significant Events**. The Board will also provide in a timely manner, not in excess of ten business days after the occurrence thereof, notice of the occurrence of each of the following events (each, a "*Significant Event*") with respect to the Series 2014 Certificates to EMMA in the Prescribed Form. 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 Certificate holders pursuant to the Indenture:

(a) principal and interest payment delinquencies;

(b) non-payment related defaults, if material;

(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) unscheduled draws on credit enhancements reflecting financial difficulties;

(e) substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2014 Certificates, or other material events affecting the tax status of the Series 2014 Certificates;

(g) modifications to rights of holders of the Series 2014 Certificates, if material;

(h) bond calls, if material, and tender offers (other than scheduled mandatory redemptions);

(i) defeasances;

(j) release, substitution or sale of property securing repayment of the Series 2014 Certificates, if material;

(k) rating changes;

(l) bankruptcy, insolvency, receivership or similar event of the Board[1];

(m) the consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

For purposes of this section, materiality is interpreted in accordance with the 1934 Act.

6. **Management Discussion of Items Disclosed in Board Annual Reports or as Significant Events.** If any item required to be disclosed in the Board Annual Report under Section 3, or as a Significant Event under Section 5, would be misleading without further discussion, the Board shall additionally provide a statement clarifying the disclosure in order that the statement made will not be misleading in light of the circumstances in which it is made.

7. **Termination of Reporting Obligation**. The Board's obligations under this Agreement will terminate upon the defeasance, prior redemption or payment in full of all of the Series 2014 Certificates or if the Board no longer remains an obligated person with respect to the Series 2014 Certificates within the meaning of the Rule.

8. **Amendment; Waiver.** Notwithstanding any other provisions of this Agreement, the Board may amend this Agreement, and any provision of this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in Federal securities laws, acceptable to the Board, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings therein to violate the Rule taking into account any subsequent change in or official interpretation of the Rule.

9. **Additional Information**. Nothing in this Agreement shall be deemed to prevent the Board from disseminating any information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Board Annual Report or notice of occurrence of a Significant Event, in addition to that which is required by this Agreement.

10. **Default.** The intent of the Board's undertaking is to provide on a continuing basis the information described and required in the Rule. In the event of a failure of the Board to comply with any provision of this Agreement, any registered or beneficial owner of Series 2014 Certificates may take action to compel performance by the Board under this Agreement. A default under this Agreement shall not be deemed a default or event of default under the Bond Resolution, 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.

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[1] This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Board in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board.

11. **Beneficiaries**. This Agreement shall inure solely to the benefit of the Board, the Participating Underwriters and registered and beneficial owners from time to time of the Series 2014 Certificates, and shall create no rights in any other person or entity.

12. **Contact Person**. The Board shall designate a contact person from whom annual financial information disclosure and material events disclosure can be obtained. The initial contact person is:

Comptroller
University of Illinois
506 South Wright Street
349 Henry Administration Building, MC-352
Urbana, Illinois 61801
Facsimile: (217) 244-8108
Telephone: (217) 333-1566

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

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

THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS

By: ____
Vice President,
Chief Financial Officer and Comptroller

Dated: December __, 2014

APPENDIX F

SCHEDULE OF PAYMENTS UNDER INSTALLMENT PURCHASE CONTRACTS

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Principal Components of Installment Purchase Contracts

	SERIES 2014A		SERIES 2014B	SERIES 2014C
Payment Date	Deferred Maintenance Project Purchase Contract (October 1)	Fire Services Institute Purchase Contract (October 1)	UIC College of Medicine Research Building Project Purchase Contract (February 15)	Deferred Maintenance Project Purchase Contract (March 15)
2015	$ 1,765,000	$ 330,000	--	--
2016	1,825,000	350,000	$ 1,140,000	--
2017	1,900,000	365,000	1,155,000	$ 2,320,000
2018	2,010,000	385,000	1,180,000	2,430,000
2019	2,110,000	400,000	1,205,000	2,555,000
2020	2,235,000	420,000	1,240,000	2,685,000
2021	2,345,000	440,000	1,270,000	2,815,000
2022	1,225,000	100,000	1,320,000	2,960,000
2023	1,355,000	105,000	1,360,000	3,110,000
2024	1,485,000	110,000	1,170,000	3,260,000
2025	1,565,000	120,000	--	3,430,000
2026	1,985,000	125,000	--	3,595,000
Total	$21,805,000	$3,250,000	$11,040,000	$29,160,000

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