

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2014

NEW ISSUE
BOOK-ENTRY-ONLY

RATINGS (See "DESCRIPTION OF RATINGS" herein)

Moody's: Aa3

Standard & Poor's: AA-

[DRAFT 10-31A-2014]

[Bond Counsel to update] [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, for so long as the Installment Purchase Contracts are in effect (the "Certificate Interest"), is not includable in the gross income of the Certificate owners 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 Certificate owners for Federal income tax purposes. Certificate Interest is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income and is not taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Certificate Interest is not exempt from present Illinois income taxes. See "TAX MATTERS" herein.]

\$ _____*

CERTIFICATES OF PARTICIPATION (REFUNDING)

\$ _____*

\$ _____*

\$ _____*

\$ _____*

Taxable Series 2014A

Taxable Series 2014B

Series 2014C

Series 2014D

Evidencing Proportionate Interests in Installment Payments to be Made by

THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS

Dated: Date of Issuance

Due: October 1, 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), Taxable Series 2014A, Taxable Series 2014B, Series 2014C and Series 2014D (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), Series 2009A (the "Series 2009A 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), 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. The proceeds of the Series 2014D 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 2014D 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 a separate Installment Purchase Contract 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 (as defined herein) with the Series 2009A Certificates which will remain outstanding following the partial redemption of the Series 2009A Certificates provided for herein. The Series 2014D 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 _____, 2015 and thereafter semiannually on _____ and _____ of each year; interest on the Series 2014B Certificates will be payable on _____, 2015 and thereafter semiannually on _____ and _____ of each year; interest on the Series 2014C Certificates will be payable on _____, 2015 and thereafter semiannually on _____ and _____ of each year; and interest on the Series 2014D Certificates will be payable on _____, 2015 and thereafter semiannually on _____ and _____ 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 Certificates will be available for delivery through the facilities of DTC in New York, New York on or about _____, 2014.

RBC Capital Markets

Siebert Brandford Shank & Co., L.L.C.

The date of this Official Statement is _____, 2014

* Preliminary, subject to change.

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

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS

\$ _____ * CERTIFICATES OF PARTICIPATION (REFUNDING)

\$ _____ * TAXABLE SERIES 2014A

| <u>Maturity</u> <u>(October 1)</u> | <u>Amount</u> | <u>Rate</u> | <u>Yield</u> | <u>CUSIP</u> [±] |
|---------------------------------------|---------------|-------------|--------------|---------------------------|
|---------------------------------------|---------------|-------------|--------------|---------------------------|

\$ _____ * TAXABLE SERIES 2014B

| <u>Maturity</u> <u>(February 15)</u> | <u>Amount</u> | <u>Rate</u> | <u>Yield</u> | <u>CUSIP</u> [±] |
|---|---------------|-------------|--------------|---------------------------|
|---|---------------|-------------|--------------|---------------------------|

\$ _____ * SERIES 2014C

| <u>Maturity</u> <u>(March 15)</u> | <u>Amount</u> | <u>Rate</u> | <u>Yield</u> | <u>CUSIP</u> [±] |
|--------------------------------------|---------------|-------------|--------------|---------------------------|
|--------------------------------------|---------------|-------------|--------------|---------------------------|

\$ _____ * SERIES 2014D

| <u>Maturity</u> <u>(October 1)</u> | <u>Amount</u> | <u>Rate</u> | <u>Yield</u> | <u>CUSIP</u> [±] |
|---------------------------------------|---------------|-------------|--------------|---------------------------|
|---------------------------------------|---------------|-------------|--------------|---------------------------|

* Preliminary, subject to change.

[±] Copyright © 2014, American Bankers Association. 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

\$ _____*

CERTIFICATES OF PARTICIPATION (REFUNDING),

\$ _____* **\$ _____*** **\$ _____*** **\$ _____***
Taxable Series 2014A **Taxable Series 2014B** **Series 2014C** **Series 2014D**

**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 \$ _____* aggregate principal amount of Certificates of Participation (Refunding), consisting of \$ _____* principal amount of Taxable Series 2014A Certificates (the “*Series 2014A Certificates*”), \$ _____* principal amount of Taxable Series 2014B Certificates (the “*Series 2014B Certificates*”), \$ _____* principal amount of Series 2014C Certificates (the “*Series 2014C Certificates*”) and \$ _____* principal amount of Series 2014D Certificates (the “*Series 2014D Certificates*” and collectively with the Series 2014A Certificates, the Series 2014B Certificates and the Series 2014C 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 June 1, 2009 from the Board of Trustees of the University of Illinois (the “*Board*”) to The Bank of New York Mellon Trust Company, N.A., as trustee (the “*Trustee*”), as supplemented and amended (the “*Series 2014A Indenture*”), including by a Third Supplemental Indenture dated as of December 1, 2014, from the Board to the Trustee specifying 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 an Installment Purchase Contract dated as of December 1, 2014 (the “*Series 2014A Installment Purchase Contract*”) between the Trustee and the Board, as purchaser.

* Preliminary, subject to change.

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 Board's outstanding Certificates of Participation (Refunding), Series 2009A (the "*Series 2009A 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 2009A Certificates which will remain outstanding following the partial redemption of the Series 2009A 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.

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, 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.

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.

The Series 2014D Certificates

The Series 2014D 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 2014D 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 2014D Certificates.

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

The Series 2014D Certificates, together with other funds of the Board, are being issued 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 the costs associated with issuing the Series 2014D Certificates. The Series 2014D 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.

Pursuant to the Series 2014A Indenture, the Series 2014B Indenture, the Series 2014C Indenture and the Series 2014D 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 Fund). 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 _____, 2015 and thereafter semiannually on _____ and _____ 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 _____ days 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 _____, 2015 and thereafter semiannually on _____ and _____ 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 _____ days 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 _____, 2015 and thereafter semiannually on _____ and _____ 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 _____ days 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.

Interest with respect to the Series 2014D Certificates shall be payable on _____, 2015 and thereafter semiannually on _____ and _____ 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 2014D 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 2014D Certificates are registered (the “*Series 2014D Owners*”) on the registration books maintained by the Trustee as of _____ days preceding the applicable Interest Payment Date (a “*Series 2014D Regular Record Date*”) at the address appearing in such registration books or at such other address as the Series 2014D 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 _____, 20__ are subject to optional redemption on any date on or after _____, 20__, 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 and by lot within a maturity as determined by the Board.

The Series 2014B Certificates maturing on or after _____, 20__ are subject to optional redemption prior to maturity on any date on or after _____, 20__, 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 in authorized denominations. Such redemption shall be at the direction of the Board, upon at least 35 days' prior written notice from the Board to the Trustee.

The Series 2014C Certificates maturing on or after _____, 20__ are subject to optional redemption prior to maturity on any date on or after _____, 20__, 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 in authorized denominations. Such redemption shall be at the direction of the Board, upon at least 35 days' prior written notice from the Board to the Trustee.

The Series 2014D Certificates maturing on or after _____, 20__ are subject to optional redemption on any date on or after _____, 20__, 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 and by lot within a maturity as determined by the Board.

Redemption Upon Exercise of Option to Prepay and Termination of Installment Purchase Contracts. The Series 2014 Certificates of each Series 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 portion of the Installment Payments under such Installment Purchase Contracts 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 less than all of the Installment Purchase Contracts, 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, and if in part in the manner described in the next paragraph, at a redemption price of 100% of the principal amount redeemed plus accrued interest to the date fixed for redemption on

October 1, 2017 and any date thereafter, if the Board notifies the Trustee not less than 60 days prior thereto that it is exercising its option to terminate the related Installment Purchase Contract corresponding to payments due with respect to such Series 2014A Certificates.

The Series 2014B Certificates and 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 one or more of the related Purchase Contracts at the redemption prices and dates set forth in the supplemental indenture pursuant to which the particular Series 2014B Certificates or Series 2014C Certificates have been issued. In the case of the termination of less than all of the related Purchase Contracts, principal of the Series 2014B Certificates or Series 2014C Certificates corresponding to the payments under the terminated Purchase Contract or Purchase Contracts will be redeemed.

The Series 2014C Certificates and the Series 2014D 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 Purchase Contracts at the redemption price of 110% of the principal amount redeemed plus accrued interest to the date fixed for redemption on December 1, 2019 and at a redemption price of 100% of the principal amount redeemed plus accrued interest to the date fixed for redemption on any date on or after _____, 20__.

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 less than all of the Installment Purchase Contracts, principal of the Series 2014 Certificates corresponding to the payments under the terminated Installment Purchase Contract will be redeemed.

Redemption Upon Failure to Renew Installment Purchase Contracts.

Each Series of the Series 2014 Certificates is subject to mandatory redemption, in whole or in part and if in part in the manner described in the next paragraph, at the price of the principal amount thereof, plus accrued interest to the date fixed for redemption, on December 1, 2024, unless the Board notifies the Trustee not less than 60 days prior to that date that the related Purchase Contract has been renewed and the Expiration Date extended for not more than an additional ten years in accordance with the terms of the applicable Purchase Contract. The Trustee shall give written notice to the Board not less than 120 days and not more than 150 days prior to the Expiration Date that the applicable Purchase Contract will terminate if not renewed. If the Expiration Date of the applicable Purchase Contract is so extended, the Series 2014 Certificates of the applicable Series will be subject to mandatory redemption, in whole or in part, at the price of the principal amount thereof, plus accrued interest to the date fixed for redemption, on the new Expiration Date.

In the case of the non-renewal of less than all of the Purchase Contracts associated with a Series of Series 2014 Certificates, principal of the Series 2014 Certificates corresponding to the payments under the applicable Purchase Contract or Purchase Contracts which have not been renewed will be redeemed.

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 less than all of the Installment Purchase Contracts, principal of the Series 2014 Certificates corresponding to the payments under the terminated Installment Purchase Contract will be redeemed.

Also, see “SECURITY FOR THE CERTIFICATES–Termination of Installment Purchase Contracts.”

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 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 (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 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 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 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 REPAYED AND MAY NOT BE REPAYED, DIRECTLY OR INDIRECTLY, FROM TAX REVENUE.

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 additional Parity Certificate, evidence and represent an undivided proportionate interest in the Series 2014A Installment Payments required under the Series 2014A Installment Purchase Contracts and in the Installment Payments required under the Installment Purchase Agreement entered into in connection with the

Series 2009A Certificates (the “*Series 2009A Installment Purchase Contract*”) 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 will be sufficient to make the Series 2014A Installment Payments and Additional Payments under the Series 2014A Installment Purchase Contract and such payments under the Series 2009A Installment Purchase Contract 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 Series 2014B 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 Series 2014C 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.

The Series 2014D Certificates

The Series 2014D Certificates, together with each additional Parity Certificate, evidence and represent an undivided proportionate interest in the Series 2014D Installment Payments required under the related Series 2014D Installment Purchase Contract and in the Installment Payments required under the Installment Purchase Agreements entered into in connection with the Series 2007A Certificates (the “*Series 2007A Installment Purchase Contracts*”) to be paid by the Board to the Trustee under the Series 2014D 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 2014D Installment Payments and

Additional Payments under the Series 2014D Installment Purchase Contract and such payments under the Series 2007A Installment Purchase Contracts when due in each fiscal year. The Series 2014D Certificates are being issued as a Series of Parity Certificates pursuant to the Series 2014D Indenture. Subject to certain conditions and limitations described herein, additional Parity Certificates of equal rank with the Series 2014D Certificates may be issued from time to time.

Termination of Installment Purchase Contracts

Term of Agreement – Series 2014A. The initial term of the Series 2014A Installment Purchase Contract shall continue until December 1, 2024 (as it may be renewed or extended, the “*Series 2014A Expiration Date*”) unless earlier terminated or renewed and extended prior thereto. The term of the Series 2014A Installment Purchase Contract may be renewed and the Series 2014A Expiration Date extended up to _____, 20__, upon at least 60 days’ written notice by the Board to the Trustee. The Trustee will give written notice to the Board not less than 120 days and not more than 150 days prior to _____, 20__, that the Series 2014A Installment Purchase Contract will terminate if not renewed.

Term of Agreement – Series 2014B. The initial term of the Series 2014B Installment Purchase Contract shall continue until December 1, 2024 (as it may be renewed or extended, the “*Series 2014B Expiration Date*”) unless earlier terminated or renewed and extended prior thereto. The term of the Series 2014B Installment Purchase Contract may be renewed and the Series 2014B Expiration Date extended up to _____, 20__, upon at least 60 days’ written notice by the Board to the Trustee. The Trustee will give written notice to the Board not less than 120 days and not more than 150 days prior to _____, 20__, that the Series 2014B Installment Purchase Contract will terminate if not renewed.

Term of Agreement – Series 2014C. The initial term of the Series 2014C Installment Purchase Contract shall continue until December 1, 2024 (as it may be renewed or extended, the “*Series 2014C Expiration Date*”) unless earlier terminated or renewed and extended prior thereto. The term of the Series 2014C Installment Purchase Contract may be renewed and the Series 2014C Expiration Date extended up to _____, 20__, upon at least 60 days’ written notice by the Board to the Trustee. The Trustee will give written notice to the Board not less than 120 days and not more than 150 days prior to _____, 20__, that the Series 2014C Installment Purchase Contract will terminate if not renewed.

Term of Agreement – Series 2014D. The initial term of the Series 2014D Installment Purchase Contract shall continue until December 1, 2024 (as it may be renewed or extended, the “*Series 2014D Expiration Date*”) unless earlier terminated or renewed and extended prior thereto. The term of the Series 2014D Installment Purchase Contract may be renewed and the Series 2014D Expiration Date extended up to _____, 20__, upon at least 60 days’ written notice by the Board to the Trustee. The Trustee will give written notice to the Board not less than 120 days and not more than 150 days prior to _____, 20__, that the Series 2014D Installment Purchase Contract will terminate if not renewed.

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 portion of the Installment Payments coming due during the then-current fiscal year.

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 December 1, 2019 and on any Business Day on or after [_____, 20__] 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 each Series 2014B Installment Purchase Contract on December 1, 2019 and on any Business Day on or after [_____, 20__] 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 each Series 2014C Installment Purchase Contract on December 1, 2019 and on any Business Day on or after [_____, 20__] 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 2014D Certificates. The Board has the option to terminate each Series 2014D Installment Purchase Contract on December 1, 2019 and on any Business Day on or after [_____, 20__] upon written notice to the Trustee at least 60 days prior to the termination date.

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 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–*Redemption Upon Exercise of Option to Prepay, 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,*” or the Board’s

failure to renew and extend an Installment Purchase Contract as described under the subheading “DESCRIPTION OF THE SERIES 2014 CERTIFICATES–Redemption–*Redemption Upon Failure to Renew Installment Purchase Contracts*,” the Board is required to prepay the Installment Payments due under such Installment Purchase Contract after the termination date or Expiration Date, as applicable. Such prepayment price shall be applied to the redemption of the related Series of Series 2014 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. 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 \$_____ million in Fiscal Year 2013 and \$_____ million in Fiscal Year 2014. *Pro-forma* maximum annual debt service in any future year is \$_____ million on the Auxiliary Facilities System Revenue Bonds and \$__ million on the Health Services Facilities System Revenue Bonds.

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 and the Series 2009A 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.

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

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ESTIMATED SOURCES AND USES OF FUNDS

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

| | Series 2014A | Series 2014B | Series 2014C | Series 2014D | Total |
|--|--------------|--------------|--------------|--------------|-------|
| <i>SOURCES OF FUNDS</i> | | | | | |
| Principal Amount of Certificates | | | | | |
| Net Premium | | | | | |
| Board Funds | | | | | |
| Total Sources of Funds | | | | | |
| <i>USES OF FUNDS</i> | | | | | |
| Refunding of Series 2009A Certificates | | | | | |
| Refunding of Series 2005 Certificates | | | | | |
| Refunding of Series 2006A Certificates | | | | | |
| Refunding of Series 2007A Certificates | | | | | |
| Costs of Issuance ⁽¹⁾ | | | | | |
| <u>Total Uses of Funds</u> | | | | | |

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

PLAN OF FINANCE

The Prior Certificates

The Series 2014A Certificates are being issued to refund a portion of the outstanding Series 2009A Certificates and to pay the costs of issuance of the Series 2014A Certificates. The proceeds of the Series 2009A Certificates being refunded were used to (i) finance a portion of the cost of a Petascale Computing Facility and related infrastructure located on the Urbana, Illinois campus; and (ii) pay costs incidental to the issuance of such Series of 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 the construction of a new College of Medicine Research Building on the Chicago campus, as well as the demolition of buildings and structures previously on the site of the new building, and modifications to adjacent buildings to facilitate the construction of, and connection to, the new building, and (ii) pay costs incidental to the issuance of such Series of 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 at Chicago, Springfield and Urbana as part of the University's Facilities Renewal Program, and (ii) pay costs incidental to the issuance of such Series of Certificates.

The Series 2014D Certificates are being issued to refund a portion of the outstanding Series 2007A Certificates and to pay the costs of issuance of the Series 2014D 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 such Series of Certificates.

Plan of Refunding

The Board has elected to currently refund and redeem \$17,740,000 of the outstanding principal amount of the Series 2009A Certificates, all of the \$13,590,000 outstanding principal amount of the Series 2005 Certificates, all of the \$57,430,000 outstanding principal amount of the Series 2006A Certificates, and \$31,745,000 of the outstanding principal amount of the Series 2007A Certificates (the "*Refunding Plan*"). The Series 2009A Certificates are expected to be redeemed on October 1, 2017 at the redemption price of par plus accrued interest to the redemption date. The Series 2005 Certificates are expected to be redeemed on February 15, 2015 at the redemption price of par plus accrued interest to the redemption date. The Series 2006A Certificates are expected to be redeemed on March 15, 2016 at the redemption price of par plus accrued interest to the redemption date. The Series 2007A Certificates are expected to be redeemed on October 1, 2017 at the redemption price of par plus accrued interest to the redemption date.

PRIOR CERTIFICATES TO BE REFUNDED

| <u>Prior Certificate Issue</u> | <u>Maturity</u> | <u>Interest Rate</u> | <u>Principal Amount of Prior Certificates to be Refunded</u> | <u>Redemption Date</u> | <u>Redemption Price</u> | <u>CUSIP</u> |
|--------------------------------|-----------------|----------------------|--|------------------------|-------------------------|--------------|
|--------------------------------|-----------------|----------------------|--|------------------------|-------------------------|--------------|

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 additional 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 Installment Purchase Contract is subject to termination prior to its Expiration Date upon the occurrence of certain events.

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

In the event that an Installment Purchase Contract is terminated, for whatever reason, and the Installment Payments payable under such 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 Installment Purchase Contract. Should an Event of Default occur, the Trustee may terminate such 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 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.

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 [TO BE UPDATED BY BOND COUNSEL]

Summary of Bond Counsel Opinion

Bond Counsel is of the opinion that under existing law, the interest portion of the Installment Payments under the Installment Purchase Contracts, for so long as the Installment Purchase Contracts are in effect (the “*Certificate Interest*”), is not includable in the gross income of the Certificate Owners 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 Certificate Owners for Federal income tax purposes. Bond Counsel is further of the opinion that Certificate Interest is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income and is not 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 Series 2014 Certificates 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 Series 2014 Certificates, the payment of certain amounts to the

United States, the security and source of payment of the Series 2014 Certificates and the ownership and use of the property financed or refinanced with the proceeds of the Series 2014 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.

Certificate Interest is not exempt from present Illinois income taxes.

Certificates Purchased at a Premium or at a Discount

The difference (if any) between the initial price at which a substantial amount of each maturity of the Series 2014 Certificates is sold to the public (the "*Offering Price*") and the principal amount payable at maturity of such Series 2014 Certificates is given special treatment for Federal income tax purposes. If the Offering Price is higher than the maturity value of any of the Series 2014 Certificates, the difference between the two is known as "bond premium;" if the Offering Price is lower than the maturity value of any of the Series 2014 Certificates, the difference between the two is known as "original issue discount."

Bond premium and original issue discount are amortized over the term of each of the respective Series 2014 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 such Series 2014 Certificates and is subtracted from the Owner's tax basis in such Series 2014 Certificates. The amount of original issue discount accruing during each period is treated as interest that is excludable from the gross income of the Owner of such Series 2014 Certificates for Federal income tax purposes, to the same extent and with the same limitations as Certificate Interest, and is added to the Owner's tax basis in such Series 2014 Certificates. Such Series 2014 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 Series 2014 Certificates (whether by reason of sale, acceleration, redemption prior to maturity or payment at maturity of such Series 2014 Certificates).

Owners who purchase Series 2014 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 Series 2014 Certificates. In addition, Owners of Series 2014 Certificates should consult their tax advisors with respect to the state and local tax consequences of owning such Series 2014 Certificates; under the applicable provisions of state or local income tax law, bond premium and original issue discount 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 Certificate Interest. Among those requirements are the following:

Limitations on Private Use. The Code includes limitations on the amount of the proceeds of the Series 2014 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 Series 2014 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 Series 2014 Certificates.

Rebate of Permissible Arbitrage Earnings. Unless the Series 2014 Certificates qualify for one of several exemptions, earnings from the investment of the “gross proceeds” of the Series 2014 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 Series 2014 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 Series 2014 Certificates, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Series 2014 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 Certificate Interest.

Risk of Non-Compliance

In the event that the Board fails to comply with the requirements of the Code, Certificate Interest may become includable in the gross income of the Certificate Owners for Federal income tax purposes; in certain events, taxation may be retroactive to the date of issue of the Series 2014 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 Series 2014 Certificates.

Federal Income Tax Consequences

Pursuant to Section 103 of the Code, Certificate Interest is not includable in the gross income of the Certificate Owners for Federal income tax purposes. The Code, however, contains a number of provisions relating to the treatment of Certificate Interest which may affect the taxation of certain types of Certificate Owners 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 Series 2014 Certificates should consult their tax advisors*

concerning the particular Federal income tax consequences of their ownership of the Series 2014 Certificates.

Cost of Carry. Owners of the Series 2014 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 Series 2014 Certificates.

Individual Owners. Receipt of 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 Certificate Interest may reduce a special deduction otherwise available to certain Blue Cross or Blue Shield organizations.

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

Corporate Owners. 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, Certificate Interest is taken into account in computing 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 Series 2014 Certificates.

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

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 \$_____ (which is equal to the original principal amount of the Series 2014A Certificates, plus a net original issue premium of \$_____, and less an Underwriters’ discount of \$_____). The Series 2014B Certificates are being purchased by the Underwriters at an aggregate purchase price of \$_____ (which is equal to the original principal amount of the Series 2014B Certificates, plus a net original issue premium of \$_____, and less an Underwriters’ discount of \$_____). The Series 2014C Certificates are being purchased by the Underwriters at an aggregate purchase price of \$_____ (which is equal to the original principal amount of the Series 2014C Certificates, plus a net original issue premium of \$_____, and less an Underwriters’ discount of \$_____). The Series 2014D Certificates are being purchased by the Underwriters at an aggregate purchase price of \$_____ (which is equal to the original principal amount of the Series 2014D Certificates, plus a net original issue premium of \$_____, and less an Underwriters’ discount of \$_____). 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.

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. The 2014 audited financial statements of the University are expected to be available on the Illinois Auditor General website in January 2015.

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: _____
Vice President, Chief Financial Officer and
Comptroller

APPENDIX A

THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS

APPENDIX A

Information Concerning

THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS

[to be updated by University]

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. SUCH OBLIGATIONS 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.

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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 78,117 students (Fall 2013). 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 2013 enrollment on the campus of the University of Illinois at Urbana-Champaign (the “Urbana campus” or “UIUC”) totaled 44,942; on the campus of the University of Illinois at Chicago (the “Chicago campus” or “UIC”) totaled 28,038; and on the campus of the University of Illinois at Springfield (the “Springfield campus” or “UIS”) totaled 5,137. Illinois residents comprise 64.2 percent of the student body on the Urbana campus; 84.2 percent at UIC; and 78.3 percent at UIS. The University awarded more than 20,400 undergraduate, graduate, and professional degrees in 2012-2013. 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, Littlefuse, 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 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 1784 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 who 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 28,038 (fall 2013), xxx 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 5,100 students (fall 2013) 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 1,358 degrees in 2012-2013, 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 | <i>Ex-Officio</i> | <i>Ex-Officio</i> |
| 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 is currently conducting a search for the 20th president. The Board of Trustees anticipate naming the next president in late 2014.

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, 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 Gutsell 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.

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 outflow 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:

| Assets and Deferred Outflows of Resources | Statement of Net Position (in thousands) | | |
|--|--|---------------------------------------|---------------------------------------|
| | 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 and deferred charges | 25,830 | 23,140 | 20,397 |
| Due from related organizations | 2,948 | 1,838 | 1,425 |
| Total Current Assets | <u>\$1,588,466</u> | <u>\$1,762,276</u> | <u>\$1,728,294</u> |
| 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 | <u>\$5,794,614</u> | <u>\$5,023,402</u> | <u>\$4,735,326</u> |
| Deferred outflows of resources | 60,444 | 67,034 | 33,028 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u><u>\$7,443,524</u></u> | <u><u>\$6,852,712</u></u> | <u><u>\$6,496,648</u></u> |

| 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..... | \$ 298,016 | \$ 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..... | <u>\$ 867,985</u> | <u>\$ 857,309</u> | <u>\$ 997,419</u> |
| 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 | 190,177 | 171,571 | 184,777 |
| Derivative instrument – swap liability..... | 23,719 | 27,265 | 37,169 |
| Total Noncurrent Liabilities..... | <u>\$2,162,808</u> | <u>\$1,889,781</u> | <u>\$1,848,020</u> |
| Total Liabilities..... | <u>\$3,030,793</u> | <u>\$2,747,090</u> | <u>\$2,845,439</u> |
| 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 | <u>\$ 4,412,731</u> | <u>\$ 4,105,622</u> | <u>\$ 3,651,209</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 4,443,524</u> | <u>\$ 6,852,712</u> | <u>\$ 6,496,648</u> |

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 statement of revenues, 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..... | \$ 1,097,076 | \$ 1,044,188 | \$ 987,796 |
| Federal appropriations | 14,645 | 16,830 | 18,072 |
| Federal grants and contracts..... | 655,824 | 693,959 | 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 | 378,847 | 369,814 | 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 | \$ 3,537,291 | \$ 3,518,912 | \$ 3,417,844 |
| OPERATING EXPENSES | | | |
| Instruction | \$ 1,266,862 | \$ 1,249,732 | \$ 1,114,474 |
| Research..... | 712,924 | 746,625 | 710,656 |
| Public service | 467,414 | 459,093 | 413,988 |
| Academic support | 449,948 | 421,200 | 377,982 |
| Student services | 163,064 | 160,960 | 141,130 |
| Institutional support | 268,874 | 250,156 | 232,023 |
| Operation and maintenance of plant | 315,393 | 282,287 | 270,947 |
| Scholarships and fellowships | 264,084 | 255,930 | 241,008 |
| Auxiliary enterprises | 340,780 | 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 | \$ 5,282,683 | \$ 5,164,846 | \$ 4,744,967 |
| Operating Loss..... | \$(1,745,392) | \$(1,645,934) | \$(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 |
| Federal grants, nonoperating..... | 73,574 | 67,535 | 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..... | <u>\$2,027,338</u> | <u>\$1,951,071</u> | <u>\$1,699,210</u> |
| 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..... | <u>\$ 307,109</u> | <u>\$ 463,803</u> | <u>\$ 459,703</u> |
| 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 | <u>4,105,622</u> | <u>3,641,819</u> | <u>3,191,506</u> |
| NET POSITION, END OF YEAR..... | <u><u>\$ 4,412,731</u></u> | <u><u>\$ 4,105,622</u></u> | <u><u>\$ 3,651,209</u></u> |

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

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 (draft) |
|-----------------------------------|------------------|------------------|------------------|------------------|------------------|
| 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 HSFA 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 Facility 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:

| Series | Outstanding Bond Principal | | Outstanding at June 30, 2014 (in thousands) |
|---|------------------------------|-------------------------------|---|
| | Rates on Outstanding Debt | Fiscal Year Maturity Dates | |
| 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 | 4.349%-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 | 3.000%-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 which will be subject to cancellation in any year during which there are no budgeted legally available funds for payment thereof but which will not be subject to cancellation due to the failure of the Illinois General Assembly to make an appropriation to the University for such purpose. 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 (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 is 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 | 10,508 | 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

| <u>Fall Term</u> | <u>Applications Received⁽¹⁾</u> | <u>Applicants Admitted</u> | <u>Percent Admitted</u> | <u>Admitted Enrollment</u> | <u>Percent of Admitted Enrolled</u> |
|------------------|--|----------------------------|-------------------------|----------------------------|-------------------------------------|
| 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

| <u>Fall Term</u> | <u>Applications Received⁽¹⁾</u> | <u>Applicants Admitted</u> | <u>Percent Admitted</u> | <u>Admitted Enrollment</u> | <u>Percent of Admitted Enrolled</u> |
|------------------|--|----------------------------|-------------------------|----------------------------|-------------------------------------|
| 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 ⁽²⁾ | 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 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 \$1,064.9 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 | 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 \$1,550 million in cash and investments as of June 30, 2013, 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 | 2013 | 2012 | 2011 | 2010 |
|----------------------------------|------|--------------------|--------------------|--------------------|--------------------|
| Current Funds..... | | \$1,303,869 | \$1,200,797 | \$ 931,678 | \$ 715,883 |
| Fiduciary Funds | | | | | |
| Endowment & Similar Funds..... | | 1,802,645 | 1,624,148 | 1,602,282 | 1,166,199 |
| Annuity, Life Income, and | | | | | |
| Other Funds..... | | 98,703 | 56,862 | 49,858 | 185,637 |
| Plant Funds..... | | 833,529 | 672,618 | 477,122 | 376,408 |
| Total Cash and Investments | | <u>\$4,038,746</u> | <u>\$3,554,425</u> | <u>\$3,060,940</u> | <u>\$2,444,127</u> |

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 (draft) | \$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 May 14, 2014, Judge Belz granted a temporary restraining order and a preliminary injunction stopping the implementation of PA 98-599. Arguments will be heard in this litigation in late November.

Including the University’s share, the *SURS* total unfunded accrued actuarial liability was \$18.4 billion at June 30, 2014. 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**

APPENDIX C

SUMMARY OF CERTAIN LEGAL DOCUMENTS

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[to be provided]

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

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 \$_____ Certificates of Participation (Refunding), Taxable Series 2014A, Taxable Series 2014B, Series 2014C and Series 2014D 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.

“*Repositories*” means each NRMSIR and the SID, if any.

“*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 anyone 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 provide 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 Section 3 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 each of the Repositories. If the document incorporated by reference is a final official statement, it must be available from the MSRB. 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 disseminate in a timely manner, not in excess of ten business days after the occurrence of the Event, notice of the occurrence of each of the following events (each, a “*Significant Event*”) with respect to the Series 2014 Certificates, *if the event is material*, 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;
 - (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 or events affecting the tax-exempt status of the Series 2014 Certificates;
 - (g) modifications to rights of holders of the Series 2014 Certificates;
 - (h) bond calls (other than scheduled mandatory redemptions);
 - (i) defeasances;
 - (j) release, substitution or sale of property securing repayment of the Series 2014 Certificates; and
 - (k) rating changes.

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.
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 6180 I
Facsimile: (217) 244-8108
Telephone: (217) 333-1566
13. **Governing Law.** This Agreement shall be governed by the laws of the State.

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

THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS

By: _____
Vice President,
Chief Financial Officer and Comptroller

Dated: _____, 2014

APPENDIX F

**SCHEDULE OF PAYMENTS UNDER INSTALLMENT PURCHASE
CONTRACTS**

Principal Components of Installment Purchase Contracts

[to be provided]