

In the Opinion of Bond Counsel, under existing laws, regulations and court decisions, interest on the Bonds is excluded from the gross income of the owners thereof for federal income tax purposes and interest on the Bonds is also exempt from taxation under the laws of the State of Florida, except estate taxes imposed by Chapter 198, Florida Statutes, and net income and franchise taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, banks and savings associations, all as defined in Chapter 220. Moreover, Bond Counsel is of the opinion that the interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal tax purposes), such interest is taken into account in determining adjusted current earnings for purposes of such alternative minimum tax. See "Tax Matters" herein.



\$10,000,000
THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
ATHLETIC PROGRAM REVENUE BONDS,
SERIES 2007

Issue Date: October 31, 2007

Due: October 1, 2027

The Athletic Program Revenue Bonds, Series 2007 (the "Bonds") are being issued by The University Athletic Association, Inc. ("UAA") for and on behalf of The University of Florida Board of Trustees (the "University Board"), pursuant to an Amended and Restated Trust Indenture, dated as of October 1, 2007 (the "Indenture") by and between UAA and Commerce Bank, National Association, as trustee (the "Trustee"). UAA is a Florida not-for-profit corporation and has been designated by the University Board as a "University Direct Support Organization" as defined in Florida Statutes, Section 1004.28 (2007). UAA was created to directly support the activities of the University of Florida (the "University") by conducting and maintaining amateur athletic games, contests, meets, exhibits, and field sports at the University and elsewhere. The University is located in Gainesville, Florida and is a component of the State University System of the State of Florida. The Bonds are being issued to finance: (i) the acquisition, construction and equipping of capital improvements to Ben Hill Griffin Stadium on the campus of the University (collectively, the "Project") and (ii) certain costs relating to the issuance of the Bonds.

The Bonds are issuable as fully registered bonds, initially in the name of Cede & Co., as Registered Owner (the "Registered Owner") and nominee for The Depository Trust Company, New York, New York ("DTC") that will act as securities depository for the Bonds. All Bonds bearing interest at Daily, Weekly, Multiannual or Commercial Paper Rates shall initially be issued in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. All Bonds bearing interest at Fixed Rates shall be in denominations of \$5,000 or integral multiples thereof. Interest on the Bonds will be paid to the Registered Owner as of the close of business on the Record Date next preceding each Interest Payment Date. All Bonds bearing interest at an Auction Rate shall be in denominations of \$25,000 or integral multiple thereof. The initial Interest Payment Date will be April 1, 2008. From the date of initial delivery of the Bonds through October 15, 2012, unless earlier terminated or extended, the Bonds will be payable from an irrevocable direct-pay letter of credit (the "Credit Facility") issued by:



SunTrust Bank

The Credit Facility will permit the Trustee to draw amounts to be used to pay the principal of and up to 39 days' accrued interest on the Bonds when due and an amount sufficient to pay the purchase price of the Bonds subject to optional and mandatory tender for purchase as herein described. Subject to certain conditions described herein, an Alternate Credit Facility may be substituted for the Credit Facility. See "Source of Payment and Security for the Bonds" herein.

As described herein, the Bonds shall bear interest and be subject to optional and mandatory tender for purchase based upon the Rate Period (as defined herein) in effect for the Bonds. The Bonds will bear interest from the date of initial issuance at the Multiannual Rate, hereinafter described. The initial Multiannual Rate Period and initial Multiannual Rate for the Bonds are listed on the inside cover hereof. The Bonds will bear interest at a rate equal to the lowest rate of interest, which in the judgment of Lehman Brothers, as Remarketing Agent (the "Remarketing Agent"), based on prevailing marketing conditions, would cause the Bonds to have a market value equal to the principal amount thereof on each Business Day that such Multiannual Rate is announced as described herein. During the initial Multiannual Period, the Bonds are not subject to optional tender but are subject to mandatory tender on each Multiannual Rate Adjustment Date. While in the Multiannual Rate mode, the Bonds are not subject to optional redemption but are subject to mandatory redemption, as further described herein. UAA may elect from time to time to convert the Rate Period for the Bonds to a Rate Period other than the Multiannual Rate Period, upon the terms and conditions described herein. Thereafter, the Bonds will bear interest in the manner appropriate to the Rate Period in effect from time to time. See "THE BONDS - Required Purchase of Bonds Upon Conversion" herein.

THE BONDS CONSTITUTE GENERAL OBLIGATIONS OF UAA (EXCEPT FOR ATHLETIC FEE REVENUES, AS DEFINED IN SECTION 1009.24(12), FLORIDA STATUTES (2007), RECEIVED FROM THE UNIVERSITY) AND ADDITIONALLY ARE PAYABLE FROM AND SECURED BY THE PLEDGE OF AND LIEN UPON THE TRUST ESTATE ON PARITY WITH THE PRIOR BONDS (AS DEFINED HEREIN) AS PROVIDED IN THE INDENTURE. NO COVENANT OR AGREEMENT IN THE BONDS, THE INDENTURE OR THE OTHER BOND DOCUMENTS AND NO OBLIGATION THEREIN IMPOSED UPON UAA SHALL CONSTITUTE A DEBT, LIABILITY, OR OBLIGATION OF THE UNIVERSITY, THE UNIVERSITY BOARD, THE BOARD OF GOVERNORS OF THE STATE OF FLORIDA, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF, OR A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE UNIVERSITY BOARD NOR UAA HAS ANY TAXING POWER.

The Bonds are offered when, as and if issued and delivered to Lehman Brothers (the "Underwriter"), subject to the approving opinion of Smith Hulsey & Bussey, Jacksonville, Florida, Bond Counsel and Disclosure Counsel, and certain other conditions. Certain legal matters will be passed upon for UAA by the Associate Vice President and Deputy General Counsel of the University of Florida, Gainesville, Florida and for SunTrust Bank (the "Credit Facility Provider") by its counsel Broad and Cassel, Orlando, Florida. RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets, has served as financial advisor to the Financing Corporation with respect to the offering of the Bonds. It is expected that the Bonds in definitive form will be available for delivery through DTC in New York, New York, on or about October 31, 2007.

LEHMAN BROTHERS

THE BONDS

<u>Initial Multiannual Rate Period</u>	<u>Principal Amount</u>	<u>Initial Multiannual Rate</u>	<u>Price</u>	<u>CUSIP No.</u>
10/1/2011	\$10,000,000	3.750%	100%	914085 AF2

No dealer, broker, salesman or other person has been authorized by UAA, the Trustee, the Credit Facility Provider or the Underwriter to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell nor the solicitation of an offer to buy, nor shall there be any sale of, the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained from UAA, the Trustee, the Underwriter, the Credit Facility Provider and other sources, which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement, nor any sale made hereunder, shall under any circumstances create an implication that there has been no change in the affairs of UAA since the date hereof. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission (the "Commission") or with any state securities agency. The Bonds have not been approved or disapproved by the Commission or any state securities agency, nor has the Commission or any state securities agency passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

In connection with this offering, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Bonds at a level that might not otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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Appendix A	Certain Information Regarding the University of Florida
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Appendix C	The Trust Indenture
Appendix D	Form of Bond Counsel Opinion
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Appendix F	Certain Information Regarding SunTrust Bank

OFFICIAL STATEMENT

Relating to:

\$10,000,000

**THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
ATHLETIC PROGRAM REVENUE BONDS, SERIES 2007**

INTRODUCTION

This Official Statement (which includes the cover page and each of the Appendices hereto) is provided to furnish information in connection with the \$10,000,000 Athletic Program Revenue Bonds, Series 2007 (the “Bonds”) issued by The University Athletic Association, Inc. (“UAA”) for and on behalf of The University of Florida Board of Trustees (the “University Board”). UAA is a Florida not-for-profit corporation designated by the University Board as a “University Direct Support Organization” as defined in the Florida Statutes, Section 1004.28 (2007). UAA was created to directly support the activities of the University of Florida (the “University”) by conducting and maintaining amateur athletic games, contests, meets, exhibits, and field sports at the University and elsewhere. The University is located in Gainesville, Florida and is a component of the State University System of the State of Florida.

The Bonds will be issued pursuant to the laws of the State of Florida (the “Act”) and under and pursuant to an Amended and Restated Trust Indenture, dated as of October 1, 2007 (the “Indenture”), between UAA and Commerce Bank, National Association (the “Trustee”). The Bonds are being issued to finance (i) the acquisition, construction and equipping of capital improvements to Ben Hill Griffin Stadium on the campus of the University (collectively, the “Project”) and (ii) certain costs relating to the issuance of the Bonds.

The Bonds constitute general obligations of UAA (except for Athletic Fee Revenues, as defined in Section 1009.24(12), Florida Statutes (2007), received from the University) and additionally are payable from the pledge of and lien upon the trust estate as provided in the Indenture. See “SECURITY FOR THE BONDS” for further information.

UAA has also previously issued (i) \$28,015,000 Capital Improvement Revenue Bonds, Series 1990, in two installments of \$10,715,000 and \$17,300,000, of which \$19,600,000 remains outstanding (the “Series 1990 Bonds”); (ii) \$57,400,000 Athletic Program Revenue Bonds, Series 2001, of which \$53,815,000 remains outstanding (the “Series 2001 Bonds”) and (iii) \$10,000,000 Athletic Program Revenue Bonds, Series 2005, of which \$10,000,000 remains outstanding (the “2005 Bonds” and together with the Series 1990 Bonds and the Series 2001 Bonds, the “Prior Bonds”). The Bonds will be issued on a parity basis with the Prior Bonds.

Concurrently with and as a condition to the issuance of the Bonds, UAA will cause to be delivered to the Trustee an irrevocable direct-pay letter of credit dated as of the date of original issuance of the Bonds (the “Credit Facility”) issued by SunTrust Bank (the “Credit Facility Provider”), in an amount sufficient to secure the principal and purchase price of and up to 39 days’ interest on the Bonds and the Prior Bonds. See “SECURITY FOR THE BONDS” herein. The Credit Facility will be issued pursuant to a Third Amended and Restated Letter of Credit Agreement, dated as of October 1, 2007, between UAA and the Credit Facility Provider. In addition, UAA may, at its option, obtain an Alternate Credit Facility to replace the Credit Facility prior to its expiration date, as more fully described under “SECURITY FOR THE BONDS” herein.

In order to provide for the remarketing of the Bonds in certain circumstances, UAA has entered into an Amended and Restated Remarketing Agreement, dated as of October 1, 2007, with Lehman Brothers, New York, New York (the “Remarketing Agent”) relating to the Bonds and the Prior Bonds. In connection with the optional and mandatory tenders for purchase hereinafter described, a Participant desiring to tender an interest in the Bonds, shall notify the Trustee and the Remarketing Agent of the date and amount of such tender. Such interests will be transferred upon payment on the tender date by means of a book-entry transfer of the Participant’s interests in the Bonds to the account of the Trustee (or the Remarketing Agent) maintained by The Depository Trust Company (“DTC”).

It is anticipated that the Bonds will be issued in the form of one fully registered certificate, will be issued for each maturity of the Bonds, registered in the name of Cede & Co., as nominee of DTC, and the Bonds will remain in book entry form for the life thereof. See “Book-Entry Only System” herein.

THE BONDS CONSTITUTE GENERAL OBLIGATIONS OF UAA (EXCEPT FOR ATHLETIC FEE REVENUES, AS DEFINED IN SECTION 1009.24(12), FLORIDA STATUTES (2007), RECEIVED FROM THE UNIVERSITY) AND ADDITIONALLY ARE PAYABLE FROM AND SECURED BY THE PLEDGE OF AND LIEN UPON THE TRUST ESTATE AS PROVIDED IN THE INDENTURE. NO COVENANT OR AGREEMENT IN THE BONDS, THE INDENTURE OR THE OTHER BOND DOCUMENTS AND NO OBLIGATION THEREIN IMPOSED UPON UAA SHALL CONSTITUTE A DEBT, LIABILITY, OR OBLIGATION OF THE UNIVERSITY, THE UNIVERSITY BOARD, THE BOARD OF GOVERNORS OF THE STATE OF FLORIDA, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF, OR A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE UNIVERSITY BOARD NOR UAA HAS ANY TAXING POWER.

Brief descriptions of the Bonds, the Credit Facility, the Credit Facility Provider, the Trustee, the Underwriter, the Remarketing Agent, the University Board, the University and UAA are included herein. Such descriptions and information do not purport to be comprehensive or definitive. All statements made herein with respect to any document referred to herein are qualified in their entirety by reference to such documents, and, in particular, statements made herein regarding the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture and the information with respect thereto included in the aforementioned documents, copies of all of

which are available for inspection at the designated corporate trust office of the Trustee located in Jacksonville, Florida.

Capitalized terms not otherwise defined herein shall have the meanings as set forth in Appendix C- “The Trust Indenture.”

AUTHORIZATION AND APPROVALS FOR THE BONDS

UAA is authorized under Section 1004.28 (2007), and Chapter 1010, Part IV, Florida Statutes (2007), to issue revenue bonds to finance capital projects to provide facilities necessary and desirable to serve the needs and purposes of the University. The Legislature of the State of Florida approved the Project in the General Appropriations Act and Summary Statement of Intent for Fiscal Year 2007-2008, Chapter 2007-72, Laws of Florida. UAA has, in all respects, duly and validly authorized the creation, execution and delivery of the Indenture and the creation, execution and issuance of the Bonds, pursuant to its resolution adopted on June 4, 2007. Finally, the University Board and the Board of Governors have each approved the issuance of the Bonds to finance the Project by resolutions adopted on June 15, 2007 and August 9, 2007, respectively.

THE PROJECT

The Bonds are being issued to finance the acquisition, construction and equipping of capital improvements to Ben Hill Griffin Stadium on the campus of the University. The Project will consist of approximately 30,681 square feet of additional space and 31,640 square feet of renovated existing space. The Project is reflected on the approved master plan for the University and is consistent with the mission of the University because it will provide additional and renovated facilities for use by students and employees of the University. Construction of the Project began in February of 2007 and is expected to be completed by August of 2008. Proceeds of the Bonds are not anticipated to be sufficient to complete the construction of the Project without the use of additional funds. Additional necessary funding in the amount of \$18,000,000 is expected to be obtained from the UAA’s reserve funds and commitments for charitable donations to UAA.

The real property upon which the Project is located is leased by the University Board to UAA pursuant to the terms of a Lease and Operating Agreement, dated as of November 1, 1990, between the University Board acting on behalf of the University, as lessor, and UAA, as lessee, as amended (the “Operating Lease”).

ESTIMATED SOURCES AND USES OF FUNDS RELATED TO THE BONDS

The following table sets forth the current estimated sources and uses of funds relating to the Bonds:

Sources of Funds

Series 2007 Bond Proceeds	\$ 10,000,000.00
Total	<u>\$ 10,000,000.00</u>

Uses of Funds

Deposit to Project Fund	\$ 9,850,000.00
Costs of Issuance ¹	<u>\$ 150,000.00</u>
Total:	<u>\$ 10,000,000.00</u>

¹ Represents credit enhancement fees, legal fees, accountant's fees, underwriter's discount and other fees associated with the issuance of the Bonds.

THE BONDS

General

Pursuant to the Indenture, the Bonds may bear interest at a Daily Rate, Weekly Rate or Multiannual Rate (each, a "Variable Rate"), or at a Commercial Paper Rate, Auction Rate or Fixed Rate. The Bonds will bear interest from the dated date of the Bonds at the Multiannual Rate, hereinafter described. The initial Multiannual Rate Period and Multiannual Rate for the Bonds are set forth on the inside cover of this Official Statement. Certain terms of the Bonds applicable during such periods as the Bonds bear interest at a Variable Rate are summarized below. See "Appendix C-The Trust Indenture" for a more complete description of the terms of the Bonds.

The Bonds will continue to bear interest at the initial Multiannual Rate until the last day preceding either (a) the commencement date of the following Multiannual Rate Period; (b) the date on which the Bonds are converted to bear interest at the Fixed Rate, (c) the date on which a different Variable Rate Period first becomes effective for the Bonds (d) the date on which the Bonds are converted to bear interest at Commercial Paper Rates or Auction Rates (each such date, a "Conversion Date") or (e) the Multiannual Rate Adjustment Date on which a different Multiannual Rate Period shall become effective. Any portion of the Bonds not converted on a Conversion Date to a different Rate Period shall continue to bear interest at the designated Multiannual Rate. The first Interest Payment Date shall be April 1, 2008. At no time shall the interest rate on the Bonds exceed the lower of twelve percent (12%) per annum (as provided in the Credit Facility) or the maximum amount of interest permitted by law (the "Maximum Rate").

The Bonds shall be issued solely in fully registered form, and shall initially be registered in the name of Cede & Co., as registered owner and nominee for DTC without coupons. The Bonds are issuable during a Variable Rate Period in the denomination of \$100,000 or any integral multiple of \$5,000 in excess thereof (an "Authorized Denomination").

Variable Rate Periods, Auction Rate Periods and Commercial Paper Rate Periods of the Bonds

Prior to a conversion of the interest rate on the Bonds to Fixed Rates, the Bonds may bear interest at Variable Rates, Auction Rates or at Commercial Paper Rates (“Variable Rate Periods” in the case of Variable Rates, “Auction Rate Periods” in the case of Auction Rates, and “Commercial Paper Rate Periods” in the case of Commercial Paper Rates). The rate of interest to be borne by the Bonds during any particular Variable Rate Period will be determined by the Remarketing Agent as described below under the caption “Determination of Variable Interest Rates on the Bonds.” The rate of interest to be borne on the Bonds during Commercial Paper Rate Periods will be determined by the Remarketing Agent as described below under the caption “Determination of Commercial Paper Rates on the Bonds”. The rate of interest to be borne on the Bonds during Auction Rate Periods will be determined by the Remarketing Agent as described below under the caption “Determination of Auction Rates on the Bonds.” The Bonds may bear interest during a Variable Rate Period, Auction Rate Period or Commercial Paper Rate Period as follows:

Daily Rate. While Bonds bear interest at a Daily Rate, the interest rate established for the Bonds will remain effective from each Business Day and shall extend to, but not include, the next succeeding Business Day as announced by the Remarketing Agent on each Business Day.

Weekly Rate. While Bonds bear interest at a Weekly Rate, the interest rate will be determined on Wednesday of each week, or the immediately preceding Business Day, if such Wednesday is not a Business Day, to be effective on Thursday of each week through and including Wednesday of each week (the period and beginning and ending dates may vary in the event of a conversion to or from a Weekly Rate).

Multiannual Rate. While Bonds bear interest at a Multiannual Rate, the interest rate will be determined by the Remarketing Agent not later than the Business Day immediately preceding the commencement date of the Multiannual Rate Period of a term of one or more years with such rate to remain in effect through and including the last day thereof.

Auction Rate. While Bonds bear interest at an Auction Rate, the interest rate will be determined by the Auction Agent for each Auction Period pursuant to the procedures described in the Indenture.

Commercial Paper Rate. While Bonds bear interest at a Commercial Paper Rate, a Commercial Paper Rate Period of not more than 270 days shall be determined by the Remarketing Agent. The Commercial Paper Rate for a particular Commercial Paper Rate Period shall be effective from and including the first day of the Commercial Paper Rate Period through and including the last day of the Commercial Paper Rate Period.

Changes to or between Variable Rate Periods and changes to Commercial Paper Rate Periods will be effected and notice of such changes will be given as described below under the captions regarding Required Purchases. The duration of Rate Periods may vary in the event of conversions between Rate Periods. See “Appendix C - The Trust Indenture.”

Interest Payments

The amount of interest payable on any Interest Payment Date shall be computed on the basis of (A) a 365/366 day year for the number of days actually elapsed during Commercial Paper, Daily and Weekly Rate Periods, (B) a 360-day year of twelve 30-day months during Multiannual and Fixed Rate Periods, (C) a 360-day year of twelve 30-day months during an Auction Mode of more than 183 days; and (D) a 360-day year for the number of days actually elapsed during an Auction Mode of 183 days or less.

Interest on the Bonds will be paid either: (i) on the first Business Day of each calendar month while the Bonds bear interest at a Daily Rate or Weekly Rate; (ii) on the first day of the sixth calendar month after the effective date of a Multiannual Rate and the first day of every sixth month thereafter to which interest at such rate has accrued and each Multiannual Rate Adjustment Date with the initial interest payment date being April 1, 2008; (iii) on the first Business Day following each Commercial Paper Rate Period while the Bonds bear interest at a Commercial Paper Rate; (iv) with respect to Bonds bearing interest at Auction Rates (a) for any Auction Period other than a daily Auction Period or a Special Auction Period, the Business Day immediately following such Auction Period, (b) for a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period, (c) for a Special Auction Period of (I) seven or more but fewer than 92 days, the Business Day immediately following such Special Auction Period, or (II) 92 or more days, (A) in the case of Auction Rate Bonds with Auctions generally conducted on Fridays, each thirteenth Monday after the first day of such Special Auction Period or the next Business Day if such Monday is not a Business Day and on the Business Day immediately following such Special Auction Period, (B) in the case of Auction Rate Bonds with Auctions generally conducted on Mondays, each thirteenth Tuesday after the first day of such Special Auction Period or the next Business Day if such Tuesday is not a Business Day and on the Business Day immediately following such Special Auction Period, (C) in the case Auction Rate Bonds with Auctions generally conducted on Tuesdays, each thirteenth Wednesday after the first day of such Special Auction Period or the next Business Day if such Wednesday is not a Business Day and on the Business Day immediately following such Special Auction Period, (D) in the case of Auction Rate Bonds with Auctions generally conducted on Wednesdays, each thirteenth Thursday after the first day of such Special Auction Period or the next Business Day if such Thursday is not a Business Day and on the Business Day immediately following such Special Auction Period, (E) in the case of Auction Rate Bonds with Auctions generally conducted on Thursdays, each thirteenth Friday after the first day of such Special Auction Period or the next Business Day if such Friday is not a Business Day and on the Business Day immediately following such Special Auction Period (v) on each April 1 and October 1 while the Bonds bear interest at a Fixed Rate; and (vi) on the date Pledged Bonds are remarketed.

Determination of Variable Interest Rates on the Bonds

During each Variable Rate Period, the rate of interest on the Bonds will be the lowest rate of interest that, in the judgment of the Remarketing Agent, would cause the Bonds to have a market value equal to the principal amount thereof, plus accrued interest under prevailing market conditions as of the date of determination. The Indenture provides that no Variable Rate may exceed the Maximum Rate.

The determination by the Remarketing Agent of the Variable Rates to be borne by the Bonds will be conclusive and binding on UAA, the Trustee, the Credit Facility Provider and the Owners of the Bonds to which such rates are applicable. UAA, the Trustee, the Paying Agent, the Credit Facility Provider and the Remarketing Agent shall not be liable to any Owners for failure to give any notice of such rate determinations or for failure of any Owner to receive such notice. In the event that the Remarketing Agent is unable, or fails, to determine the Variable Rates for any Rate Period, the Variable Rates for such period shall be the Variable Rates for the immediately preceding Rate Period.

Determination of Auction Interest Rates on the Bonds.

Auction Rate Bonds will bear interest for each Auction Rate Period at the Auction Rate. The Auction Rate applicable to the Auction Rate Bonds will be determined for each Auction Period in accordance with the Auction Procedures described in the Indenture on each Auction Date. The initial Auction Period may be changed by the Borrower as provided in the Indenture.

With respect to any of the Bonds the Auction Date is (i) if the Bonds are in a daily Auction Period, each Business Day, (ii) if the Bonds are in a Special Auction Period, the last Business Day of the Special Auction Period, and (iii) if the Bonds are in any other Auction Period, the Business Day next preceding each Interest Payment Date for such Bonds (whether or not an Auction shall be conducted on such date); provided however, that the last Auction Date with respect to a series of the Bonds in an Auction Period other than a daily Auction Period or a Special Auction Period shall be the earlier of (a) the Business Day next preceding the Interest Payment Date next preceding the Conversion Date for the Bonds and (b) the Business Day next preceding the Interest Payment Date next preceding the final maturity date for the Bonds; and provided further, that if the Bonds are in a daily Auction Period, the last Auction Date shall be the earlier of (x) the Business Day next preceding the Conversion Date for the Bonds and (y) the Business Day next preceding the final maturity date for the Bonds. The last Business Day of a Special Auction Period shall be the Auction Date for the Auction Period that begins on the next succeeding Business Day, if any. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be two Auctions, one for the last daily Auction Period and one for the first Auction Period following the conversion.

Determination of Commercial Paper Rates on the Bonds

The Remarketing Agent shall offer and accept purchase commitments for the Bonds for such Commercial Paper Rate Periods and at such Commercial Paper Rates as will effect, on behalf of UAA and in the judgment of the Remarketing Agent under prevailing market conditions, the lowest overall debt service cost over the terms of the Bonds; provided, however, that the Remarketing Agent may, (1) in exercising its judgment, establish Commercial Paper Rate Periods that result in interest rates for the Bonds that are higher than those that would be borne by Bonds with shorter Commercial Paper Rate Periods in order to increase the likelihood of achieving the lowest overall debt service cost and (2) establish different Commercial Paper Rate Periods for the Bonds on the same Required Purchase Date in order to achieve an average of Commercial Paper Rate Periods that, in its judgment, is more likely to achieve the lowest overall debt service cost to UAA. No Commercial Paper Rate Period may be established that exceeds two hundred seventy (270) days or,

if the Remarketing Agent has received notice of any conversion to a Variable or Fixed Rate Period, the remaining number of days prior to the Conversion Date. The terms of any sale by the Remarketing Agent shall provide for sale of the Bonds at par plus accrued interest and the payment of the purchase price to the Trustee in immediately available funds on the Required Purchase Date and in no event may the Commercial Paper Rate for any Commercial Paper Rate Period exceed the Maximum Rate.

Monthly Interest Draws

While the Bonds bear interest at a Multiannual Rate, Commercial Paper Rate or Fixed Rate (provided the Bonds are secured by a Credit Facility), the Trustee will draw on the Credit Facility on the first Business Day of each calendar month following the Multiannual, Commercial Paper or Fixed Rate Conversion Date to pay interest in an amount accrued during the preceding calendar month up to but not including the date of such draw so that the Trustee will have funds available in aggregate amount necessary to pay interest on each scheduled Interest Payment Date; provided, however, that the drawing that occurs on the first day of each month to accumulate interest for payment on an ensuing Interest Payment Date will be in an amount equal to the interest accruing in the month prior to the draw date, with the balance of interest due being paid with a final draw on the Interest Payment Date.

Optional Tender of the Bonds During Certain Variable Rate Periods

While the Bonds bear interest at Daily or Weekly Rates, the Participant, acting through DTC (hereinafter defined), may tender its interest in the Bonds (or portions thereof in Authorized Denominations) for purchase by notifying the Trustee or Remarketing Agent, acting on behalf of UAA, as summarized in the table below under the caption “Summary of Certain Provisions of the Bonds”. The purchase price of tendered or surrendered Bonds (the “Purchase Price”) for both optional tenders or required purchase shall be equal to 100% of the principal amount thereof (or portions thereof), plus accrued and unpaid interest thereon to the date of purchase, if any.

Notice of tender during Daily Rate Periods shall be in writing to the Trustee and Remarketing Agent not later than 10:15 a.m. on the purchase date, and during Weekly Rate Periods, shall be in writing by delivery to the Trustee and Remarketing Agent at their principal offices and in form satisfactory to the Trustee and Remarketing Agent not later than 5:00 p.m. on a Business Day not fewer than seven (7) days prior to the purchase date. If the Bonds are supported by a Credit Facility and bear interest at Multiannual Rates, such Bonds may be tendered for purchase upon substitution of the Credit Facility as provided in the Indenture.

Subsequent to such tender, the Owner shall have no further rights with respect to such tendered Bonds, except for the right to receive, through the Participant, acting on such Owner's behalf, the purchase price thereof plus accrued interest to the purchase date.

For information with respect to beneficial ownership and book-entry, see “Book-Entry Only System” herein.

Required Purchase During Commercial Paper Rate Periods

Bonds bearing interest at a Commercial Paper Rate shall be subject to required purchase on the first Business Day succeeding the last day of the Commercial Paper Rate Period applicable to such Bonds at a purchase price equal to 100% of the principal amount thereof, plus interest accrued during such Commercial Paper Rate Period (up to, but not including, the Required Purchase Date). Each subsequent Commercial Paper Rate Period and Required Purchase Date for a Bond shall be established on the Required Purchase Date of such Bond.

Mandatory Tender Upon Conversion and Multiannual Rate Adjustment Dates

On any Conversion Date or any Multiannual Rate Adjustment Date the Bonds are subject to mandatory tender at the purchase price equal to 100% of the principal amount thereof plus accrued interest thereon. Not less than fifteen (15) days prior to a conversion to a different Variable Rate Period or Commercial Paper Rate Period, the Trustee shall send (by registered or certified mail, confirmed fax or e-mail, or overnight delivery) a written notice (in the form provided by UAA) of the conversion to the Credit Facility Provider and the Depository. On a Business Day not fewer than thirty (30) days prior to a conversion to a Fixed Rate Period, the Trustee shall send (by first class mail) a written notice (in the form provided by UAA) of the conversion to the Depository.

Required Purchase or Special Tender Option Upon Substitution or Expiration of Credit Facility

Prior to a Fixed Rate Conversion Date, the Bonds will also be subject to either mandatory tender for purchase at par plus accrued interest to date of purchase or Special Tender Option, in each case, as described below:

- (a) on the fifth (5th) Business Day prior to the expiration of a Credit Facility (as defined in the Indenture), unless that Credit Facility is renewed prior to the date of notice;
- (b) on the effective date of a substitute Credit Facility (as defined in the Indenture), provided that no such tender and purchase is required if a new Credit Facility is received prior to the date of notice, and the Trustee shall have received, prior to the date of notice, written confirmation from each Rating Agency then rating the Bonds that the rating assigned by such Rating Agency will not be lowered or withdrawn solely as a result of substitution of the current Credit Facility;
- (c) on a Business Day specified by the Trustee in the notice, not later than ninety (90) days after the filing of a petition of bankruptcy (or the commencement of a bankruptcy or similar proceeding) by or against the Credit Facility Provider if by the sixtieth (60th) day following such occurrence an Alternate Credit Facility has not been issued to the Trustee in connection with which the Trustee has received written confirmation from each Rating Agency then rating the Bonds that the rating assigned by such Rating Agency will not be lowered or withdrawn solely by the issuance of such Alternate Credit Facility; and

(d) Owners of Bonds bearing interest at a Commercial Paper Rate or Multiannual Rate, will have twenty (20) days from the date of a notice of substitution of the Credit Facility to require through delivery of written notice of tender that such Bonds be repurchased at par plus accrued interest to the date of purchase. Such written notice of special tender must be delivered in the manner set forth in the Indenture to the Trustee and the Remarketing Agent. The tendered Bonds will be purchased not later than 5 p.m. on a Business Day not more than ten (10) days following receipt of such special tender notice.

Not later than thirty (30) days prior to any purchase date described in clauses (a), (b), (c) or (d) above, the Trustee will mail a written notice of such required purchase to DTC specifying, among other things, the required purchase date, the event causing such required purchase and the expiration date of the current Credit Facility, if appropriate, and state, if appropriate, that the expiration will result in reduction or withdrawal of the rating on the Bonds.

In the event that no purchase is required as a result of a substitution of the Credit Facility, not later than thirty (30) days prior to the substitution, the Trustee shall mail a written notice to DTC, that states the name of the new Credit Facility Provider and the anticipated date of substitution, and for Bonds that bear interest at a Commercial Paper or Multiannual Rate, that the Owners of such Bonds shall have twenty (20) days from such notice to exercise their Special Tender Option.

Remarketing and Purchase of the Bonds

In the event that notice is received of any optional tender, or if the Bonds become subject to required purchase, the Remarketing Agent shall attempt to remarket such Bonds at the principal amount thereof plus accrued and unpaid interest thereon.

The purchase price of the Bonds tendered for purchase shall be paid by the Trustee from moneys derived from the remarketing of such Bonds by the Remarketing Agent and, if such remarketing proceeds are insufficient, from moneys made available by the Credit Facility.

For a description of the procedures to be followed by the Remarketing Agent and Trustee in connection with a draw on the Credit Facility, See "Appendix C - The Trust Indenture".

Summary of Certain Provisions of the Bonds

The following table summarizes certain information relating to the Bonds bearing interest at Variable Rates, Auction Rates and Commercial Paper Rates: the Interest Payment Dates; the date each interest rate will be determined (described under "Rate Determination Date"), the date each interest rate will become effective and the period of time each interest rate will be in effect (described under "Effective Date of Rate; Variable Rate Period") and the dates on which the Bonds may be tendered for purchase to the Trustee (or the Remarketing Agent) and the notice requirements therefore (described under "Optional Tender Dates; Owner's Notice of Optional Tender"). All times shown are Eastern Standard Time or Eastern Daylight Saving Time, whichever is in effect and recognized in the state of DTC. A "Business Day" is defined in the Indenture to be any day except (a) a Saturday or Sunday, or (b) a day on which the Depository is closed or (c) a day on which the

designated corporate trust office of the Trustee or the office of the Credit Facility Provider at which demands may be made for payments on the Credit Facility is or are lawfully closed.

	<u>Daily Rates</u>	<u>Weekly Rates</u>	<u>Multiannual Rates</u>	<u>Commercial Paper Rates</u>	<u>Auction Rates</u>
Interest Payment Dates	First Business Day of each calendar month.	First Business Day of each calendar month.	First day of sixth calendar month after effective date of Rate and first Business Day of every sixth month thereafter and each Multiannual Rate Adjustment Date.	First Business Day after end of Commercial Rate Period.	Initially, First Business Day after end of Auction Rate Period.
Rate Determination Date	Daily Rate determined by 9:30 a.m., each Business Day.	Weekly Rate determined by 5:00 p.m., on Wednesday or the immediately preceding Business Day.	Multiannual Rate determined not later than the Business Day preceding effective date of Multiannual Rate.	Last day of previous Commercial Paper Rate Period or Conversion Date.	Auction Rate determined promptly after the Submission Deadline (1:00 p.m.) on each Auction Date.
Effective Date of Rate Period	Each Business Day and for each day thereafter until reset by the Remarketing Agent.	On Thursday of each week; Weekly Rate effective through the next following Wednesday ¹	First Business Day of each Multiannual Rate Period; Multiannual Rate effective until designated end of Rate Period.	First Business Day of each Commercial Paper Rate Period effective until designated end of Commercial Paper Rate Period.	First Business Day of each Auction Rate Period.
Optional Tender Dates; Participant's Notice of Optional Tender	Any Business Day; telephonic notice by Participant to Trustee and Remarketing Agent on or prior to 10:15 a.m., on any Business Day.	Any Business Day; written notice by Participant to Trustee and Remarketing Agent on or prior to 5:00 p.m., on any Business Day at least 7 days prior to the optional tender date.	Special Tender Option upon written notice by Participant not more than 20 days from the date of notice of substitution of the Credit Facility, mandatory tender on the Business Day following the end of the Multiannual Rate Period.	Special Tender Option upon written notice by Participant not more than 20 days from the date of notice of substitution of the Credit Facility, mandatory tender on first Business Day after the last day of Commercial Paper Rate Period.	N/A

¹ The length of the period, the date of commencement and the last day of the period may vary in the event of a conversion to or from a Weekly Rate Period.

Redemption Provisions

Optional Redemption During a Variable (except Multiannual), Auction Rate, Commercial Paper Rate or Multiannual Rate Period. When interest on the Bonds is payable at any Variable Rate (except a Multiannual Rate), the Bonds may be redeemed, at the option of UAA, at par in whole on any Business Day or in part on any Interest Payment Date. When interest on the Bonds is payable at a Commercial Paper or Multiannual Rate, the Bonds may be redeemed at par in whole or in part, at the option of UAA, on the Business Day succeeding the last day of any Commercial Paper or Multiannual Rate Period. When interest on the Bond is payable at an Auction Rate, such Bonds are subject to redemption, at par, on any Interest Payment Date.

Mandatory Redemption from Periodic Redemption Requirements. While the Bonds bear interest at a Variable, Auction or Commercial Paper Rate, for so long as the Credit Facility is in effect, the Trustee shall redeem the Bonds in amounts at such times as set forth in a periodic redemption schedule attached to the Reimbursement Agreement. The periodic redemption schedule contained in the Reimbursement Agreement may be revised as provided in such Reimbursement Agreement, upon the institution of an Alternate Credit Facility, and in either event without the consent of the Owners of the Bonds; notwithstanding, no such modification shall become effective unless an Opinion of Tax Counsel is furnished by UAA to the Trustee to the effect that such change will not adversely affect the exclusion of interest on the Bonds from the gross income, for federal income tax purposes, of the owner of the beneficial interest therein. Any mandatory redemption made pursuant to a periodic redemption schedule contained in a Credit Facility Agreement shall be without premium. See also “Required Redemption from Amortization Requirements” herein.

The Prior Bonds and the Bonds are subject to mandatory redemption prior to maturity on each October 1 in the years and amounts set forth in the following table at a prepayment price of par plus interest accrued to the redemption date.

[Table on following page]

**AMORTIZATION SCHEDULE FOR
THE BONDS AND THE PRIOR BONDS**

Bonds Amortization Requirements		Prior Bonds Amortization Requirements			Total Yearly Amortization Requirements
The Bonds		Series 2005 Bonds	Series 1990 Bonds	Series 2001 Bonds	
<u>DATE</u>	<u>AMOUNT</u>	<u>AMOUNT</u>	<u>AMOUNT</u>	<u>AMOUNT</u>	<u>AMOUNT</u>
10/1/08	500,000	2,400,000	-0-	710,000	3,610,000
10/1/09	500,000	600,000	4,000,000	790,000	5,890,000
10/1/10	500,000	600,000	1,200,000	770,000	3,070,000
10/1/11	500,000	600,000	1,200,000	755,000	3,055,000
10/1/12	500,000	600,000	1,300,000	845,000	3,245,000
10/1/13	500,000	600,000	1,400,000	835,000	3,335,000
10/1/14	500,000	600,000	1,500,000	730,000	3,330,000
10/1/15	500,000	600,000	1,600,000	730,000	3,430,000
10/1/16	500,000	600,000	1,700,000	735,000	3,535,000
10/1/17	500,000	600,000	1,800,000	740,000	3,640,000
10/1/18	500,000	600,000	1,900,000	750,000	3,750,000
10/1/19	500,000	600,000	2,000,000**	765,000	3,865,000
10/1/20	500,000	1,000,000*	-0-	785,000	2,285,000
10/1/21	500,000	-0-	-0-	3,210,000	3,710,000
10/1/22	500,000	-0-	-0-	3,350,000	3,850,000
10/1/23	500,000	-0-	-0-	3,490,000	3,990,000
10/1/24	500,000	-0-	-0-	3,640,000	4,140,000
10/1/25	500,000	-0-	-0-	3,795,000	4,295,000
10/1/26	500,000	-0-	-0-	3,955,000	4,455,000
10/1/27	500,000*	-0-	-0-	4,120,000	4,620,000
10/1/28	-0-	-0-	-0-	4,295,000	4,295,000
10/1/29	-0-	-0-	-0-	4,480,000	4,480,000
10/1/30	-0-	-0-	-0-	4,670,000	4,670,000
10/1/31	-0-	-0-	-0-	4,870,000*	4,870,000
Totals:	\$10,000,000	\$10,000,000	\$19,600,000	\$53,815,000	93,415,000

* Final Maturity.

**Final Maturity for the Series 1990 Bonds is February 1, 2020.

Optional Redemption at a Premium During a Fixed Rate Period. If interest on the Bonds is converted to bear interest at Fixed Rates, the Remarketing Agent shall determine the premiums and no-call periods such that in the judgment of the Remarketing Agent, based upon prevailing market conditions would (i) enable the Bonds to be sold at 100% of their principal amount bearing a lower rate of interest, or (ii) otherwise provide financial benefit to UAA.

Extraordinary Optional Redemption. When interest on the Bonds is payable at the Multiannual Rate or Fixed Rate, the Bonds may be redeemed at a price equal to 100% of the principal amount of the Bonds being redeemed plus accrued interest thereon to the date of redemption in whole at the option of UAA at any time after the occurrence of any of the following:

(a) The Project financed with the proceeds of the Bonds shall have been damaged or destroyed to such an extent that, in the opinion of UAA, (i) the required restoration and repair could not reasonably be expected to be completed within a period of six (6) months after commencement of restoration or repair, (ii) UAA is prevented or would likely be prevented from using such Project for its normal purposes for a period of six (6) months or more or (iii) the cost of restoration and repair would not be economically practical or desirable; or

(b) if title to the whole or any part of the Project financed with the proceeds of the Bonds or the use or possession thereof, shall have been taken or condemned by a competent authority to such an extent that, in the opinion of UAA, UAA is prevented or would likely be prevented from using the such Project for its normal purposes for a period of not less than six (6) months.

Mandatory Redemption from Amortization Requirements. If a Fixed Rate is in effect, the Bonds shall, beginning on Fixed Rates Conversion Date, be amortized, without premium, based upon the calculation of level debt service over the remaining life of the Bonds utilizing for such purpose Fixed Rates determined by the Remarketing Agent. The Remarketing Agent shall, on Fixed Rates Conversion Date, establish serial and term bond maturities in such a manner as to produce the lowest overall true interest of cost. Notwithstanding, no such amortization shall occur unless an Opinion of Tax Counsel is furnished to the Trustee to the effect that such amortization requirements will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes. If a Credit Facility is in effect with respect to Fixed Rates Bonds, payments of principal of and interest on such Fixed Rate Bonds shall be made solely from Available Moneys.

Mandatory Redemption Upon Determination of Taxability. In the event of a Determination of Taxability, the Bonds shall be redeemed on a date determined by the Trustee which is within one hundred twenty (120) days of such determination, as a whole, at a Redemption Price equal to the principal amount thereof, plus accrued interest to the redemption date, provided that no such redemption is required to be made if and so long as such Determination is being appealed or otherwise contested in good faith by UAA; and provided, further, that such contest shall not have continued for longer than two (2) years after the occurrence of such Determination of Taxability.

Selection of the Bonds To Be Redeemed. If fewer than all the Bonds are to be redeemed, the Trustee will first select Bonds purchased with moneys drawn under the Credit Facility that are pledged to the Credit Facility Provider and then will select the remaining Bonds by lot or other method as it deems fair and appropriate. The Trustee will make the selection from Bonds not previously called for redemption. For this purpose, the Trustee will consider each Bond in a denomination larger than the minimum Authorized Denomination to be separate Bonds each in the minimum Authorized Denomination.

Notice of Redemption. The Trustee shall, upon the request of UAA, give notice of redemption to DTC regarding any Bonds designated for redemption. The notice will identify the Bonds or portions of Bonds to be redeemed and will state (1) the redemption date and the

redemption price; (2) the identification, including complete designation of the series or sub-series of which the Bond is a part and CUSIP number; (3) if less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) maturity dates and interest rates of the Bonds to be redeemed; (4) that the redemption date the redemption price will become due and payable upon each such Bond and that interest thereon shall cease to accrue from and after said date provided that sufficient moneys to pay the principal, premium, if any, and accrued interest on the Bonds to be redeemed is available to the Trustee on the redemption date or else such redemption shall not occur; (5) the address where such Bonds are to be surrendered to the Paying Agent for payment of the redemption price and the name of a contact person and his or her telephone number; (6) that the redemption shall not occur unless Available Moneys are on deposit with the Trustee (except after the Bonds are converted to a Fixed Rate and no longer secured by a Credit Facility) that, together with draws available under the Credit Facility, are sufficient to pay the redemption price, including premium, if any, on the redemption date and are available for such purpose.

At least two (2) days before the date of the mailing required by the first paragraph of this Section, such redemption notice shall be given by (i) registered or certified mail, postage prepaid, (ii) overnight delivery service or (iii) facsimile transmission to two of the following services selected by UAA and at the address provided to the Trustee by UAA:

- (1) Financial Information, Inc.'s Financial Daily Called Bond Service;
- (2) Interactive Data Corporation's Bond Service;
- (3) Kenny Information Service's Called Bond Service;
- (4) Standard & Poor's Called Bond Record;

or any successor services.

Failure to give notice of redemption to DTC or the information services or any defect in such notice shall not affect the validity of the redemption of any other of the Bonds.

Acceleration

On any day on which (a) the Trustee is made aware of an Event of Default (as defined in the Trust Indenture) relating to certain bankruptcy matters affecting UAA, or (b) the Trustee receives notice from the Credit Facility Provider that an Event of Default has occurred under the Reimbursement Agreement and directing the Trustee to declare the principal of and interest on the Bonds immediately due and payable, then in any such case, the Trustee will declare the principal and accrued interest on the Bonds to be due and payable on such day. If any other Event of Default has occurred and is continuing, the Trustee by notice to UAA (or, acting through DTC, the Beneficial Owners of at least 25% in principal amount of the Bonds by notice to UAA and the Trustee) may declare the principal and accrued interest to be due and payable immediately; provided that so long as such Event of Default is not the result of a failure by the Credit Facility Provider to honor a draw under and in compliance with the Credit Facility, the Trustee will not declare the Bonds to be due and payable without first obtaining the Credit Facility Provider's prior written consent.

Upon such a declaration of acceleration, the Trustee will immediately make a drawing under the Credit Facility to pay the principal of and accrued interest on the Bonds. See "Security for the Bonds." For a more detailed description of certain provisions of the Indenture relating to Events of Default, See "Appendix C - The Trust Indenture" hereto.

Book-Entry Only System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered certificate will be issued for each maturity (and for each interest rate within such maturity during a Multiannual Rate or Fixed Rate Period) of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE FOR DTC, REFERENCES HEREIN TO BONDHOLDERS, HOLDERS OR OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS" HEREIN) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

The information contained in the following paragraphs of this subsection "Book-Entry-Only System" has been extracted from a schedule prepared by DTC entitled "SAMPLE OFFICIAL STATEMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE." UAA, the Credit Facility Provider and the Underwriter make no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement amount Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules

applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The Trustee, so long as a book-entry system is used for the Bonds, will send any notice of redemption, mandatory tender or other notices with respect to Bonds only to DTC and certain national information services. If less than all the Bonds are to be redeemed upon any redemption of Bonds, DTC's practice is to determine by lot the amount of the interest of each DTC Direct Participant in such Bonds to be redeemed. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify the Beneficial Owners, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption or of any other action premised on such notice.

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

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' account upon DTC's receipt of funds and corresponding detail information from the Issuer or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, nor its nominee, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions 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 Issuer or the Trustee, and disbursement of such payments to the Beneficial Owners shall be responsibility of the Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Direct Participant, to the Trustee or Remarketing Agent and shall effect delivery of such Bonds by causing the Direct Participant to transfer such Participant's interest in the Bonds, on DTC's records, to the Trustee. Any requirement for physical delivery of Bonds in connection with the demand for purchase or a mandatory purchase will be effected when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of the tendered Bonds to the Remarketing Agent's DTC account.

For every transfer and exchange of the Bonds, the Trustee, DTC and the Direct Participants may charge the Beneficial Owner a sum sufficient to cover any tax, fee or other charge that may be imposed in relation thereto.

UAA, THE TRUSTEE, THE REMARKETING AGENT, THE UNDERWRITER AND THE CREDIT FACILITY PROVIDER MAY TREAT CEDE & CO. AS THE OWNER OF THE BONDS FOR ALL PURPOSES AND DO NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO ANY MATTERS INCLUDING, WITHOUT LIMITATION, (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (B) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF AND PREMIUM, IF ANY, INTEREST ON, OR PURCHASE PRICE WITH RESPECT TO, THE BONDS; (C) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO HOLDERS; (D) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC, OR ITS NOMINEE, CEDE & CO., AS HOLDER OR PURSUANT TO THE OMNIBUS PROXY.

UAA, the Trustee, the Remarketing Agent, the Underwriter and the Credit Facility Provider cannot and do not give any assurances that DTC, the Direct Participants or others will distribute (i) payments of debt service on the Bonds paid to DTC or its nominee, Cede & Co., as the registered owner, or (ii) any redemption, mandatory tender or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will service and act in a manner described in this Official Statement. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but none of UAA, the Trustee, the Underwriter or the Credit Facility Provider is responsible for the accuracy or completeness thereof.

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

UAA may decide to discontinue use of the system of book-entry transfers through DTC (or successor securities depository). In that event, bond certificates (the "Replacement Bonds") will be printed and delivered to the Beneficial Owners of the Bonds. The Bonds represented by Replacement Bonds will be transferable only upon presentation and surrender to the Trustee, together with an assignment duly executed by the Beneficial Owner of the Replacement Bonds, or by its representative in form satisfactory to such Trustee and containing information required by the Trustee in order to affect such transfer.

SOURCE OF PAYMENT AND SECURITY FOR THE BONDS

General Obligation of UAA

THE BONDS CONSTITUTE GENERAL OBLIGATIONS OF UAA (EXCEPT FOR ATHLETIC FEE REVENUES, AS DEFINED IN SECTION 1009.24(12), FLORIDA STATUTES (2007), RECEIVED FROM THE UNIVERSITY) AND ADDITIONALLY ARE PAYABLE FROM THE PLEDGE OF AND LIEN UPON THE TRUST ESTATE ON PARITY WITH THE PRIOR BONDS AS PROVIDED IN THE INDENTURE. NO COVENANT OR AGREEMENT IN THE BONDS, THE INDENTURE OR THE OTHER BOND DOCUMENTS AND NO OBLIGATION THEREIN IMPOSED UPON UAA SHALL CONSTITUTE A DEBT, LIABILITY, OR OBLIGATION OF THE UNIVERSITY, THE UNIVERSITY BOARD, THE BOARD OF GOVERNORS OF THE STATE OF FLORIDA, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF, OR A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF. UAA HAS NO TAXING POWER.

The Credit Facility

The Credit Facility will be an irrevocable obligation of the Credit Facility Provider, which will initially expire on October 15, 2012 (the "Termination Date"), unless terminated earlier in accordance with its terms or unless extended as described below by the Credit Facility Provider in its sole discretion. The Credit Facility obligates the Credit Facility Provider to pay to the Trustee, upon request and in accordance with the terms thereof, an amount sufficient to pay (i) the principal of the Bonds and the Prior Bonds or the portion of the purchase price corresponding to the principal of the Bonds and the Prior Bonds; and (ii) up to 39 days' accrued interest (at a maximum rate of twelve percent (12%) per annum) on the Bonds and the Prior Bonds or the portion of the purchase price corresponding to interest accrued on the Bonds and the Prior Bonds. On or before October 15 of each year, commencing October 15, 2008 (or if such October 15 is not a Business Day, then on or before the next succeeding Business Day), the Credit Facility Provider shall notify the Issuer as to whether and upon what terms the Termination Date of the Letter of Credit shall be extended for an additional one year from the then current Termination Date. The Credit Facility will be substantially in the form attached hereto as Appendix E, to which reference is hereby made.

During the term of the Credit Facility, the Trustee shall timely draw moneys under the Credit Facility in accordance with the terms thereof to pay when due (whether by reason of maturity, the occurrence of an Interest Payment Date, redemption, acceleration or otherwise) the principal of and interest on the Bonds; and to the extent moneys representing the proceeds of the remarketing of the Bonds are not available therefor, to pay when due the purchase price of the Bonds and the Prior Bonds.

In computing the amount to be drawn under the Credit Facility on account of the payment of the principal or purchase price of, or interest on the Bonds and the Prior Bonds, the Trustee shall exclude any such amounts in respect of any of the Bonds or the Prior Bonds that are Pledged Bonds on the date such payment is due, and amounts drawn by the Trustee under the Credit Facility shall not be applied to the payment of the principal or purchase price of, or premium, if any, or interest on, any of the Bonds or the Prior Bonds that are Pledged Bonds on the date such payment is due.

After any drawing on the Credit Facility to pay interest on the Bonds and the Prior Bonds or the portion of the purchase price corresponding to interest, the obligation of the Credit Provider to honor demands for payment under the Credit Facility with respect to payment of interest, or the portion of purchase price of the Bonds and the Prior Bonds corresponding to interest, on the Bonds will automatically and immediately be reinstated up to the total amount specified therein, upon the terms and conditions set forth in the Credit Facility. Upon release by or on behalf of the Credit Provider pursuant to the Credit Agreement of any Pledged Bonds, the principal component shall be reinstated automatically by the amount of such Pledged Bonds which are released; provided, however, that release of the security interest in Pledged Bonds in conjunction with a conversion to Bank Owned Bonds as provided in the Indenture shall not cause the principal component to be reinstated by the amount of Pledged Bonds converted to Bank Owned Bonds, unless and until such Bank Owned Bonds are subsequently remarketed under and pursuant to the terms of the Indenture.

Under the terms of the Indenture, the Credit Provider shall be deemed the Owner of the Bonds for the purpose of providing certain consents to amendments to the Indenture so long as it is not in default under the Credit Facility.

Rate Covenant

Pursuant to the Indenture, UAA has covenanted to maintain, charge and collect such fees, admissions, rentals and revenues as will always produce net revenues to the principal and interest requirements due on the Bonds and the Prior Bonds of greater than 1.1:1. The foregoing calculation shall be computed on a fiscal year basis from July 1 to June 30 of each year. Failure to meet the foregoing covenant will not be a default under the Indenture provided UAA has taken steps, consistent with standard procedures for the setting of fees, admissions and rentals for the Athletic Program, to restore compliance as soon as reasonably possible.

See Appendix C – “The Trust Indenture” for additional information.

Additional Parity Debt

UAA has covenanted that it shall not incur or permit to exist any liens on the Facilities (as defined in the Indenture) or indebtedness, including contingent obligations, secured by or payable out of any revenues from the Facilities except for the following:

- (i) Any such indebtedness specifically subordinated in priority of lien and right of payment to the rights of the Trustee pursuant to agreements satisfactory to the Trustee;
- (ii) Additional Bonds issued pursuant to Section 2.07 of the Indenture; or
- (iii) Other indebtedness ranking *pari passu* with the obligations under the Indenture if such indebtedness could have been issued as Additional Bonds (i.e. upon satisfaction of the applicable provisions of Section 2.07 of the Indenture).

See Appendix C – “The Trust Indenture” for additional information.

Negative Pledge

Unless the Credit Facility Provider has otherwise consented in writing, UAA has covenanted that it will not mortgage, pledge or otherwise grant a security interest in property (real, personal or mixed), including any of its revenues, to secure any indebtedness, except as follows:

1. UAA may incur obligations under capitalized lease or under loan agreement secured by mortgages or liens, or under conditional sales contracts or purchase money mortgages, so long as the principal amount of such indebtedness, net of any funded reserves, does not in the aggregate exceed \$500,000; and

2. UAA may incur indebtedness for the purpose of financing self supporting projects, and which may be secured by a mortgage upon such projects, and pledged revenues or

grant a security interest in revenues of such projects if (a) a Management Consultant delivers a report stating that the average forecasted net revenues to be derived from operation of such projects for the first two (2) Fiscal Years after incurrence of such indebtedness or after such projects are placed in operation, whichever is later, will not be less than 110% of the maximum annual principal and interest requirement of such indebtedness, a copy of which is provided to the Credit Facility Provider and to the Trustee, and (b) average Net Revenues for the three (3) fiscal years immediately preceding the incurrence of such indebtedness shall have been not less than 110% of the principal and interest requirement on the Bonds, the Prior Bonds and such indebtedness.

See Appendix C – “The Trust Indenture” for additional information.

THE STATE UNIVERSITY SYSTEM

The Constitution of the State of Florida provides that adequate provision shall be made by law for, among other things, the operation and maintenance of institutions of higher learning within the State of Florida. Under this authority, the State of Florida has formulated a K-20 public education system. The State University System is overseen by the Board of Governors. The State Board oversees the K-12 school system and community colleges.

The Board of Governors was created pursuant to Article IX, Section 7(d), of the Florida Constitution to operate, regulate, control and be fully responsible for the management of the State University System of Florida. The Board of Governors defines the mission of each state university and ensures the well-planned coordination and operation of the State University System. The Governor appoints fourteen members to the Board of Governors for staggered terms of seven years. The appointed members are subject to confirmation by the Senate. The Commissioner of Education, the Chair of the Advisory Council of Faculty Senates or the equivalent, and the President of the Florida Student Association, or equivalent also serve as members.

Each university is directly governed by a Board of Trustees (“the Trustees”), consisting of thirteen members. The Boards of Trustees were created pursuant to Article IX, Section 7(c), of the Florida Constitution. The Governor appoints six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Senate and serve staggered terms of five years. The chair of the Faculty Senate and the President of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University that provide governance in accordance with the guidelines, regulations and policies of the Board of Governors and law. The Board of Trustees is a part of the executive branch of state government.

The University President serves as the executive officer and corporate secretary of the Board of Trustees and is responsible for all operations of the University. Other senior administrative officers of the University are designated by the President. Generally, the Provost/Senior Vice President for Academic Affairs assumes responsibility for the President during any absence and is the chief academic officer in the University organization. Other vice presidents have responsibility for specific areas within the organization. The deans of colleges and schools are responsible to the Provost for all matters relating to programs and personnel in their respective academic units.

University Trustees and Term:

Carlos J. Alfonso -	Founding Principal and CEO, Alfonso Architects, Inc. (Tampa, FL) January 6, 2011
C. David Brown, II -	Chairman, Broad & Cassell P.A. (Orlando, FL) January 6, 2008
J. Courtney Cunningham -	President, The Cunningham Group (Pinecrest, FL) January 6, 2010
Roland C. Daniels -	President, Saturn of Gainesville (Gainesville, FL) January 6, 2010
Manuel A. Fernandez -	Managing Director, SI Ventures (Ft. Myers, FL) January 6, 2011
W.A. McGriff -	Private Investor (Jacksonville, FL) January 6, 2011
Joelen K. Merkel -	Consultant, News America Incorporated (Ocean Ridge, FL) January 6, 2010
Dianna F. Morgan -	Senior VP for Public Affairs (retired), Walt Disney World (Windermere, FL) January 6, 2011
Cynthia F. O'Connell -	Senior VP, Hill & Knowlton Public Relations Firm (Tallahassee, FL) January 6, 2011
Earl W. Powell -	Co-Founder, Chairman and CEO, Trivest Partners, L.P. (Miami, FL) January 6, 2010
Alfred L. Warrington -	Founding Chairman and Co-CEO, Sanifill Inc. (Freeport, TX) January 6, 2008
Richard Yost -	Chair, University of Florida Faculty Senate (Gainesville, FL) N/A
Ryan Moseley -	University of Florida Student Body President (Gainesville, FL) N/A

THE UNIVERSITY OF FLORIDA

The University is the flagship university of the State of Florida (the “State”) and is a major, public, comprehensive, land-grant, research university. The University is the State's oldest, largest and most comprehensive university. Additional information about the University is provided in Appendix A attached hereto and made a part hereof. See Appendix A – “Certain Information Regarding the University of Florida”.

Limited Role in Connection with the Bonds

Neither the University Board nor the University has any liability for the making of any payments with respect to the Bonds. The obligation to make payments on the Bonds does not constitute a recourse debt, liability or obligation of the University Board or the University, or a pledge of the faith and credit or taxing power of the State of Florida or any political subdivision thereof, but is solely a general obligation of UAA.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.

Introduction

UAA is a Florida not for profit corporation that has been designated by the University Board as a University Direct Support Organization pursuant to §1004.28, Florida Statutes. UAA is exempt from federal taxation under §501(a) of the Internal Revenue Code of 1986, as amended (the “Code”), by virtue of being recognized by the Internal Revenue Service as an organization described under §501(c)(3) of the Code.

UAA is responsible for the intercollegiate athletics program at the University (the “Program”). The Director of Athletics, Jeremy Foley, reports directly to the President of the University, Dr. Bernie Machen, and retains overall responsibility for the health and stability of the Program. In addition, UAA is governed by a Board of Directors that provides guidance and direction through approval of policies, procedures and the budget.

It is the goal of UAA to be the nation’s finest intercollegiate athletics program, where each coach has challenging and rewarding career opportunities and each student-athlete has every opportunity for athletic and academic success. UAA recognizes its responsibility to the University to operate in an efficient manner using sound business principles within an ethical decision making process.

The tremendous success of the Program can be attributed to many factors: outstanding coaches, extremely talented student-athletes, a great academic institution, strong recruiting base, University support and a commitment to each sport. UAA’s financial strength is also a key component in its success and is a major factor in maintaining or surpassing its current level of achievement in all of UAA’s endeavors.

UAA has developed a mission statement that was adopted by the Board of Directors to provide goals and objectives in the development and delivery of the athletics program at the University. This statement provides the road map for the University’s commitment to be second to none in the area of intercollegiate athletics.

Mission Statement

UAA exists to advance the University's teaching, research and service missions. Through the education and the promotion of the health and welfare of students, UAA seeks to link experiences of all backgrounds, races, origins, genders, and cultures to prepare generations of students and staff, including women and minorities, to be productive members of society. The character of the athletics programs at UAA reflects the character of the University as a major, public, comprehensive institution of higher learning.

UAA is dedicated to the intellectual, physical and personal development of student-athletes, as well as staff, including women and minorities. Demonstrating leadership in all decisions affecting college athletics, UAA will act in an ethical and honest manner, will promote an environment fostering the professional and personal achievement of coaches, administrators and staff, will attain excellence in athletic performance, sportsmanship, financial strength, and superior fan satisfaction. This vision in athletics is at the core of our responsibility to the University, to our students, and to the public at large.

Board of Directors

UAA's Board of Directors (the "UAA Board") consists of eighteen (18) members. Two-thirds of UAA Board is composed of University of Florida administrators and faculty. Specifically, the UAA Board consists of voting and non-voting members. The voting members are the chair of the University Board or designee the President of the University, the University Provost/Senior Vice President for Academic Affairs, the University Vice President for Business Affairs, the Director of Athletics, the University faculty athletic representative, the Chair of the Intercollegiate Athletic Committee, the President and the Immediate Past President of Gator Boosters, Inc., three members of the University of Florida Alumni Association, Inc., two members of the faculty of the University and two University students, one of whom must be a student athlete. The non-voting members consist of the Associate Athletics Director for Women's Sports and the Executive Director of Gator Boosters, Inc. Of the group, only one voting representative, the Director of Athletics, is employed by UAA. As provided in UAA's organizational documents, the University President serves as chairman of UAA Board. The current members of UAA Board of Directors are as follows:

Mr. Don Dizney	Mr. Jeremy N. Foley	Dr. Janie Fouke
Mr. John James	Dr. Richard Lutz	Dr. Bernie Machen
Dr. Albert Matheny	Dr. Virginia Maurer	Mr. W. A. McGriff
Mr. David McIntosh	Mr. Steve Melnyk	Mr. Ryan Moseley
Mr. S. Daniel Ponce	Mr. Ed Poppell	Mr. Jamie Pressly
Ms. Lynda Tealer	Dr. Jill Varnes	Dr. Virginia Mauer
Mr. Jason Watkins		

Officers

UAA's organizational documents provide for the following officers: President, Vice President, Secretary, and Treasurer. UAA's current officers are:

Mr. W.A. McGriff – President

Mac McGriff is a private investor in Jacksonville, Florida. He was president of Alliance Mortgage Co. from 1975 to 1989. He also is the former president of Florida Mortgage Bankers Association of Florida and a former chairman of the board of directors of Associated Industries of Florida. Mr. McGriff is a past president and board member of Leadership Jacksonville and served on the board of Jacksonville Wolfson Children's Hospital. He graduated from the University with a bachelor's degree in business administration in 1969 and received the University Distinguished Alumnus award in 1993. Mr. McGriff served as one of the University representatives to the University Medical Center Board 1986-1996 and served as CEO of the hospital for 1996-1999. Mr. McGriff was appointed to the University of Florida Board of Trustees in 2001.

Mr. David McIntosh – Vice President

Chairman of MitBank USA, Inc.

David McIntosh served as the Chief Executive Officer of the Florida Law Firm of Gunster, Yoakley & Stewart, from 1984-1998. Prior to joining the Law Firm, Mr. McIntosh was the Partner in Charge of Tax Services with Coopers & Lybrand, CPA's, in West Palm Beach, a Firm in which he practiced for 15 years. Mr. McIntosh has served as a member of the Board of Directors for two publicly-traded corporations, has chaired their Audit Committees and has served on their Governance Committees. Mr. McIntosh received both his BSBA and AAB from the University.

Mr. J. Edward Poppell – Treasurer

Ed Poppell is the Vice President of Business Affairs, the University of Florida's chief business and financial officer. Mr. Poppell, in addition to serving as treasurer on the UAA Board, also serves on the University of Florida Foundation, Inc.'s Board of Directors, Shands Teaching Hospital and Clinics, Inc. board of directors, the Board of Directors for Oak Hammock, and the Board of Directors of the Florida Proton Therapy Institute, Inc. He received his bachelor's degree in business administration from Florida State University and a master's degree in higher education administration from the University of Florida.

Dr. Albert R. Matheny – Secretary

Professor Albert Matheny specializes in the areas of public law, regulatory policy, and judicial processes. He has published in these areas in The Journal of Politics, Law & Society Review, Law & Policy, Policy Studies Journal, and The National Civic Review. His book with Bruce Williams, Democracy, Dialogue and Environmental Disputes, won the Lyton K. Caldwell Prize from the American Political Science Association in 1996. Professor Matheny received teaching and advising prizes from the College of Liberal Arts and Sciences from the University in 1990, '91, '94, '95, and '96. In 1997, he received the Florida Blue Key Distinguished Faculty Award, and, in 1999, the Morton Wolfson Faculty Award for Outstanding Service to UF Students. He has been the Associate Dean for Student Affairs in the Liberal Arts and Sciences and Director of the Academic Advising Center since 1998.

UAA Departments

Academic Affairs and Student Services. The Office of Student Life provides a program of personalized, professional guidance for Gator student-athletes in numerous areas on a day-to-day basis.

Administrative Services. Includes programs and services in human resources, risk management, information technology and communication, purchasing and central receiving.

Auxiliary Services. Includes the University Golf Course, the Gator SportShop and concessions operations.

Compliance and Support Services. Responsible for National Collegiate Athletic Association (NCAA), Southeastern Conference (SEC) and University rules compliance, including self-study and NCAA and SEC certification processes. Also oversees equipment rooms, apparel contracts and various sport camps.

Controller. Oversight of the financial reporting and budgetary accounting for UAA.

External Affairs. Includes marketing and promotions, the Gator radio and television networks, corporate sponsorship program and spirit support groups.

Gator Boosters, Inc. Functions as the fund-raising arm of the athletic department, soliciting funds to support 240 athletic scholarships each year and contributing to the improvement of Gator athletic facilities.

Internal Affairs. Includes general oversight of operations and facilities, administrative services, auxiliary services, sports information, sports health, aviation operations and strength and conditioning program.

Media Relations and Sports Information. Coordinates media and information operations, including publications.

Operations and Facilities. Includes event management, facilities maintenance, team travel and special events.

Sports Health. The medical care, injury prevention and rehabilitation of Gator student-athletes.

Ticket Operations. Coordinates ticket sales for all sporting events including managing ticket priorities for Gator Boosters, alumni, faculty and staff, students and the general public.

Women's Administration. General oversight of the women's athletic program including 10 sports and direct support functions.

Athletic Program Accomplishments

The University's athletics program is one of the best in the United States; it ranked sixth best in the 2006-07 national all-sports competition sponsored by the National Association of Collegiate Directors of Athletics (NACDA), United States Sports Academy and USA Today. The finish marks Florida's 24th consecutive position among the nation's top-10 programs. Florida and UCLA are the only schools to finish in the top 10 in national all-sports rankings every year since 1983-84.

2006-07 Sports Academy Directors' Cup Standings		
Rank	School	Total
1.	Stanford	1429.00
2.	UCLA	1232.00
3.	North Carolina	1161.33
4.	Michigan	1135.25
5.	Southern California	1103.50
6.	Florida	1064.25
7.	Tennessee	1045.75
8.	Texas	1037.25
9.	California	1030.00
10.	Arizona State	1005.00

Note: The NACDA Director's Cup program, presented annually by the nation's athletics directors, recognizes the schools with the best overall sports performances in an academic year. Points awarded for an institution's finish in up to 20 sports (10 men, 10 women) determine the all-sports champion.

Source: NACDA Directors' Cup Division I Final Standings,
June 27, 2007

Additionally, the University's athletic program has had the following recent successes:

- An unprecedented sweep of the national titles for both the Gator football and men's basketball teams led the University of Florida athletics program to sixth-place overall in the 2006-2007 Sports Academy Directors' Cup competition. The national all-sports competition award is presented annually by the National Association of Collegiate Directors of Athletics (NACDA), United States Sports Academy and USA Today. The finish marks Florida's 24th consecutive finish among the nation's top-10 programs. Florida and UCLA are the only schools to finish in the top 10 in national all-sports rankings every year since 1983-1984.
- Florida's sixth place finish in the Director's Cup standings was the highest by any school in the Southeastern Conference (SEC).
- The University of Florida men's basketball team became the first team in 15 years and just the seventh ever to win back-to-back national championships, defeating Ohio State 84-75 in

the 2007 title game. Florida finished a school-best 35-5, breaking the 2005-2006 squad's record for wins (33). Florida men's basketball also claimed the 2007 SEC regular season and SEC Tournament titles.

- With its 41-14 victory over Ohio State in the Tostitos BCS National Championship Game, the University of Florida football team won its second national title in school history (1996, 2006). The Gators won their first Southeastern Conference championship since 2000 and seventh in program history with a 38-28 defeat of Arkansas on Dec. 2. Florida finished the season with a 13-1 overall record and was 7-1 in SEC play. The 13 wins established a single-season school record for victories.
- A total of 11 Gator athletic teams finished in the top 10 of their respective sports, including five among the top five. Florida won a league-high six SEC Championships in 2006-2007, to raise its total to 44 since the 1997-1998 academic year, the most by any conference school during the 10-year span. The Gators won the SEC in men's basketball, football, gymnastics, soccer, volleyball and shared the women's tennis title.
- Florida was also successful away from the athletic arena in 2006-2007, as the Gators had 187 SEC Academic Honor Roll accolades. The total ranks as the second-highest in school history.
- Over one million fans attended 153 home events in 2006-2007. Four UF teams ranked among the nation's top 10 in attendance.
- UF student-athletes, partnering with 35 schools, 24 civic organizations and 18 non-profit organizations, participated in Goodwill Gator activities by volunteering more than 2,000 hours of community service in 2006-2007.
- The Association has given nearly \$45 million back to the University of Florida since 1990, including a gift of \$6 million subsequent to June 30, 2007 in support of the Florida Opportunity Scholarship program.

UAA Finances

In an era when the NCAA estimates that 70 percent of Division I schools are losing money on intercollegiate athletics, the Program continued to have a significant and positive impact on the University's academic programs. Since 1990, UAA has contributed nearly the \$45 million to the University to fund academic endeavors, including the first UAA endowed professorship in the College of Health and Human Performance. In 1992, expenses and revenues were each roughly \$25 million per year. The economic structure of UAA has more than tripled in just over fifteen years, as the operating budget for the 2007-08 athletics year will top \$76.6 million. These revenues in turn go back into the operation of the athletic program, ensuring the best facilities for athletic teams and making sure each program has the best opportunity possible to be successful. Since 1986, over \$163 million has been spent on capital improvements relating to athletic facilities, including two major expansions of the football stadium, a current renovation and expansion of the football offices and

weight room, a renovation of the Stephen C. O'Connell Center, a multi-purpose field house, and new facilities for tennis, track & field, soccer, baseball, golf, swimming, softball and volleyball.

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UNIVERSITY ATHLETIC ASSOCIATION

2007-2008 Budget Request

Revenue and Expenditure Summary

Account	2006-2007	2006-2007	2007-2008 Request	% Increase (Dec)
	Original Budget	Projected Actual		
Revenue:				
Operating	62,801,053	71,941,457	70,169,321	11.73%
Nonoperating and Other	6,654,492	9,983,423	7,545,557	13.39%
Total Revenue	69,455,545	81,924,880	77,714,878	11.89%
Expenditures:				
Operating - General, Men's & Combined	53,331,265	55,941,228	60,225,108	12.93%
Operating - Women's	6,993,148	7,116,323	7,366,431	5.34%
Nonoperating and Budgeted				
Capital Items	7,708,720	23,724,824	9,018,295	16.99%
Total Expenditures	68,033,133	86,782,374	76,609,834	12.61%
Excess of Revenue over				
Expenditures	1,422,412	(4,857,494)	1,105,044	(22.31%)
Future Women's Sport Reserve	(1,283,100)	(1,283,100)	(1,000,000)	(22.06%)
Debt Service Reserve		(1,700,000)		
Finance Committee Appropriations:				
SW Stadium Renovation Project (1/29)		10,300,000		
Appropriations from prior fiscal year carried forward to the current year		5,810,742		
Excess Restated to Original Budget	139,312	8,270,148	105,044	(24.60%)

Revenue Budget Notes

As identified in UAA's 2007-2008 budget, revenues are projected to increase by a little more than \$7 million from the 2006-2007 budget. The primary reasons for the projected increase are as follows:

- Football Game Revenue - \$1.3 Million – increase is due an increase in single game and season ticket prices.
- Football SEC Revenue - \$875,000 – increase in rights fees for SEC Television package and SEC Bowl Distribution.
- Skybox suites, club seating and Bull Gator seating-\$435,000 – this increase reflects price increases for the suites, as well as increased Champions Club and Bull Gator sales.
- Basketball Game Revenue - \$372,000 – reflects increase in ticket prices.
- Basketball SEC and NCAA Revenue - \$500,000 – increase in SEC Tournament Distribution and NCAA Tournament Distribution.
- Basketball Booster Revenue - \$800,000 – reflects increase in booster per seat contributions.
- Licensing and Sport Shop Revenue - \$1.6 Million – reflects increase in sales and royalty payments.

The ability of our football program to generate significant dollars is the key component to our financial stability. Men's Basketball revenue, which has grown dramatically in the last five years, also plays a key role in our financial stability.

Other significant items relating to the revenue projections for the UAA:

- Gator Boosters Inc. generates one third of the funds needed to run this program. This year the transfers to the UAA are projected to be \$24.9 million
- SEC revenue from bowl games, television contract, and championships are projected to be \$8.5 million in 2007-2008
- UAA marketing department, through sponsorships and scoreboard advertising, will generate \$2.1 million
- UAA equipment contracts will generate over \$1.4 million
- Ticket sales generate \$19.1 million for the UAA (Football - \$16.2 million and Basketball - \$2.9 million).

Expenditure Budget Notes

Expenditures are projected to increase by \$7 million from last year's budget. The significant items causing this increase are as follows:

- Salaries – this budget item increased by over \$3.9 million. This figure represents salary and OPS increases, pension, and FICA contributions and a salary reserve. It also represents guaranteed increases in several contracts not only in salary, but also equipment contracts, longevity incentives and public relations payments.
- Men's and Women's Scholarships – budget increase of \$247,000 which reflects the percentage increase for tuition and fees administered by the university, as well as increases in room and board costs.
- Debt Service – Increase by \$183,000 due to an increase in interest and principal expense. This increase does not reflect any interest and principal payments for the proposed 2007 debt issuance.
- Football Expenses – increased by \$233,000 due to increased cost for travel and recruiting.
- Football Game Day – increased by \$178,000 due to increased security expenses.
- Utilities – increased by \$150,000 due to an expected increase in fuel and power costs.
- Licensing – increased by \$721,000 due to increase in logo profit payment to UF.

Other items to note:

- In an effort to contain costs during this year's budget preparation, we used fixed and adjustable accounts. Each departments work papers, had accounts that were fixed and costs could not be increased without justification.
- The 2007-2008 budget once again contains significant funding for the Office of Student Life, as well as our community relations program, the Goodwill Gators.
- The Student Athlete Assistance Program which is a program we have established to help educate and monitor our athletes in all areas including their physical and mental health, the UAA Career Resource Center that assists our athletes with planning their life after athletics.
- The Substance Abuse Program that features a testing, as well as an educational component, the Student Athlete Counseling Center which is housed in the O'Connell Center to assist athletes in dealing with real life issues.
- The UAA Nutrition Department which provides direction to all of our athletes on the issue of proper diet in their success.

THE TRUSTEE

Commerce Bank, National Association is the Trustee under the Indenture and will also serve as authenticating agent and paying agent. A successor Trustee may be appointed in accordance with the terms of the Indenture. The designated corporate trust office of the Trustee is located in Jacksonville, Florida. All notices required to be sent to the Trustee shall be sent to 7545 Centurion Parkway, Suite 402, Jacksonville, Florida 32256, Attention: Corporate Trust.

REMARKETING AGENT

Lehman Brothers is the Remarketing Agent under the Remarketing Agreement. The Remarketing Agent will receive a fee for its remarketing services. A successor Remarketing Agent may be appointed in accordance with the terms of the Remarketing Agreement. The principal office of the Remarketing Agent is located at 745 Seventh Avenue, New York, New York 10019, Attention: Municipal Products Division.

We call your attention to the fact that Lehman Brothers is acting in the capacities of both Remarketing Agent and Underwriter.

UNDERWRITING

Lehman Brothers (the “Underwriter”) has agreed to purchase the Bonds from UAA pursuant to a Purchase Contract at an aggregate purchase price of one hundred percent (100%) of the principal amount of the Bonds. The Underwriter will receive a fee of \$30,322.00, including expenses, representing Underwriter’s discount in connection with the issuance and initial offering of the Bonds. The Underwriter is committed to take and pay for all of the Bonds if any Bonds are taken. UAA has agreed to indemnify the Underwriters against certain liabilities relating to this Official Statement.

FINANCIAL ADVISOR

RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets, served as independent financial advisor to UAA and has acted in such capacity with respect to the sale and issuance of the Bonds. The Financial Advisor assisted in matters relating to the planning, structuring and issuance of the Bonds. RBC Capital Markets did not engage in any underwriting activities with regard to the issuance and sale of the Bonds. RBC Capital Markets may assist UAA in bidding certain investments on behalf of the Financing Corporation which may result in additional fees being paid to RBC Capital Markets.

TAX MATTERS

The delivery of the Bonds is subject to receipt of the opinion of Smith Hulsey & Busey, Bond Counsel, under existing laws, regulations and court decisions, to the effect that interest on the Bonds is excluded from gross income for federal income tax purposes. The form of such opinion is set forth in Appendix D hereto. In the opinion of Bond Counsel the interest on the Bonds is, under existing laws, regulations and court decisions, excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although it should be noted that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in the preceding sentence are subject to the condition that UAA and the University Board comply with all requirements of the Internal Revenue Code of 1986 (as amended) that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. UAA and the University Board have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of the Bonds may result in other collateral federal tax consequences, including (i) the denial of a deduction of interest on indebtedness incurred, or continued, to purchase or carry the Bonds or, in the case of a financial institution, that portion of the owner's interest expense allocable to interest on the Bonds, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by fifteen percent (15%) of certain items, including interest on the Bonds, (iii) the inclusion of interest on the Bonds in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of interest on the Bonds in the passive income subject to federal income taxation of certain "S" corporations with Subchapter C earnings and profits at the close of the taxable year and (v) the inclusion in gross income of interest on the Bonds by recipients of certain Social Security and Railroad Retirement benefits.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

RATING

It is expected that on or before the date of issuance of the Bonds S&P will assign long-term and short-term ratings of AA- and A-1+, respectively, to the Bonds, based upon the Credit Facility. Any explanation of the significance of such ratings may only be obtained from S&P. S&P has assigned an underlying rating of “A+” to the Bonds. The Credit Facility Provider and UAA furnished certain information and materials not included in this Official Statement to S&P. Generally, rating agencies base their ratings on such information and materials and investigations, studies and assumptions made by the rating agencies. There is no assurance that a particular rating will remain unchanged for any given period of time or that it may not be lowered or withdrawn entirely by S&P if in its judgment circumstances so warrant. Any downward change in or withdrawal of any rating may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE

On the date of delivery of the Bonds, UAA will execute and deliver a Continuing Disclosure Certificate (the “Certificate”) for the benefit of the beneficial owners of the Bonds to send certain information annually and quarterly and to provide notice of certain events to certain information repositories pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the “Rule”) adopted by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

UAA has represented that it is in compliance with all agreements previously entered into by it pursuant to the Rule. A failure by UAA to comply with the Certificate will not constitute an event of default under the Indenture and beneficial owners of the Bonds are limited to the remedies described in the Certificate. A failure by UAA to comply with the Certificate must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Section 517.051, Florida Statutes, as amended, provides for the exemption from registration of certain governmental securities, provided that if an issuer of governmental securities has been in default at any time after December 31, 1975 as to principal and interest on any obligation issued or guaranteed by it, its securities may not be offered or sold in Florida pursuant to the exemption, except by means of an offering document containing full and fair disclosure, as prescribed by the rules of the Florida Department of Banking and Finance (the “Department”). Under the rules of the Department, disclosure of information is required only if such information would be considered material by a reasonable investor.

UAA has the power to issue Bonds on behalf of the University Board, after approval from the Florida Board of Governors, pursuant to §1010.62, F.S., for the purpose of financing and refinancing capital projects that are payable from revenues derived from such projects.

NO LITIGATION

There is not now pending any litigation, of which UAA has notice, restraining or enjoining the conversion of the interest rate on and the remarketing or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings and authority under which the interest rate of such Bonds are to be converted and/or under which such Bonds are to be remarketed, or the pledge or application of any moneys or the security provided for the payment of the Bonds or that would have a material adverse impact on the financial position or operations of UAA. Neither the creation, organization or existence of UAA, nor the title of the present directors or other officials of UAA to their respective offices, is, to the best knowledge of UAA, being contested.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale by UAA of the Bonds and with regard to the exclusion of the interest on the Bonds from gross income for federal income tax purposes under existing law will be passed upon by Smith Hulsey & Busey, Jacksonville, Florida, Bond Counsel and Disclosure Counsel. The form of such Bond Counsel approving opinion is set forth in Appendix D hereto. Certain legal matters in connection with the issuance of the Bonds will be passed upon for UAA by the Associate Vice President and Deputy General Counsel of the University of Florida, Gainesville, Florida; and for the Credit Facility Provider by its counsel Broad and Cassel, Orlando, Florida.

FINANCIAL STATEMENTS OF THE UNIVERSITY AND UAA

The financial statements of the University for the fiscal year ended June 30, 2006 (the last fiscal year for which audited financial statements are available), are included herein as part of Appendix B have been audited by the Auditor General of the State of Florida independent certified public accountant, whose report is also included in Appendix B hereto.

The financial statements of UAA for the fiscal years ended June 30, 2005, 2006 and 2007 are included herein as part of Appendix B. The audited financial statement of UAA for the fiscal years ended June 30, 2005, 2006 and 2007 have been audited by James Moore & Co., independent certified public accountants, whose report is also included in Appendix B hereto.

MISCELLANEOUS

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Bonds, the security for the payment of the Bonds, and the rights and obligations of holders thereof.

The information contained in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement, which may have been made verbally or in writing, is to be construed as a contract with the holders of the Bonds.

All references to time referred to herein are references to Eastern Standard Time or Eastern Daylight Savings Time, whichever is then in effect and recognized in the state of DTC.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.

/s/ W.A. McGriff
W.A. McGriff
President

APPENDIX A

CERTAIN INFORMATION REGARDING THE UNIVERSITY OF FLORIDA

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APPENDIX A

THE UNIVERSITY OF FLORIDA Gainesville, Florida

Introduction

The University of Florida (the “University”) is a State-supported, land-grant, comprehensive research university with student enrollment exceeding 51,000 students. Because of the range of academic and research programs on its campus, it is among the nation’s three most comprehensive universities. The University is the State’s oldest and largest university, the only member of the prestigious Association of American Universities in the State of Florida and one of only 62 members in North America. The University is also recognized by the Carnegie Commission on Higher Education as one of the nation’s leading research universities.

While highly recognized for its achievements in research and academic programs at the graduate and professional levels, the University is also dedicated to excellence in its undergraduate programs. The student body has the highest academic ranking in Florida and is among the highest ranking public universities in the nation.

The University has 16 colleges and more than 100 interdisciplinary research and education centers, bureaus and institutes. These bring together faculty and student scholars from various academic programs to provide research and development services in all areas of State interest. Almost 100 undergraduate degree programs are offered and the graduate school coordinates approximately 200 graduate degree programs throughout the University’s colleges and schools. Professional post-baccalaureate degrees are offered in law, dentistry, medicine and veterinary medicine.

History

The University traces its origins to 1853 when the state-funded East Florida Seminary acquired the private Kingsbury Academy in Ocala. After the Civil War, the seminary was moved to Gainesville. It was consolidated with the state’s land-grant Florida Agricultural College, then in Lake City, to become the University of Florida in 1906. Until 1947, the University enrolled men only and was one of only three state universities. The others were Florida State College for Women (now Florida State University) and Florida A&M. In 1947, the student body numbered 8,177 men and 601 women. Today the University is the largest in the South and among the largest in the nation.

Governance

The Florida Board of Governors (the “Board of Governors”) was created pursuant to Article IX, Section 7(d), of the Florida Constitution to operate, regulate, control and be fully responsible for the management of the State University System of Florida. The Board of Governors defines the mission of each state university and ensures the well-planned coordination and operation of the State University System. The Governor appoints fourteen members to the Board of Governors

for staggered terms of seven years. The appointed members are subject to confirmation by the Senate. The Commissioner of Education, the Chair of the Advisory Council of Faculty Senates or the equivalent, and the President of the Florida Student Association, or equivalent also serve as ex officio members.

Each university is directly governed by a board of trustees, consisting of thirteen members. The boards of trustees were created pursuant to Article IX, Section 7(c), of the Florida Constitution. The board of trustees at the University is known as The University of Florida Board of Trustees (the “University Board”). The Governor appoints six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Senate and serve staggered terms of five years. The chair of the Faculty Senate and the President of the student body of the university are ex officio members. The Board of Governors establishes the powers and duties of the University Board. The University Board is responsible for setting policies for the University which provide governance in accordance with the guidelines, regulations and policies of the Board of Governors and law.

The University President serves as the executive officer and corporate secretary of the University Board and is responsible for all operations of the University. Other senior administrative officers of the universities are designated by the President. Generally, the Provost/Senior Vice President for Academic Affairs assumes responsibility for the president during any absence and is the chief academic officer in the university organization. Other vice presidents have responsibility for specific areas within the organization. The deans of colleges and schools are responsible to the Provost for all matters relating to programs and personnel in their respective academic units.

University Trustees Term Expires

Carlos J. Alfonso - Founding Principal and CEO, Alfonso Architects, Inc. (Tampa, FL) January 6, 2011
C. David Brown, II - Chairman, Broad & Cassell P.A. (Orlando, FL) January 6, 2008
J. Courtney Cunningham - President, The Cunningham Group (Pinecrest, FL) January 6, 2010
Roland C. Daniels - President, Saturn of Gainesville (Gainesville, FL) January 6, 2010
Manuel A. Fernandez - Managing Director, SI Ventures (Ft. Myers, FL) January 6, 2011
W.A. McGriff - Private Investor (Jacksonville, FL) January 6, 2011
Joelen K. Merkel - Consultant, News America Incorporated (Ocean Ridge, FL) January 6, 2010
Dianna F. Morgan - Senior VP for Public Affairs (retired), Walt Disney World (Windermere, FL) January 6, 2011
Cynthia F. O’Connell - Senior VP, Hill & Knowlton Public Relations Firm (Tallahassee, FL) January 6, 2011
Earl W. Powell - Co-Founder, Chairman and CEO, Trivest Partners, L.P. (Miami, FL) January 6, 2010
Alfred L. Warrington - Founding Chairman and Co-CEO, Sanifill Inc. (Freeport, TX) January 6, 2008
Richard Yost - Chair, University of Florida Faculty Senate (Gainesville, FL) N/A
Ryan Moseley - University of Florida Student Body President (Gainesville, FL) N/A

The establishment of individual board of trustees at each university has increased the individual institutions’ control of their academic and fiscal affairs. While the exact structure of the new system continues to evolve, certain of the changes do provide the individual universities with greater fiscal autonomy and financial control.

Budget. Within the guidelines, regulations and policies of the Board of Governors, each university has control over its own budget, once State funds have been received. The Florida Legislature retains control of the appropriations process.

Tuition. The universities have been granted certain powers with regard to setting of tuition and the right to retain their own tuition revenues instead of sending them to the State for redistribution. Still, tuition-setting power for in-state students remains largely in the hands of the Legislature, with lawmakers determining the maximum allowable rates of tuition increase and universities setting the tuition within those limits and any limits imposed by the Board of Governors. However, there is currently ongoing litigation between the Legislature and the Board of Governors over which entity has the ultimate authority to set tuition rates at Florida universities. Nonetheless, the ability for the University to set and collect a number of student service fees provides a meaningful offset to limitations regarding tuition.

Buildings and Other Capital Facilities

The University sits on a 2000-acre contiguous campus that has over 1000 buildings containing 17.1 million gross square feet. Of these buildings, more than 180 have classrooms and laboratories. Within the past decade, 37 major buildings have been completed. Adequate building space, especially in research labs, classrooms, libraries, support space, and sufficient modern technical equipment comprise the University's second highest priority, close behind increased faculty salary support. Funding from grants and the legislature has allowed for significant improvements and additions to facilities located at the University. Notable new facilities constructed on the University's main campus are the Orthopaedic Surgery & Sports Medicine Institute, Constans Theatre Addition and McGuire Center for Lepidoptera Research.

[Table on following page]

Capital Improvement Projects in Progress as of 06/30/2007

Public Education Project	Capital Outlay	Other
SW Stadium Renovation & Expansion	\$ 0	\$22,000,000
College of Medicine/JAX Biomedical Research Lab	0	3,710,727
NIMET Nanoscale Research Facility (NRF)	35,151,600	0
George Steinbrenner Band Building	606,936	8,697,472
Indian River REC Biological and Agricultural Research	4,989,396	0
Biomedical Sciences Building/HSC Emergency Power	85,512,618	8,587,382
Graham Center at Pugh Hall	0	16,481,100
Phillips Center for the Performing Arts Expansion	0	2,190,000
Levin College of Law Advocacy Center	0	5,269,910
Pathogen Research Facility	55,500,000	0
J. Wayne Reitz Student Union Renovation and Repairs	0	1,500,000
Communicore Renovation/Remodeling-BSL 3 Facility	0	8,757,900
Veterinary Education and Clinical Research Center	49,300,000	8,516,145
Student Health Care Center (Infirmary) Annex	0	7,692,717
Southwest Parking Garage Complex	0	20,764,300
UF Dental Clinic - Naples	0	8,000,000
UF-IFAS FAU Land Relocation	3,182,160	0
Cellulosic Ethanol Plant	<u>20,000,000</u>	<u>0</u>
TOTAL	\$254,242,710	\$122,167,653

The following table outlines the University's 5-year capital improvement plan in order of priority.

Five Year Capital Improvement Plan and Legislative Budget Request In Order of Priority

Project Name	Request Per Fiscal Year (In Thousands)					Total Requested
	2008-09	2009-10	2010-11	2011-12	2012-13	
Utilities / Infrastructure Improvements	\$15,000,000	\$16,000,000	\$17,000,000	\$17,000,000	\$18,000,000	\$83,000,000
Biomedical Sciences Building	14,443,490					14,443,490
Veterinary Education & Clinical Research Ctr	15,668,065	6,714,084				22,382,149
Water, land and Plant Resources Bldg	19,500,000	32,800,000	16,892,000			69,192,000
Norman Hall Remodeling/ International Media Union	19,964,000	19,964,000	9,582,720			49,510,720
Newal Hall Remodeling/ Restoration/Addition	9,038,600	20,000,000	6,969,264			36,007,864
McCarty Hall Renovation	10,750,000	12,000,000	7,940,000			30,690,000
Weil Hall Remodeling, Phase II		12,454,508	12,454,508	5,978,164		30,887,180
HSC Education/Simulation Bldg		22,000,000	30,000,000	24,880,000		76,880,000
CLAS Life Sciences			12,750,000	31,404,000	17,350,000	61,504,000
Whitney Center for Marine Animal Health				10,954,532	13,845,468	24,800,000
Public Safety Building				7,398,260	17,374,782	24,773,042
IFAS Jay West Florida Research & Education Center					9,926,578	9,926,578
IFAS Natural Resources Bldg (IFAS request combine 15,20,21,22)(former Fisheries & Aquaculture line item)					20,000,000	20,000,000
Psychology Bldg Remodeling and Addition					12,000,000	12,000,000
Recolation of UF/IFAS Field Operations					7,448,000	7,448,000
UF Research & Conference Fac. at Lake Nona					25,000,000	25,000,000
HDC/BSB Remodeling/Renovation					<u>13,705,000</u>	<u>13,705,000</u>
Totals	<u>\$104,364,155</u>	<u>\$141,932,000</u>	<u>\$113,588,492</u>	<u>\$97,614,956</u>	<u>\$154,649,828</u>	<u>\$612,150,023</u>

Operating Budgetary Process

The University Board is required to prepare and submit to the Board of Governors for review an annual operating budget which represents the University's plan for utilizing the resources available through direct or continuing appropriation by the Legislature, Student Fees, and other local sources. The operating budget is prepared and submitted in accordance with the provisions of State law regulations and policies, rules of the Board of Governors, and the General Appropriations Act. The University operating budget is comprised of the following budget entities:

Educational and General (E&G). The E&G budget is comprised of activities which serve the University's primary mission of teaching, research, and public service and which are

funded from State appropriations, Student Fees, Federal formula funds, and sales of goods and services that are incidental to the conduct of educational activities.

Auxiliary Enterprises. The Auxiliary Enterprises budget represents planned expenditures funded from revenues generated by self-supporting functions and service centers.

Contracts and Grants. The Contracts and Grants budget represents planned expenditures supported by contracts and grants sponsored by Federal, State, and local units of government as well as private industry. This budget also includes gifts and grants from private sources.

Student Activities. The Student Activities budget includes planned expenditures to be funded from activity and services fees which the University is authorized by law to charge its student. The budget is developed and approved in accordance with Section 1009.24(9), Florida Statutes.

Concession. The Concession Fund represents planned expenditures of revenues earned from vending activities.

Intercollegiate Athletics. Intercollegiate athletics at the University is operated by The University Athletic Association, Inc. ("UAA"), a private, not-for-profit organization and a University direct-support organization as defined by Section 1004.28, Florida Statutes. The budget includes planned expenditures of revenue sources that include, but are not limited to ticket sales, private contributions, sales and licensing, and concessions.

Student Financial Aid. The Student Financial Aid budget consists of estimated expenditures of revenues received from Federal, State, and private sources, as well as student financial aid fees assessed and collected by the University, as authorized by Section 1009.24 (6), Florida Statutes, and other University-designated sources for financial assistance to students.

Self-Insurance Program. The Self-Insurance Program (Program) provides the general and professional liability protection to the University Board for its faculty members and other employees of the six Health Science Center (HSC) colleges. The budget represents estimated revenues from contributions/premiums paid by the Program participants, planned administrative expenses of the Program, and estimated claims costs.

Faculty Practice Plans. This budget consists of planned expenditures of revenues resulting from clinical practice by members of the academic clinical faculty of the University of Florida Health Science Center.

A comparison of the operating budget of the University is included below for the two most recently completed fiscal years:

Operating Budget

Budget Entity	2003-04	2004-05	2005-06	2006-07	2007-08 Preliminary
Educational and General	\$721,206,583	\$744,649,337	\$791,896,541	\$900,851,402	\$897,631,565
Auxiliary Enterprises	249,814,005	244,264,257	265,163,600	305,878,343	305,878,343
Contracts and Grants	584,072,980	610,407,194	670,410,000	683,691,000	683,691,000
Student Activities	4,185,000	7,273,607	14,625,032	15,411,994	15,411,994
Concessions	696,003	730,803	730,803	794,520	794,520
Intercollegiate Athletics	56,803,531	59,428,542	62,815,861	68,027,229	68,027,229
Student Financial Aid	272,453,500	280,000,000	293,750,000	305,000,000	305,000,000
Self-Insurance Program	15,991,215	16,968,900	18,473,100	26,057,458	26,057,458
Faculty Practice Plans	273,903,037	338,024,388	339,786,745	386,760,987	386,760,987
Total	\$2,179,125,854	\$2,301,747,028	\$2,457,651,682	\$2,692,472,933	\$2,689,253,096

Sources of Revenue

Historical Summary of Revenue Sources. The following table sets forth the percentage of the University's total revenues represented by each revenue source for the periods indicated.

[Table on following page]

Historical Summary of Current Fund Sources*

Fund Source	2002-03	2003-04	2004-05	2005-06	**2006-07
State Appropriations	37.73%	38.13%	33.66%	35.16%	37.52%
Student Tuition and Fees	10.51%	11.18%	11.00%	8.99%	9.33%
Federal Grants and Contracts	16.90%	18.86%	19.17%	16.77%	16.99%
State and Local Grants and Contracts	3.60%	3.48%	4.57%	2.13%	3.10%
Private Gifts, Grants and Contracts	17.52%	18.32%	20.22%	18.99%	15.68%
Auxiliary Enterprises	5.58%	5.59%	5.85%	7.88%	6.58%
Sales & Services of Educational Activities	4.10%	4.23%	3.99%	3.15%	2.71%
Other Sources	4.05%	0.21%	1.54%	6.93%	8.10%
Total Current Fund Sources	100.00%	100.00%	100.00%	100.00%	100.00%

*Numbers may not add to 100% due to rounding.

**Based on preliminary data.

*Beginning in 1994-95, Federal Direct Student Loan Program funds were deposited in and disbursed from the University's Current Restricted Fund Group. Beginning in 2001-2002, Federal Direct Student Loan Program funds were deposited in and disbursed from the University's Agency Fund Group.

**Beginning in 2001-2002, "Federal Appropriations" were grouped with "Operating Grants, Contracts & Gifts".

***Beginning in 1993-94, revenues received from component units of the University were required to be disclosed separately as "Transfers from/(to) Component Units". In prior years they had been reported as "Grants, Contracts & Gifts". Beginning in 2001-2002 they were again reported as "Grants, Contracts & Gifts".

History of General Revenue Appropriations. The following table sets forth the history of General Revenue appropriations available to the University for Fiscal Years 2002-2003 through 2006-2007. General Revenue appropriations are primarily funded from Florida's sales tax.

History of General Revenue Appropriations

<u>Fiscal Year</u>	<u>Educational & General</u>
2002-03	\$504,603,121
2003-04	521,739,504
2004-05	521,033,722
2005-06	559,471,781
2006-07	650,868,792

History of Trust Fund Appropriations. The following table sets forth the history of trust fund appropriations available to the University, by budget entity, for Fiscal Years 2002-2003 through 2006-2007.

[Table on following page]

History of Trust Fund Appropriations

Fiscal Year	Educational & General	Contracts & Grants	Auxiliary Enterprises	Other	Total
2002-03	\$187,402,762	\$545,996 ,526	\$221,559,741	\$570,302,229	\$1,525,261 ,258
2003-04	199,467,079	584 ,072,980	249,8J4,005	624,032,286	1,657,386,350
2004-05	223,615,615	610,407,194	244 ,264,257	702,426,240	1,780,713,306
2005-06	232,424,760	670,410,000	265,163,600	730,181 ,541	1,898,179,90 I
2006-07	249,982,610	683,691,000	305,878,343	802,052,188	2,041,604,141

Tuition and Fees. The following table lists tuition and local fees charged to each undergraduate and graduate student per credit hour for the current and past four academic years.

[Table on following page]

The following table lists the registration, tuition and local fees charged to each under graduate student per credit hour for the academic years indicated.

Registration, Tuition and Local Fees for Undergraduate Students

	2003-04	2004-05	2005-06	2006-07	2007-08
Registration and Tuition Fees (per credit hour)					
Resident Students:					
Matriculation Fee	\$ 63.41	\$ 68.16	\$ 71.57	\$ 73.71	\$ 73.71
Building Fee	2.32	2.32	2.32	2.32	2.32
Student Financial Aid Fee	3.17	3.40	3.57	3.68	3.68
Capital Improvement Trust Fund Fee	2.44	2.44	2.44	2.44	2.44
Total	\$71.34	76.32	79.90	82.15	82.15
Non-Resident Students (in addition to the above fees):					
Tuition	\$350.10	\$408.65	\$449.51	\$463.00	\$463.00
Supplemental Student Financial Aid Fee	17.50	20.43	21.45	23.15	23.15
Total	\$367.60	\$429.08	\$470.96	\$568.30	\$568.30
Local Fees* (per credit hour)					
Activity & Service Fee	\$8.16	\$8.26	\$8.64	\$9.24	\$9.74
Athletic Fee	1.90	1.90	1.90	1.90	1.90
Transportation Access Fee	3.59	4.10	4.24	4.81	5.49
Health Fee	7.69	7.92	8.44	8.78	9.27
Total	\$21.34	\$22.18	\$23.22	\$24.73	\$26.40

* Each student enrolled in the same undergraduate course more than twice is assessed an additional \$170.22 per credit hour in addition to the fees scheduled here.

** Local fees are assessed in addition to the registration and tuition fees.

The following table lists the registration, tuition and local fees charged to each graduate student per credit hour for the academic years indicated.

Registration, Tuition and Local Fees for Graduate Students

	2003-04	2004-05	2005-06	2006-07	2007-08
Registration and Tuition Fees (per credit hour)					
Resident Students:					
Matriculation Fee	\$170.63	\$191.95	\$220.74	\$242.81	\$267.09
Building Fee	2.32	2.32	2.32	2.32	2.32
Student Financial Aid Fee	8.53	9.59	11.03	12.14	13.35
Capital Improvement Trust Fund Fee	2.44	2.44	2.44	2.44	2.44
Total	\$183.92	\$206.30	\$236.53	\$259.71	\$285.20
Non-Resident Students					
<i>(in addition to the above fees):</i>					
Tuition	\$542.17	\$629.97	\$600.19	\$600.19	\$600.19
Supplemental Student Financial Aid Fee	27.10	31.49	30.00	30.00	30.00
Total	\$569.27	\$661.46	\$630.19	\$630.19	\$630.19
Local Fees*					
(per credit hour)					
Activity & Service Fee	\$8.16	\$8.26	\$8.64	\$9.24	\$9.74
Athletic Fee	1.90	1.90	1.90	1.90	1.90
Transportation Access Fee	3.59	4.10	4.24	4.81	5.49
Health Fee	7.69	7.92	8.44	8.78	9.27
Total	\$21.34	\$22.18	\$23.22	\$24.73	\$26.40

*Local fees are assessed in addition to the registration and tuition fees.

History of Financial Aid Awards. The following table sets forth the history of financial aid awards from 2002-2003 through 2006-2007.

Source of Award	2002-03	2003-04	2004-05	2005-06	2006-07*
Federal	44,562	47,057	44,979	43,456	46,460
Number	\$162,019,557	\$177,525,985	\$184,675,626	\$189,772,687	\$204,554,771
Amount					
State					
Number	41,133	40,020	38,010	39,086	40,807
Amount	\$101,312,531	\$112,040,392	\$96,853,611	\$108,911,346	\$117,652,139
Institutional					
Number	20,824	22,921	21,573	25,390	24,906
Amount	\$46,557,129	\$53,734,983	\$51,568,180	\$58,243,069	\$57,227,671
Private					
Number	7,520	8,557	8,017	8,508	8,287
Amount	\$15,246,295	\$18,553,587	\$20,452,791	\$23,782,290	\$23,517,396
Total					
Number	114,039	118,555	112,579	117,160	120,460
Amount	\$325,135,512	\$361,854,947	\$353,550,208	\$380,709,392	\$402,951,977
Type of Award					
Grants					
Number	21,295	21,826	19,251	22,314	23,928
Amount	\$43,779,786	\$44,625,214	\$41,543,334	\$46,580,524	\$50,113,950
Loans					
Number	34,769	36,298	35,751	34,608	35,222
Amount	\$143,283,822	\$157,716,715	\$167,091,898	\$175,378,571	\$184,113,046
Scholarships					
Number	44,639	46,456	44,848	47,318	48,510
Amount	\$115,691,611	\$134,731,118	\$120,861,714	\$133,672,816	\$141,882,226
Student Employment					
Number	7,351	7,385	6,778	6,674	6,407
Amount	\$12,266,774	\$12,694,234	\$11,515,930	\$11,411,504	\$11,177,889
Custodial					
Number	5,985	6,590	5,951	6,246	6,393
Amount	\$10,113,519	\$12,087,666	\$12,537,332	\$13,665,977	\$15,664,866
Total					
Number	114,039	118,555	112,579	117,160	120,460
Amount	\$325,135,512	\$361,854,947	\$353,550,208	\$380,709,392	\$402,951,977

*Fiscal Year 2006-2007 is from preliminary data and may differ from final amounts.

Selected Historical Financial Information

The following table sets forth selected historical financial information for the University for the Fiscal Years ended 2002-2003 through 2006-2007. This selected historical financial information has been derived from, and should be read in conjunction with the University's audited financial statements and the related notes thereto, of which the most recent Fiscal Year is included in Appendix B to this official statement.

[Table begins on following page]

Statement of Revenue Expenses and Changes in Net Assets
(In Thousands)

REVENUES	2002	2003	** 2004	** 2005	2006
Operating Revenues					
Student Tuition and Fees	\$180,734	\$205,546	\$231,810	\$242,921	\$255,373
Less: Tuition Scholarship Allowances	(47,711)	(57,375)	(101,223)	(86,216)	(102,868)
Net Student Tuition and Fees	133,023	148,171	129,857	156,705	152,505
Federal Grants and Contracts	219,202	238,171	248,320	294,692	284,353
State and Local Grants and Contracts	45,824	50,778	44,515	70,080	36,118
Nongovernmental Grants and Contracts	225,191	246,894	263,777	334,642	322,067
Sales and Services of Auxiliary Enterprises	72,687	78,719	80,454	120,686	133,546
Sales and Services of Educational Departments	56,761	57,807	60,968	42,026	53,373
Interest on Loans and Notes Receivable	973	949	717	286	726
Other Operating Revenue	2,510	3,383	2,280	2,194	533
Total Operating Revenues	\$756,171	\$824,872	\$830,618	\$1,021,411	\$983,221
EXPENSES					
Operating Expenses					
Compensation and Employee Benefits	863,430	912,324	961,416	1,053,525	1,128,013
Services and Supplies	230,776	271,953	254,591	327,796	340,892
Utilities and Communications	43,374	42,509	49,842	51,133	63,884
Scholarships, Fellowships and Waivers	45,345	51,997	89,402	82,748	68,614
Depreciation	76,348	83,102	112,024	101,215	107,398
Self-Insured Claims and Expenses	13,949	21,465	14,444	22,119	23,612
Total Operating Expenses	1,273,222	1,383,350	1,481,719	1,638,506	1,732,413
Operating Income (Loss)	(\$517,051)	(\$558,478)	(\$651,101)	(\$617,095)	(\$749,192)
NONOPERATING REVENUES (EXPENSES)					
State Appropriations	505,391	531,843	549,048	557,087	596,314
Federal and State Scholarship Grants	-	-	85,363	90,111	97,013
Investment Income (Loss)	19,603	43,188	(1,088)	22,894	19,246
Interest on Capital Asset Related Debt	(7,354)	(7,026)	(6,756)	(6,419)	(5,342)
Other Non-Operating Revenues (Expenses)	8,539	9,618	(3,807)	(2,895)	(3,436)
Net Non-Operating Revenues (Expenses)	526,129	577,623	622,760	660,777	703,795
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	\$9,128	\$19,145	(\$28,341)	\$43,682	(45,397)
Capital Appropriations	39,131	52,408	37,677	42,745	68,716
Capital Grants, Contracts and Donations	40,715	29,620	46,228	67,201	43,008
Gain/Loss on Disposal of Capital Assets	-	-	(12,069)	(5,778)	(4,662)
Transfers To/From Component Units or Primary Gov	4,316		-	-	
Total Other Revenues, Expenses, Gains or Losses	84,612	82,028	71,836	104,168	107,062
Increase (Decrease) in Net Assets	\$93,290	\$101,173	\$43,496	\$147,850	\$61,665
Net Assets, Beginning of Year	\$1,185,204	\$1,278,494	\$1,379,667	\$1,423,163	\$1,620,110
Adjustment to Beginning Net Assets 2005				\$49,097	
Net Assets End of Year	\$1,278,494	\$1,379,667	\$1,423,163	\$1,620,110	\$1,681,775

*Numbers may not add due to rounding.

Statement of Net Assets for Fiscal Year Ended June 30 (In Thousands)

ASSETS:	2002	2003	**2004	**2005	2006
Current Assets:					
Cash and Cash Equivalents	\$93,984	\$101,929	\$25,210	\$4,330	\$298
Investments	334,984	446,795	578,015	500,685	535,289
Accounts Receivable, Net	78,769	70,834	75,156	127,852	108,750
Due From Primary Government/Component Units	99,591	59,159	79,483	65,876	3,7839
Loans and Notes Receivable, Net	5,950	5,463	3,344	3,952	6,396
Inventories	3,870	3,981	5,789	5,700	5,614
Other Current Assets	415	652	1,045	414	646
Total Current Assets	617,563	688,813	768,042	708,809	750,776
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	18,724	23,379	7,547	208	273
Restricted Investments	78,993	117,950	97,976	73,864	71,314
Loans and Notes Receivable, Net	27,714	27,734	31,594	32,531	33,685
Depreciable Capital Assets, Net	818,257	881,605	919,805	1,046,932	1,206,525
Nondepreciable Capital Assets	100,804	10,770	157,873	183,343	93,806
Other Noncurrent Assets	1,013	978	921	863	915
Total Noncurrent Assets	1,045,505	1,156,416	1,215,716	1,337,741	1,406,518
TOTAL ASSETS	\$1,663,068	\$1,845,229	\$1,983,758	\$2,046,550	\$2,157,294
LIABILITIES:					
Current Liabilities:					
Accounts Payable	26,22	29,625	32,402	61,337	63,645
Accrued Salaries and Wages Payable	18,946	23,813	30,906	24,860	28,802
Due to Primary Government/Component Units	12,192	10,329	11,728	12,530	9,620
Deferred Revenue	38,516	22,989	40,860	6,316	27,050
Deposits Held in Custody	6,010	8,443	24,580	5,491	4,803
Obligations Under Secured Lending and Repurchase Agreements	-	80,267	123,489	-	-6,595
Long-Term Liabilities - Current Portion:	149	247	316	187	83
Bonds and Revenue Certificates Payable	65	69	73	78	9,599
Installment Purchase Agreements Payable	5,635	5,747	7,130	8,504	9,613
Capital Leases Payable	6,884	9,060	8,939	8,988	
Compensated Absences Payable					
Liability for Self-Insured Claims					
Total Current Liabilities	120,385	196,551	286,327	134,335	160,552
Noncurrent Liabilities:					
Bonds and Revenue Certificates Payable	129,204	123,166	117,276	111,247	112,665
Installment Purchase Agreements Payable	209	243 3,935	455	79	1,656
Capital Leases Payable	4,004	104,095	3,862	3,783	3,700
Compensated Absences Payable	99,173		107,533	120,782	130,300
Liability for Self-Insured Claims	31,599	37,572	45,142	56,214	66,646
Total Noncurrent Liabilities	264,189	269,011	274,268	292,105	314,967
TOTAL LIABILITIES:	384,574	465,562	560,595	426,440	475,519
NET ASSETS:					
Invested in Capital Assets, Net of Related Debt	790,217	858,176	952,935	1,111,191	1,185,280
Restricted					
Expendable:					
Loans	46,872	47,846	48,260	49,866	51,225
Capital Projects	123,317	146,872	109,376	85,869	104,764
Debt Service	3,562	3,044	3,141	3,923	3,722
Other Restricted Net Assets	122,937	224,016	223,641	276,099	255,488

Unrestricted	191,589	99,713	85,810	93,162	81,296
TOTAL NET ASSETS	\$1,278,494	\$1,379,667	\$1,423,163	\$1,620,110	\$1,681,775
TOTAL LIABILITIES AND NET ASSETS	\$1,663,068	\$1,845,229	\$1,983,758	\$2,046,550	\$2,157,294

*Numbers may not add due to rounding.

Students

General. The University limited enrollment growth for several years in the mid-1980's as part of a program to improve the quality of undergraduate education. Since then, enrollment has grown at a rate of 2% annually, primarily at the upper division and graduate levels. The 2006 Fall Semester enrollment exceeded 51,000 students.

The middle 50% of SAT scores for entering freshmen in the Fall of 2006 was 1150-1340. The mid-range of the high school grade point averages for the entering class was 3.8-4.3. The students come from every county in Florida and every state in the nation. In the University's 2006 Fall enrollment of 51,320 students; 6,702 were freshmen; 21% were graduate students; 9% were in professional degree programs. Approximately 47% were male, 53% were female, 26% were minorities, which includes Black, Hispanic, Asian and American Indian.

One-fourth of the student body lives in campus residence halls or fraternity and sorority houses. The majority of the remaining students live in private apartments surrounding the campus. A relatively small number of student commute each day to the campus.

With 242 National Merit Scholars and 22 Achievement Scholars enrolled as freshmen in the Fall Semester of 2006, the University ranked first among colleges and universities in the number of new Merit Scholars enrolled. In 2003-2004, national merit scholarships totaled \$3,950,032.82.

Academically motivated, as attested by the fact that the University is among the nation's top 25 universities in the number of baccalaureate graduates continuing on to graduate school, students lead a rich social and extracurricular life. They belong to more than 500 student organizations, attend more than 200 campus concerts, art exhibits and theatrical productions a year, participate in an average of two out-of-class seminars and lectures a day and enjoy a variety of outdoor activities throughout the year.

Student Enrollment. The following table shows the admission and registration data for the University for the most recent five fall semesters for which information is available.

Admission and Registration Headcounts and Percentages by Type of Student

	Fall 2002	Fall 2003	Fall 2004	Fall 2005	Fall 2006
Total Students:					
No. of Applicants	38,565	41,881	40,417	39,135	39,863
No. Admitted	17,630	17,842	17,272	17,594	17,494
% of Applicants Admitted	45.7%	42.6%	42.7%	45.0%	43.9%
No. Enrolled	9,386	9,312	9,312	9,898	9,946

% of Admitted Enrolled	53.2%	52.2%	53.9%	56.3%	56.9%
First-Time-in-College:					
No. of Applicants	14,479	17,041	16,850	15,621	15,935
No. Admitted	8,587	8,834	8,862	8,703	7,656
% of Applicants Admitted	59.3%	51.8%	52.6%	55.7%	48.0%
No. Enrolled	4,230	4,333	4,467	4,600	4,371
% of Admitted Enrolled	49.3%	49.0%	50.4%	52.9%	57.1%
Community College Transfers:					
No. of Applicants	3,158	3,138	3,049	3,249	3,463
No. Admitted	1,859	1,757	1,577	1,733	1,818
% of Applicants Admitted	58.9%	56.0%	51.7%	53.3%	52.5%
No. Enrolled	1,525	1,417	1,273	1,414	1,483
% of Admitted Enrolled	82.0%	80.6%	80.7%	81.6%	81.6%
Other Undergraduate Transfers:					
No. of Applicants	2,351	1,969	1,994	2,207	2,021
No. Admitted	643	581	490	415	400
% of Applicants Admitted	27.4%	29.5%	24.6%	18.8%	19.8%
No. Enrolled	430	365	317	264	289
% of Admitted Enrolled	66.9%	62.8%	64.7%	63.6%	72.3%
Post-Baccalaureate:					
No. of Applicants	388	376	142	143	134
No. Admitted	164	110	87	86	99
% of Applicants Admitted	42.3%	29.3%	61.3%	60.1%	73.9%
No. Enrolled	118	78	65	70	78
% of Admitted Enrolled	72.0%	70.9%	74.7%	81.4%	78.8%
Graduate:					
No. of Applicants	13,496	14,547	11,784	11,187	11,759
No. Admitted	5,126	5,391	4,980	5,157	5,632
% of Applicants Admitted	38.0%	37.1%	42.3%	46.1%	47.9%
No. Enrolled	2,293	2,388	2,407	2,614	2,594
% of Admitted Enrolled	44.7%	44.3%	48.3%	50.7%	46.1%
Professional Schools:					
No. of Applicants	4,693	4,810	6,598	6,728	6,551
No. Admitted	1,251	1,169	1,276	1,500	1,889
% of Applicants Admitted	26.7%	24.3%	19.3%	22.3%	28.8%
No. Enrolled	790	731	783	936	1,131
% of Admitted Enrolled	63.1%	62.5%	61.4%	62.4%	59.9%

The table below shows the full-time equivalent (FTE) enrollment of the University by level for each of the past five academic years. The full-time equivalent student calculation factor is a measure of student enrollment based on the number of student credit hours for which students enroll. Under the semester system, 15 undergraduate student credit hours or 12 graduate student credit hours are equivalent to one FTE during the Fall and Spring Semesters. During the Summer Semester, 10 undergraduate student credit hours or 8 graduate student credit hours are equivalent to one FTE. Annual full-time equivalency is 40 hours for undergraduate students and

32 hours for graduate students. FTE enrollment is determined by dividing the total number of hours enrolled by all students in a specific category by the appropriate hour requirement.

Full-Time Equivalent Enrollment by Level and Total Headcount Enrollment

Academic Year	Annual Full-Time Equivalent			Fall Headcount			
	Undergraduate	Graduate ¹	Total	Undergraduate	Graduate	Other ²	Total
2002-03	24,241	7,883	32,124	33,348	9,468	5,368	48,184
2003-04	24,692	8,256	32,948	33,742	9,928	5,003	48,673
2004-05	24,543	8,521	33,064	33,418	10,089	5,258	48,765
2005-06	25,212	8,825	34,037	34,286	10,426	5,800	50,512
2006-07	25,557	9,235	34,792	34,699	10,828	5,993	51,520

¹ Excludes Medical Professionals.

² Includes 1st Professionals and Unclassifieds.

The following table shows the enrollment projections for the University for the fall semesters of the years indicated.

Academic Year	Fall Headcount	Undergraduate Lower Level	Undergraduate Upper Level	Graduate ¹	Total
2007-08	51,500	11,395	13,465	11,025	35,885
2008-09	52,000	11,396	13,465	11,305	36,166
2009-10	52,500	11,397	13,465	11,570	36,432
2010-11	52,215	11,903	13,810	10,608	36,321
2011-12	52,406	11,938	13,792	10,717	36,447

¹ Includes Medical Professionals.

Student Recruitment. The University's Office of Administration is responsible for recruiting and enrolling a student body consisting of nationally outstanding academic talent. Students are recruited for whom intense study with faculty in seminars and tutorials will have rich personal meaning. The annual national campaign to recruit and enroll the Fall class involves creating and updating publications; communicating with prospective students through direct mail and telecounseling campaigns; traveling to selected secondary schools, college fairs, Florida community colleges, and national and regional professional meetings of college placement counselors and admissions officers; and hosting University open houses for prospective students and their families. Affirmative action efforts include special mailings to minority students,

traveling to different locations to participate in various minority programs and hosting on-campus events for students and counselors.

Student Quality Indicators. The following table shows the average Scholastic Aptitude Test (SAT) scores for first-time-in-college students at the University for the current and past four Fall Semesters.

University of Florida Table VII - 2 Relative Standing of Freshman Class Based on Scores of the College Board Scholastic Aptitude Test (SAT) Fall Term 2006*

NUMBER	YEAR	STATUS	MIDDLE 50%*	
			CR	M
1,465,744	2005-06	National College Bound High School Seniors	430-580	420-570
94,601	2005-06	State of Florida College Bound High School Seniors	420-560	420-570
4,372	2006	UF Beginning Freshmen, August 2006	580-690	590-700
Percent Scoring 600 or Above:				
Nation			21%	26%
State of Florida			18%	18%
University of Florida Freshmen			71%	75%
Percent Scoring 500 or Above:				
Nation			52%	57%
State of Florida			49%	49%
University of Florida Freshmen			99%	97%

The university only considered the critical reading and math portions of the SAT for Fall 2006. Source: UF Office of Admissions
Prepared by the UF Office of Institutional Planning & Research

University of Florida Table VII - 2 Relative Standing of Freshman Class Based on Scores of the College Board Scholastic Aptitude Test (SAT) Fall Term 2006*

NUMBER	YEAR	STATUS	MIDDLE 50%*	
			CR	M
1,475,623	2004-05	National College Bound High School Seniors	430-580	440-600
93,505	2004-05	State of Florida College Bound High School Seniors	430-570	420-570
4,726	2005	UF Beginning Freshmen, August 2005	600-700	620-710
Percent Scoring 600 or Above:				
Nation			22%	27%
State of Florida			18%	19%
University of Florida Freshmen			68%	75%
Percent Scoring 500 or Above:				
Nation			54%	58%
State of Florida			50%	51%
University of Florida Freshmen			96%	97%

Source: UF Office of Admissions
Prepared by the UF Office of Institutional Research

**University of Florida Table VII - 2 Relative Standing of Freshman Class Based on Scores of the
College Board Scholastic Aptitude Test (SAT) Fall Term 2006***

NUMBER	YEAR	STATUS	MIDDLE 50%*	
			CR	M
1,419,007	2003-04	National College Bound High School Seniors	430-580	440-600
87,290	2003-04	State of Florida College Bound High School Seniors	430-570	430-570
4,467	2004	UF Beginning Freshmen, August 2005	580-680	600-700
Percent Scoring 600 or Above:				
		Nation	22%	26%
		State of Florida	18%	18%
		University of Florida Freshmen	70%	78%
Percent Scoring 500 or Above:				
		Nation	54%	57%
		State of Florida	50%	50%
		University of Florida Freshmen	96%	98%

Source: UF Office of Admissions

Prepared by the UF Office of Institutional Research

A second measure of student quality is the University's number of National Merit Scholars and National Achievement Scholars. The tables below show the number of National Merit Scholars and National Achievement Scholars attending the University during from Fall Semester 2002 through Fall Semester 2006.

National Merit and National Achievement Scholars

	<u>Continuing</u>	<u>New</u>	<u>Total</u>
<u>Fall 2002</u>			
National Merit Scholars	500	179	679
National Achievement Scholars	104	45	149
National Hispanic Scholars	262	56	318
<u>Fall 2003</u>			
National Merit Scholars	526	205	731
National Achievement Scholars	127	53	180
National Hispanic Scholars	255	25	280
<u>Fall 2004</u>			
National Merit Scholars	566	234	800

National Achievement Scholars	152	56	208
National Hispanic Scholars	185	0	185

Fall 2005

National Merit Scholars	663	203	866
National Achievement Scholars	175	32	207
National Hispanic Scholars	108	0	108

Fall 2006

National Merit Scholars	675	242	917
National Achievement Scholars	161	22	183
National Hispanic Scholars	46	0	46

Faculty

The University has 3,183 full-time “ranked” faculty. They include nationally and internationally recognized scholars, some of the most cited scientists in the world, members of the National Science Foundation Board, the National Academy of Science, National Academy of Engineering, the Institute of Medicine and their respective international counterparts. Some of the distinctive honors that have been bestowed upon the University’s faculty include the Pulitzer Prize, the National Science Foundation’s Presidential Young Investigator Award and the Fulbright and Guggenheim Fellowships.

Faculty Data					
Year	Full-Time Faculty¹	Part-Time Faculty¹	Tenured Faculty²	Faculty with Terminal Degrees³	Student/Faculty Ratio⁴
2002-03	2,955	180	1,916	1,616	21/1
2003-04	2,865	202	1,806	1,577	22/1
2004-05	3,033	123	1,832	1,490	23/1
2005-06	3,151	134	1,909	1,969	21/1
2006-07	3,183	127	1,930	1,780	21/1

¹Faculty is salaried regular appointments and does not include adjunct faculty. Librarians and Development Research School employees on faculty lines have been excluded.

² Tenured faculty includes service professors with tenure.

³ The number of terminal degrees represents faculty members with highest degree in their field.

⁴ Student/Faculty ratio is derived from annual student FTE and 9 and 12 month school/college faculty FTE for each year

Staff

As of September 1, 2006 the University employed the following personnel:

Faculty.....	5,252 ¹
TEAMS.....	5,687
USPS (Support Personnel)	2,519

Graduate Assistants.....	3,968
Post Doctorates.....	483
OPS (Work Study, Temporary & Student Assistants).	8,323
Lab School.....	182
Librarians.....	<u>88</u>
Total Employees.....	26,502

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¹Includes OPS faculty, P.K. Younge faculty, extension agents, support faculty, and regular faculty.

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APPENDIX B

**FINANCIAL STATEMENTS OF
THE UNIVERSITY OF FLORIDA AND UAA**

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ANNUAL FINANCIAL REPORT 2005-06



“THE HORIZONS OF
THE UNIVERSITY OF FLORIDA ...
ARE LIMITLESS.”

DR. J. BERNARD MACHEN

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THE UNIVERSITY OF FLORIDA IS IN GAINESVILLE.
THE GATOR NATION IS *EVERYWHERE*.

There is no numerical symbol for imagination.

No bar graph for visionary thinking.

No mathematical equation that measures inspiration.

Yet the numbers contained in this report represent

exactly those very human contributions ...

inspired, groundbreaking, often world-changing contributions

that make a difference in lives everywhere.

So as we look back at the past year in financial terms,

it is important to reflect on the human contributions, as well.

Contributions made by the millions of people

who inhabit a universe known as The Gator Nation.

The University of Florida is the foundation for that nation ...

a nation of extraordinary people who share grander visions ...

broader horizons.

And while the university itself is in Gainesville ...

the horizons of The Gator Nation ...

are limitless.



MESSAGE FROM THE PRESIDENT

Companies based on UF technologies contribute nearly half a billion dollars to Florida's economy annually, according to a survey released early in 2005.

AT A UNIVERSITY AS LARGE AND DIVERSE AS THE UNIVERSITY OF FLORIDA, it is always hard to stitch together a year's worth of accomplishments into one overarching theme. But if the past year can be summed up, it is one of achievement in research.

Our faculty netted \$518.8 million in sponsored research contracts and grants, for the first time clearing the \$500 million hurdle. We completed the largest research building on our campus, the 280,000-square foot Cancer and Genetics Research Complex. And we broke ground for another major research building, the Nanoscale Research Facility.

That's not all. We announced a key new partnership with the Burnham Institute for Medical Research, one that will complement our existing collaboration with Scripps Florida. The Milken Institute ranked UF fifth nationwide on its University Technology Transfer and Commercialization Index. And in one of many recent indicators of our increasing global prominence, our butterfly collection is now second only to the National History Museum in London.

These highlights are worth noting for several reasons. One, research plays a key role in UF's academic standing. Indeed, a thriving research enterprise is a main ingredient in our efforts to join the nation's top ten public universities. Two, because research is the backbone for our technology transfer and commercialization programs, it is essential to the hundreds of millions of dollars we contribute to Florida's economy. One key fact: Companies based on UF technologies contribute nearly half a billion dollars to Florida's economy annually, according to a survey released early in 2005.

The third and perhaps most important reason that research is important is that it contributes to the health of our population, our country's high standard of living and U.S. competitiveness. Many UF efforts fall into this category – three products developed as a result of UF research include a leading glaucoma drug called Trusopt, a heart-healthy peanut and a termite control system that has saved thousands of homes and historic structures. From this past year, however, our work in energy offers a particularly timely example of our research relevance. Dozens of UF faculty members are involved in making nuclear energy safer and

more efficient, developing hydrogen fuel cells, crafting more efficient photovoltaic solar cells, and so on. But in the past few months, the national interest in ethanol drew attention to our faculty members' significant achievements in converting timber, lawn waste and other so-called "woody biomass" to ethanol. Indeed, UF professor Lonnie Ingram, a pioneer in biomass-to-ethanol technology, was invited to meet with President Bush in February 2007.

We know we have the ability to tap the energy in this biomass, thanks to unique technology pioneered by UF over two decades ago following the oil crisis of the 1970s. This technology has received widespread acclaim, including a landmark patent designation as the five millionth patent in 1991. Florida's vehicles consume about 8.6 billion gallons of fuel each year. Our researchers believe Florida could produce 10 billion gallons of ethanol from the state's woody biomass. Of course, that would require a huge investment in new infrastructure, but UF research is there to support this transition.

While research took center stage this past year, UF also made significant progress in areas related to its other missions of teaching and service.

Perhaps our most notable achievement bridged both missions. We successfully debuted the Florida Opportunity Scholarship program, which pays all education and living expenses for qualified students who are the first in their families to attend college. More than 400 Florida Opportunity scholars joined the

2006-07 freshmen class!

The immediate result was a more diverse class, with enrollment of African Americans increasing four percentage points, from 9 percent to more than 13 percent. That turnaround was encouraging, especially if we can sustain it next year.

Significantly, we also completed the first full year of the UF sustainability initiative. This long-term effort is intended to make UF a model in conserving energy and natural resources, reducing the university's impacts on the environment and improving the lives of everyone in our community. We achieved a lot in the first year – and we learned we have a long way to go. For example, we bought 12 hybrids and 45 Flex Fuel vehicles, we planned 12 buildings to be certified as "green" under the Leadership in Energy and Environmental Design program, and we cut hallway lighting in half. But in just one example of how much work lies ahead, we are committed to zero solid waste by 2015. We currently recycle at least 30 percent of our consumer solid waste, so the challenge is clear.



Thanks to UF research,
energy can grow on trees.



UFAS ENERGY TREES.



THE NAVIGATOR, UF
AUTONOMOUS VEHICLE.

Other important events and milestones from the past year:

- We celebrated UF's 100th anniversary in Gainesville. UF's growth over the past century has truly been astonishing. When the university opened in 1906, we had 102 students and 15 faculty members. Today, more than 50,000 students attend UF and we have more than 5,000 faculty members.
- We dedicated the Kathryn Chicone Ustler Hall, home to UF's women's studies program, and held the groundbreaking for the Jim and Alexis Pugh Hall, soon-to-be home of the Bob Graham Center for Public Service.



- We made significant progress in fundraising. The Faculty Challenge Initiative aimed at enhancing faculty resources passed \$125 million in new funding ahead of schedule. Happily, we now need to reassess that goal. Also, it appears our University endowment is now valued at nearly \$1 billion -- an increase of 70 percent in the last three years.

We have made significant progress in the past year, and there is much for which we can be proud. That said, we have ambitious plans for the future. To return to research, the cancer complex and nanotech building will soon be followed by the Biomedical Sciences Building and the Pathogen Research Facility. When all of these facilities are completed in 2009, this campus will have hundreds of thousands of square feet of additional research space – ample laboratories, classrooms and meeting spaces to support a truly world-class research enterprise. I look forward to seeing the important discoveries and innovations our scientists and engineers produce as a result.

UF is an incredibly varied institution, one that offers rich and rewarding opportunities to students, scholars and scientists of every stripe. We will only enhance these opportunities as new buildings sprout across campus, new scholarships and programs come on line, and university-wide initiatives such as sustainability gain traction. It is truly an exciting time to be a Gator!

J. Bernard Machen
President

I AM PLEASED TO PRESENT THE UNIVERSITY OF FLORIDA ANNUAL FINANCIAL REPORT FOR 2005-06. This report provides pertinent information concerning the university's financial position and activities for the year. The university had a strong financial year as evidenced by net assets of more than \$1.6 billion, a 3.8 percent increase when compared to 2004-05. The Management's Discussion and Analysis, the financial statements and the notes to the financial statements document the university's financial success and health for this year.

During the year significant capital resources were devoted to enhancing facilities necessary for fulfilling the instructional, research and clinical missions of the university. Construction projects completed include the Cancer and Genetics Research Center, a multi-disciplinary biomedical research facility, which is expected to boost Florida's biotechnology efforts and serve as a model for interdisciplinary research. Library West, which opened in 1967, was renovated and expanded to create a new building which included integration of electronic and print resources and support for new teaching methodologies to meet the needs of the graduate and undergraduate students. Planning and construction continues on several major projects including the Pathogen Research Facility, the NIMET Nanoscale Research Facility, the Proton Therapy Institute located in Jacksonville, Florida, and the Biomedical Sciences Building.

Finance and Administration is committed to conducting business in a fiscally responsible manner under the highest ethical standards. Our principles include maintaining an internal control environment which enhances sound business practices and clearly defines roles, responsibilities and accountability. As the university grows and changes, we will continue to provide the framework necessary to ensure financial strength.



INTRODUCTION FROM
THE VICE PRESIDENT FOR
FINANCE AND ADMINISTRATION

A handwritten signature in black ink, appearing to read 'Ed Poppell'. The signature is stylized with a large, looping 'E' and 'P'.

Ed Poppell
Vice President for Finance and Administration

A close-up photograph of a person's hands holding a large, speckled egg. The egg is illuminated from within, giving it a warm, orange-yellow glow. Two lit candles are positioned on either side of the egg, their flames casting a soft light on the egg and the person's fingers. The background is dark, making the glowing egg and the candle flames stand out.

OVERVIEW

THE UNIVERSITY OF FLORIDA IS COMMITTED TO THREE DISTINCT

YET INTERLOCKING MISSIONS:

TEACHING, RESEARCH AND SERVICE.

MISSION

Educating students, from undergraduate through doctoral, is the recognized purpose of the university, but the quality of that education benefits significantly from the other two missions. Research provides an environment of inspiration and discovery so critical to educating the leaders of tomorrow. And service addresses the university's obligation to use its knowledge and skills to benefit the public welfare, but also engrains a tradition of public service in students.

These three elements span all of the university's academic disciplines and multidisciplinary centers, and represent a deep commitment to the pursuit and dissemination of new knowledge while building upon our history and traditions.

UF is one of only 18 land-grant universities in the esteemed Association of American Universities, and is a doctoral/research extensive institution as categorized by the Carnegie Foundation.

HISTORY

As Florida's oldest university, the rich history of the University of Florida began in 1853, when the state-funded East Florida Seminary acquired the Kingsbury Academy in Ocala. The institution relocated north to Gainesville at the end of the Civil War. The institution was consolidated with the state's land grant Florida Agricultural College, then in Lake City, and was renamed the University of Florida in 1906. In those days the university was an all-male institution with only 102 students. During World War II, the university established training programs for U.S. service personnel, such as U.S. Army Air Corps aircrew training.



Until 1947 the University of Florida was one of only three state universities, which included the Florida State College for Women (now Florida State University) and Florida A&M. Women attended the university as early as 1916, and the student body grew to 601 women and 8,177 men when the legislature removed all barriers for female enrollment in 1947.

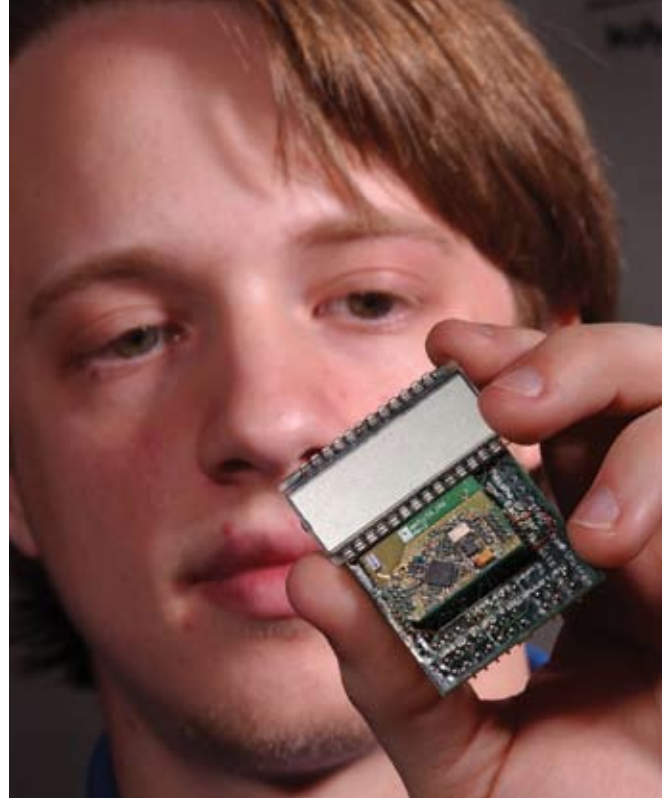
Today, the university has grown to become one of the five largest universities in the nation, boasting an enrollment of more than 50,000 students.

The governance structure of the University of Florida changed at the end of 2001, when the governor appointed separate boards of trustees to each state university. In January 2004, Dr. J. Bernard Machen became the 11th president of the University of Florida, having previously served as president of the University of Utah.

In 2005, *The Scientist* magazine ranked UF among the best places to work in academia.

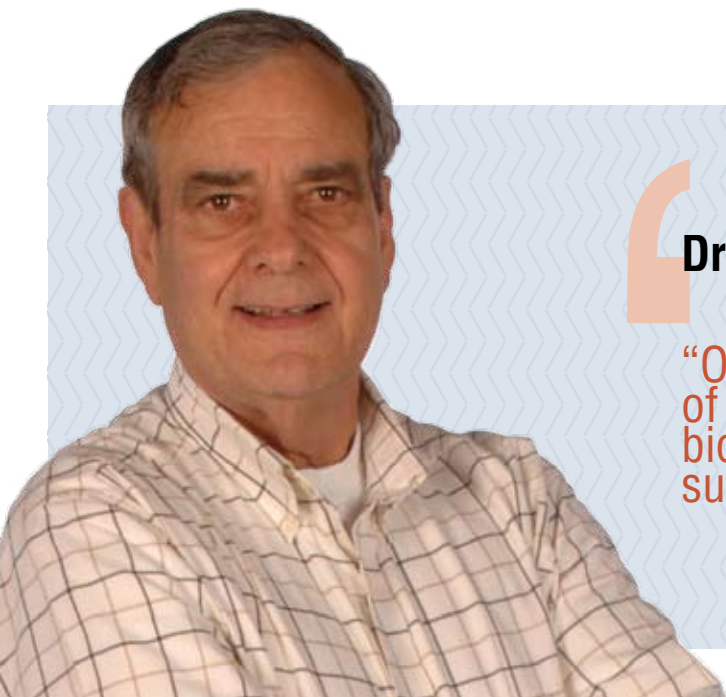
STUDENTS

Preliminary fall 2006 enrollment figures for the university include nearly 40,000 in-state students, representing all Florida counties, with 2,125 undergrads representing all 49 of the other states, the District of Columbia, Puerto Rico and the Virgin Islands. UF is also gaining an increasingly international student body, with approximately 3,000 international students representing more than 100 countries. The ratio of women to men is



currently 53 to 47. Seventy percent of enrolled students are undergraduates, 22 percent are graduate students and eight percent are in professional degree programs. Approximately 25 percent of the University of Florida student body members are minorities with 7.4 percent of the student population consisting of African American students, 10.9 percent Hispanic/Latino students, and 6.9 percent Asian-American or Pacific Islander students.

University of Florida students are among the best in the nation, as approximately 90 percent of incoming freshman score above the national average on standardized college entrance exams. Many prestigious scholarship programs that fund undergraduate and



Biomass

Dr. James F. Preston

“Our work focuses on the development of efficient methods to convert biomass materials to alternative fuels such as ethanol.”

graduate study in the United States and abroad are awarded to University of Florida students annually. Past UF winners have included a Rhodes, Mitchell, several Udalls and Trumans, many Fullbright Fellowships, and others. The University of Florida also has received more International Baccalaureate transcripts than any other institution in the world. Committed to diversity at every level, the university is second among all Association of American Universities members in awarding bachelor's degrees to Hispanic/Latino students, second for awarding bachelor's degrees to African-American students and third for all universities nationally in doctorates awarded to African Americans.

In the last five years, the University of Florida has invested extensively in campus computing infrastructure and in classroom renovations and technology upgrades. Further, the University of Florida's freshman retention rate of 94 percent speaks to the outstanding quality of the university's entire academic experience, from counseling to online programs to self-tracking of academic progress to class registration.

University of Florida students are also given many opportunities to participate in extracurricular activities.

There are more than 750 student organizations on campus, and students attend more than 2,000 campus concerts, art exhibits, theatrical productions, guest lectures, sports concerts and other events each year. Students participate in an average of two out-of-class seminars and lectures a day and enjoy a variety of outdoor activities throughout the year.



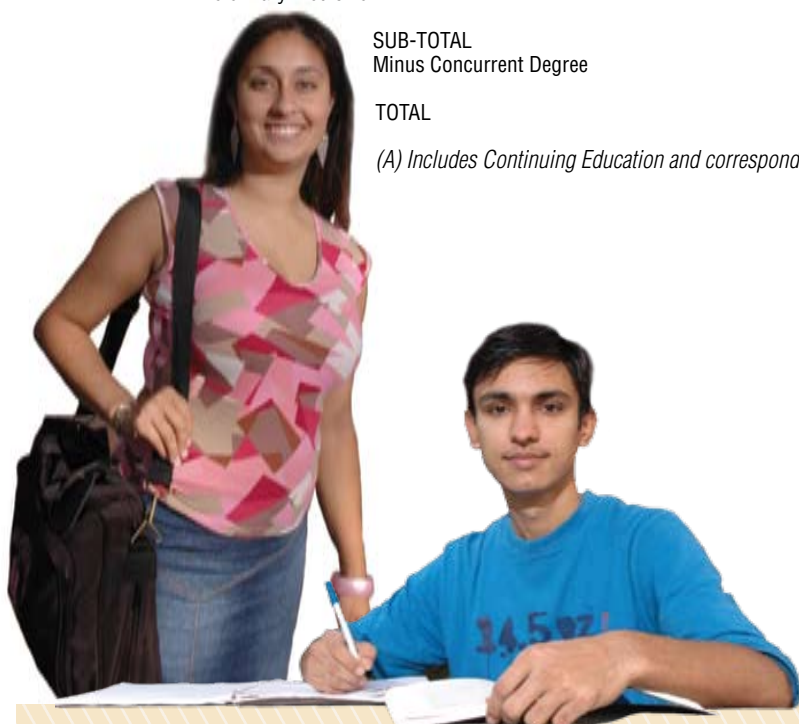
In our quest to reduce our dependence upon foreign oil, the field of bioenergy research is one of the most promising, providing both practical and near term solutions. Conversion of underutilized resources such as forest and agricultural residues, as well as crops grown specifically for conversion to fuel, offers tremendous potential. In collaboration with L.O. Ingram, K.T. Shanmugam, and other faculty in the

Department of Microbiology and Cell Science, Dr. Preston's work is directed at the development of bacterial biocatalysts that efficiently convert cellulosic biomass to alternative fuels. Commercial applications are already under way, most notably the conversion of sugar cane, which is particularly well-suited to the process.

Headcount Enrollment by Colleges and Schools - Fall Terms

College/School	2005	2004	2003	2002	2001
Accounting	873	972	947	903	844
Agricultural and Life Sciences	4,084	3,798	3,707	3,623	3,508
Building Construction	672	628	609	559	561
Business Administration	5,546	5,682	6,221	6,713	6,600
Dentistry	380	380	373	374	370
Design, Construction, and Planning	996	987	989	981	1,005
Division of Continuing Education (A)	417	372	294	535	450
Education	1,898	1,912	1,749	1,810	1,777
Engineering	6,635	6,402	6,580	6,607	6,437
Fine Arts	1,230	1,147	1,180	1,180	1,175
Forest Resources and Conservation	186	161	144	129	124
Health and Human Performance	2,028	1,838	1,815	1,882	1,893
High School	39	27	36	35	28
Journalism and Communications	2,973	2,985	3,157	3,305	3,441
Law	1,363	1,273	1,267	1,312	1,299
Liberal Arts and Sciences	14,496	14,016	13,713	12,954	12,337
Medicine	851	800	789	758	759
Natural Resources and Environment	217	177	181	180	198
Nursing	926	920	936	860	806
Pharmacy	640	574	468	372	351
Pharmacy Doctor	1,873	1,595	1,387	1,174	1,016
Physician Assistant Program	120	119	117	119	120
Public Health & Health Professions	1,605	1,552	1,561	1,409	1,343
Veterinary Medicine	519	512	511	501	444
SUB-TOTAL	50,567	48,829	48,731	48,275	46,886
Minus Concurrent Degree	55	63	58	90	87
TOTAL	<u>50,512</u>	<u>48,766</u>	<u>48,673</u>	<u>48,185</u>	<u>46,799</u>

(A) Includes Continuing Education and correspondence students not enrolled in a college.



RESEARCH SUCCESSES

The University of Florida is a world leader in research, contributing significantly to nearly every field of endeavor. UF researchers have pioneered new therapies and better treatments in the fights against aging and disease. They have developed renewable energy sources that offer great promise in reducing our dependence upon fossil fuels. They have engineered healthier foods, more

Biochemistry

Dr. Agbandje-McKenna is an associate professor of biochemistry and molecular biology at UF.

Using structural and molecular biology tools, her main research focus is the study of viruses infecting bacteria, plants, and mammals. The parvovirus B19 is an example that infects humans, which causes Fifth Disease in children and

rheumatic-like symptoms in adults. The aim of her research is to understand how the viruses infect their host cells and tissues, and replicate new viruses for re-infection.

The ultimate goal is to aid the development of disease treatments in the form of virus assembly disrupters, viral vaccines, foreign antigen delivery vehicles, and gene therapy vectors.



MACROBIOLOGY RESEARCHERS LONNIE INGRAM AND GREG LULI DISCUSS A NEW BACTERIUM DEVELOPED BY INGRAM THAT PRODUCES ETHANOL FROM BIOMASS.

energy-efficient and sustainable construction techniques and better ways to protect the environment. They work closely with NASA on a wide variety of critical scientific projects. And in the process, they improve the lives of millions of people in Florida and around the world.

The Milken Institute named UF one of the top 5 institutions in the country for the transfer of research to the marketplace in 2006. Through years of research, University of Florida scientists, inventors, engineers and researchers have developed products and practices that



have been distributed and applied with an international reach. In fact, some 80 biotechnology companies have emerged from university research initiatives, and these companies contribute an estimated half a billion dollars annually to Florida's economy alone.

UF also leads in royalty licensing. Significant products include the glaucoma drug Trusopt, the Gatorade® thirst quencher, and the Sentricon termite elimination system. The university also patented 64 inventions in 2005, making it seventh highest in number of patents issued.

Development projects include a partnership with Spain to create the world's largest telescope in the Canary Islands, the construction of a new proton beam facility in Jacksonville for the treatment of cancer, and a collaboration with the Burnham Institute to construct a 50,000-square-foot facility in Orlando, dedicated to research in the areas of diabetes, aging, genetics and cancer.

UF was awarded \$518.8 million in sponsored research in 2005-06 - more than all other Florida universities combined.

PROGRAMS

The University of Florida offers a vast array of programs on its single campus, and there are 16 colleges and more than 150 research, service and education centers, bureaus



Dr. Mavis Agbandje-McKenna

“Our work is aimed at developing viral based strategies that aid in the development of new, more effective treatments for disease. The UF College of Medicine provides an ideal environment for advancing our objectives.”





and institutes. Faculty and student scholars are brought together from various academic programs to provide research and development services in all areas of interest. Nearly 100 undergraduate majors are offered, and more than 1,900 freshman and sophomores participate in the honors program, which offers 90 to 100 courses per semester. The graduate school coordinates 242 graduate and professional degree programs, which include dentistry, law, medicine, pharmacy and veterinary medicine.

In addition, UF has a distinguished record of developing Florida agriculture into a national leader through research and extension services, expanding the influence of the university into every county of the state and beyond.

FACULTY

The distinguished faculty of the University of Florida attracted almost \$519 million in research and training grants for 2005-06, up \$25 million from the previous record-breaking year. The university faculty, which numbers more than 5,000, now has 62 Eminent Scholar Chairs, and more than two dozen faculty members are elected members of the National Academies of Science and/or Engineering, the Institute of Medicine, or a counterpart in another nation. The University of Florida also remains one of the top 20 public universities as ranked by *U.S. News and World Report*.

Environmental

Dr. Lou Guillette

“Our work examining birth defects in alligators is providing important insights into the origins of adult diseases, such as those associated with infertility in humans.”

Guillette is far too modest: among many other significant accomplishments, his research influenced the passage of the Food Quality Protection Act, described by the Environmental Protection Agency as “the most comprehensive and historic overhaul of the nation’s pesticide and food safety laws in decades.” A Distinguished Professor in Zoology at

As a testament to the success of the University of Florida faculty, the university has been awarded national scientific centers that include the McKnight Brain Institute for the study of neurological disease; the Engineering Research Center for Particle Science; and the National High Magnetic Field Laboratory in Tallahassee under the joint auspices of the University of Florida, Florida State University and Los Alamos National Laboratory.

There have been many honored faculty, past and present, including Pulitzer Prize-winners in editorial writing and poetry; a recognized pioneer in aviation engineering; a leading scholar on econometrics; three winners of NASA's top award for research; one of the four charter members of the Solar Hall of Fame; and a winner of the

Smithsonian Institution's award for conservation and a winner of the prestigious Fields Medal.

From pharmacy and public relations to pain mitigation and materials engineering, the University of Florida is a recognized leader in a wide variety of specialties and areas. University of Florida researchers and scientists have made significant developments and discoveries in many fields, including astronomy, microbiology, metallurgy and medical technology. The university ranks 13th among all universities in patents awarded.

FACILITIES

The University of Florida is in Gainesville, which is recognized as one of the nation's best college towns.

Degrees Awarded by Type of Degree

Degree	2005-06	2004-05	2003-04	2002-03	2001-02
Bachelors	8,255	8,417	8,574	7,975	7,776
Masters	3,053	2,958	3,022	2,889	2,752
Doctor of Philosophy	718	702	694	591	607
Juris Doctor	394	383	425	414	416
Doctor of Pharmacy	345	325	272	254	231
Doctor of Medicine	115	99	116	111	107
Doctor of Veterinary Medicine	82	77	75	82	82
Doctor of Dental Medicine	78	79	76	80	71

UF, Guillette is also renowned for his exceptional abilities to inspire his students. "We should be teaching 'scholarship' – the pursuit of knowledge, rather than 'studentship,' where students are sat down and told what is important."

Guillette was recently named one of just 20 Howard Hughes Medical Institute professors nationwide.



Occupying more than 2,000 acres, the university operates out of more than 979 buildings, with more than 180 containing classrooms and laboratories. The University of Florida's facilities are valued at more than \$2.1 billion.

The northeastern area of the campus is a Historic District on the National Register of Historic Places. The 24 single-student residence areas house some 7,200 students and five family housing villages house nearly 1,800 married and graduate students. The Hume Honors Residency Building is the first residential college built from the ground up in the U.S. to serve honors students. In addition, the University of Florida department of housing offers living facilities for engineering students, international students, a career exploration community, a leader scholar community and two residence areas with a wellness focus. In fall 2006, the university plans to convert residence halls into areas for fine arts majors, as well as a global living partnership. Additionally, since the 1980s the University of Florida has offered a faculty-in-residence program on campus, where faculty members live in the residence halls, serving as mentors and advisors.

Currently, the University of Florida is in the construction stage of the state-of-the-art Proton Beam Therapy Center in Jacksonville. On the main campus, the \$85 million Biomedical Sciences Building is nearing completion. Additional facility improvements completed or under construction include the Orthopedic Surgery and Sports Medicine Institute, the Mary Ann Harn Cofrin Pavilion, the Legal Information Center, the ICBR Biotechnology



A FIXED-FILM ANAEROBIC DIGESTER TANK PRODUCING METHANE GAS AT UF'S DAIRY RESEARCH UNIT IN HAGUE.

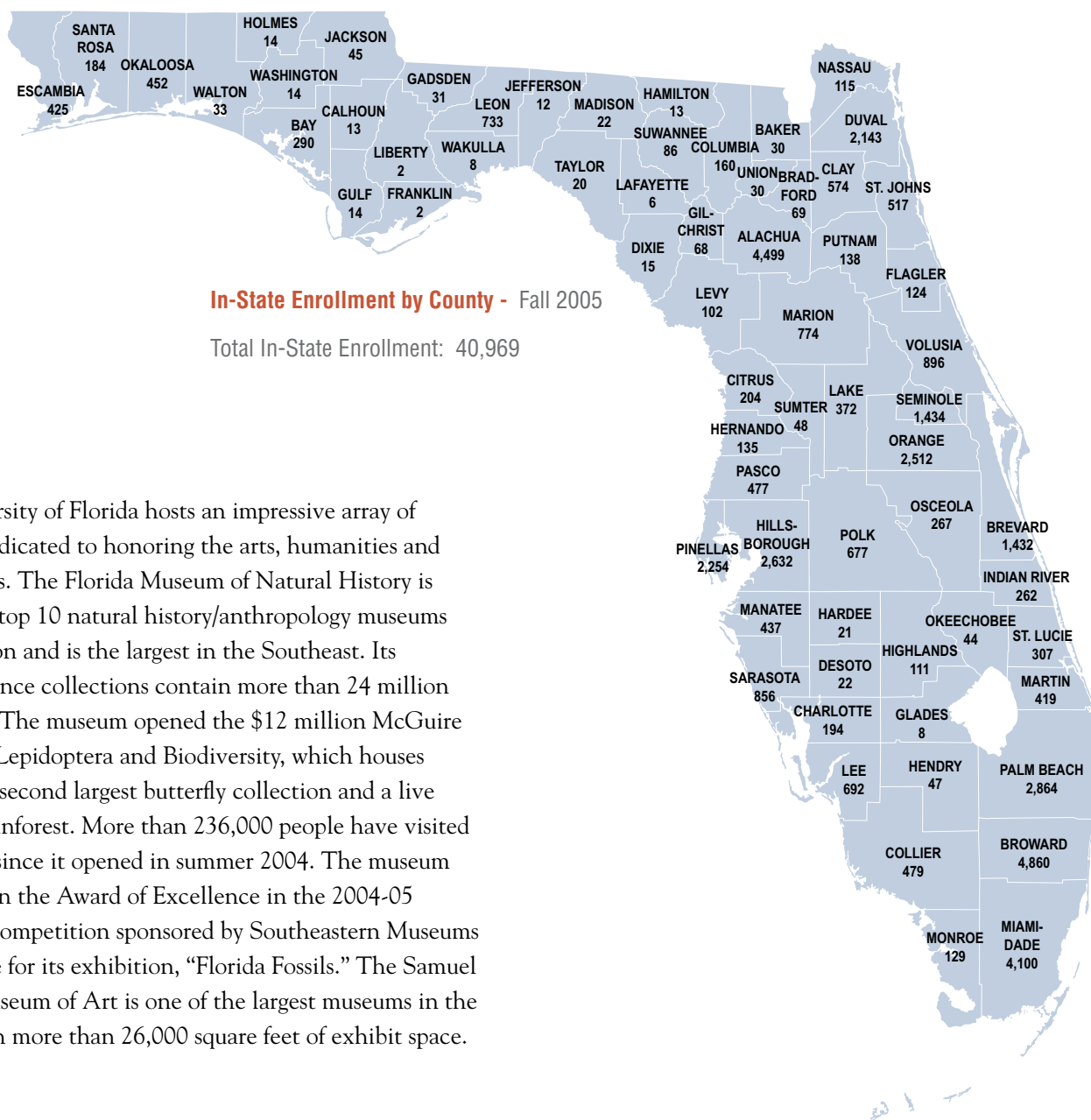
Laboratory Pavilion, and the remodeling of the Pharmacy Wing of the Health Science Center. The university began construction in the summer of 2006 on the Jim and Alexis Pugh Hall, which will house the new Bob Graham Center for Public Service.



NASA

“**Dr. Ron Parise**

“My education and experience at the University of Florida not only launched my career in astronomy research and space communications, but literally launched me into space!”

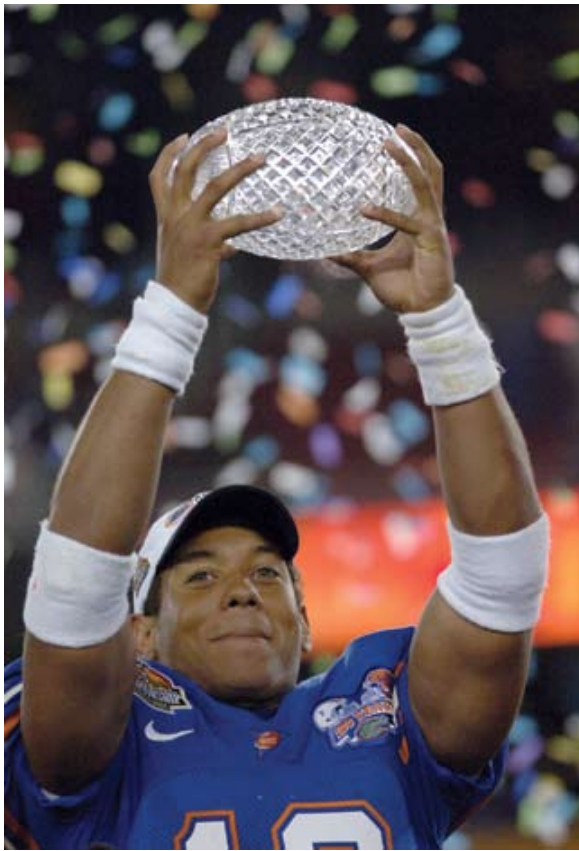


The University of Florida hosts an impressive array of facilities dedicated to honoring the arts, humanities and the sciences. The Florida Museum of Natural History is among the top 10 natural history/anthropology museums in the nation and is the largest in the Southeast. Its natural science collections contain more than 24 million specimens. The museum opened the \$12 million McGuire Center for Lepidoptera and Biodiversity, which houses the world's second largest butterfly collection and a live butterfly rainforest. More than 236,000 people have visited the center since it opened in summer 2004. The museum has also won the Award of Excellence in the 2004-05 Curator's Competition sponsored by Southeastern Museums Conference for its exhibition, "Florida Fossils." The Samuel P. Harn Museum of Art is one of the largest museums in the region, with more than 26,000 square feet of exhibit space.

Dr. Parise, a veteran of space flights on Columbia and Endeavor, received his master of science and doctor of philosophy degrees from the University of Florida. He was selected by NASA as a payload specialist in support of the Astro observatory mission, and during his 12 years in that role he was involved in mission planning, simulator development,

integration and test activities, flight procedure development, and scientific data analysis, in addition to his flight crew responsibilities for the Astro program.

Dr. Parise has logged more than 614 hours and 10.6 million miles in space.



SPORTS AND RECREATIONAL ACTIVITIES

The University of Florida prides itself on the excellence of its collegiate sports programs and enjoys significant success with its varsity teams. Last year, the Gators had 10 teams accomplish top-10 finishes in their respective sports, including a NCAA national title by the men's basketball team. The 2006-07 season is already off to a strong start, highlighted by the football team's BCS national title. The first time in history one university has held both titles in the same year.

The University of Florida finished fifth in the national all-sports competition for overall men's and women's program excellence, up from its previous ranking of seventh. Only the University of Florida and the University of California - Los Angeles, have finished in the top-10 all-sports ranking in every year since the 1983-84 academic year.

Florida was also successful away from the athletic arena in 2005-06, as the Gators had 187 SEC Academic Honor Roll accolades. The total ranked as the second-highest in school history.

Few schools in the country can boast an Olympic tradition as rich as the University of Florida. Since 1968, 117 Gator student-athletes have represented 27 countries in 10 Olympiads and laid claim to 76 medals, including 39 gold medals.

Federal Awards by Agency

(in millions)

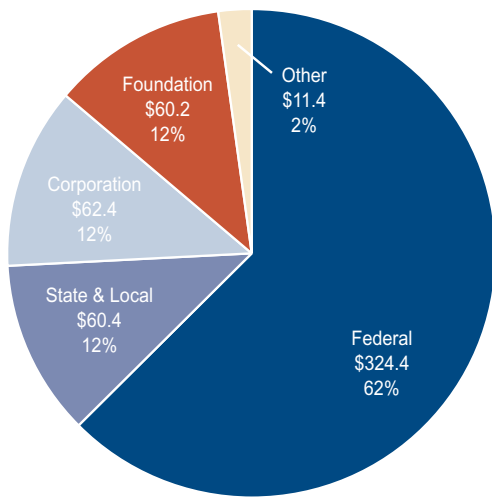
NIH	\$ 143.8
NSF	39.6
USDA	33.3
DOD	23.0
HHS	13.6
Education	12.2
NASA	11.3
Energy	10.1
Veteran's Affairs	8.8
HRSA	7.8
Commerce	4.9
Interior	3.6
DOT	3.1
EPA	2.7
Other Federal	6.6
Total	\$ 324.4

The University of Florida provides an athletic atmosphere rivaled by only a few other schools in the nation. Providing guidance, leadership and management of the university's sports programs, the University Athletic Association is a direct- support organization serving as one of several component units of the university.

Aside from varsity sports, University of Florida students, faculty and staff enjoy first-class recreational facilities located at convenient spots on campus, with numerous recreational and fitness programs offered. The Stephen C. O'Connell Center and the J. Wayne Reitz Union provide space for a myriad of activities. With a capacity of 12,000 people for concerts and other events, the O'Connell Center has space for 1,000 people to participate in eight different recreational activities simultaneously. The O'Connell Center is home to Gator basketball, volleyball, swimming and gymnastics teams. Thousands use the Reitz Union daily for dining, meetings, games, hotel accommodations and more.

The Student Recreation and Fitness Center was the first facility dedicated to recreation at the university when it opened in 1991 and now offers more than 100 fitness classes per week. The Southwest Recreational Center is a

Research Awards by Sponsor for 2005-06 Fiscal Year
(in millions)



100,000-square-foot facility located on the corner of a 26-acre site that features lighted outdoor basketball, tennis and volleyball courts, and a tournament-grade four-field softball complex. The university also hosts more than 60 sports clubs from Aikido to water-skiing and wheelchair

basketball. The University of Florida's intramural sports program attracted more than 30,000 participants each semester during the last academic year.

The University of Florida is committed to an environmentally friendly campus, with its open spaces, small ponds, picnic areas, shady nooks, and even an 81-acre wildlife sanctuary. In addition to providing venues to enjoy Florida's year-round outdoor life, the University of Florida recently launched a new campaign of sustainability, a campus-wide plan that concentrates on environmental and social initiatives. The University of Florida is focusing on maintaining sustainable practices in the areas of ecology, economy and equity. In recognition of the initiative's success, the University of Florida is the first university designated as a Certified Audubon Cooperative Sanctuary, by the Audubon Cooperative Sanctuary System. It is one of 607 such sanctuaries in the world.

And so, as the University of Florida builds upon its successes and continues its leadership into the future, it remains in the enviable position of being pedagogically respected, financially sound, organizationally stable and eager for the continuing challenges of the 21st century.





William O. Monroe, CPA
Auditor General

AUDITOR GENERAL

STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



850/488-5534/SC 278-5534
Fax: 488-6975/SC 278-6975

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the University of Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2006, as shown on pages 24 through 49. These financial statements are the responsibility of University management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units, as described in note 1 to the financial statements, which comprise 100 percent of the transactions and account balances of the aggregate discretely presented component units columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for these entities, is based solely upon the reports of the other auditors. The prior year partial comparative information has been derived from the University's 2004-05 financial statements and, in our report dated February 20, 2006, we expressed an unqualified opinion on the respective financial statements.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of Florida and of its aggregate discretely presented component units as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

The financial statements include partial prior-year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University's financial statements for the fiscal year ended June 30, 2005, from which such partial information was derived.

In accordance with Government Auditing Standards, we have also issued our report dated February 5, 2007, on our consideration of the University of Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and grant agreements and other matters included under the heading INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit. That report is included as a part of our separately issued audit report on the University.

The MANAGEMENT'S DISCUSSION AND ANALYSIS on pages 19 through 23 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

A handwritten signature in cursive script that reads "William O. Monroe".

William O. Monroe, CPA
February 5, 2007



MANAGEMENT'S DISCUSSION AND ANALYSIS

FROM THE VICE PRESIDENT FOR FINANCE AND ADMINISTRATION

INTRODUCTION AND BACKGROUND

The Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the University of Florida (the University) for the fiscal year ended June 30, 2006, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of University management.

FINANCIAL HIGHLIGHTS

The University's assets totaled \$2,157.3 million at June 30, 2006. This balance reflects a \$110.8 million, or 5.4%, increase from the 2004-05 fiscal year. While assets grew, liabilities also increased. Liabilities totaled \$475.5 million at June 30, 2006, compared to \$426.4 million at June 30, 2005, an increase of \$49.1 million or 11.5%. As a result, the University's net assets increased by \$61.7 million, or 3.8%, reaching a year end balance of \$1,681.8 million.

The University's operating revenues totaled \$983.2 million for the 2005-06 fiscal year, representing a slight decrease from the 2004-05 fiscal year. Major components of operating revenues are contracts and

grants and student tuition and fees. Two primary factors contributed to the decrease in revenues. First, while research awards to the University of Florida increased, the amount of deferred revenue increased over the prior year. Second, while student tuition and fees increased, the scholarship allowances also increased, resulting in a net decrease in tuition of \$4.2 million.

Net nonoperating revenues and expenses increased 6.5% primarily because in the 2005-06 fiscal year, the University had a 7% increase in State appropriations.

Operating expenses totaled \$1,732.4 million for the 2005-06 fiscal year, representing an increase of 5.7% over the 2004-05 fiscal year. The largest category of operating expenses, compensation and employee benefits, increased by 7.1%.

The University had significant construction activity during the year. Construction projects completed include: (1) Cancer and Genetics Research Center (capitalizable costs of \$74.9 million); (2) Library West addition and renovation (capitalizable costs of \$27.9 million); (3) ICBR Biotechnology Lab (capitalizable costs of \$5.9 million); and (4) Harn Sculpture Atrium (capitalizable costs of \$6.2 million). Construction continues on several major projects including: (1) NIMET Nanoscale Research Facility; (2) Proton Therapy Institute located in Jacksonville, Florida; and (3) Biomedical Sciences Building.

OF FINANCIAL STATEMENTS

GASB Statement No. 35, the University's financial three basic financial statements: the Statement of Statement of Revenues, Expenses, and Changes and the Statement of Cash Flows. The financial notes thereto, encompass the University and its component units. These component units include:

University's Direct-Support Organizations – These are not-for-profit corporations organized and operated to assist the University in achieving excellence by supplemental resources from private gifts, bequests and valuable education support services.

Health Science Center Affiliates – These are the several corporations closely affiliated with the University of Florida Miller Health Science Center, including the Faculty Practice Plans.

Hospital and Others – This includes Shands Teaching and Clinics, Inc., a not-for-profit corporation that contractually obligated to manage, operate, maintain and hospital facilities in support of the programs of the Health Science Center at the University of Florida.

regarding these component units, including summaries separately issued financial statements, is presented in notes financial statements. This MD&A focuses on the excluding the component units. MD&A information component units is included in their separately issued reporting under GASB standards. Component units ASB standards do not include an MD&A in their

statements characterize revenues and expenses as either nonoperating. A significant portion of the University's recurring resources are considered nonoperating as GASB Statement No. 35. The principal component of revenues for the fiscal year ended June 30, 2006, is State appropriations for operations (\$596.3 million).

nonoperating expenses consist primarily of interest bonds and revenue certificates payable, totaling \$5.3 million for the fiscal year ended June 30, 2006.

STATEMENT OF NET ASSETS

The Statement of Net Assets reflects the assets and liabilities of the University, using the accrual basis of accounting, and presents the financial position of the University at a specified time. The difference between total assets and total liabilities, net assets, is one indicator of the University's current financial condition. The changes in net assets that occur over time indicate improvement or deterioration in the University's financial condition. The following summarizes the University's assets, liabilities, and net assets at June 30:

Condensed Statement of Net Assets

(in millions)

	2006	2005
Assets:		
Current Assets	\$ 750.8	\$ 708.8
Capital Assets, Net	1,300.3	1,230.2
Other Noncurrent Assets	106.2	107.5
Total Assets	2,157.3	2,046.5
Liabilities:		
Current Liabilities	160.5	134.3
Noncurrent Liabilities	315.0	292.1
Total Liabilities	475.5	426.4
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,185.3	1,111.1
Restricted	415.2	415.8
Unrestricted	81.3	93.2
Total Net Assets	\$ 1,681.8	\$ 1,620.1

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses, and Changes in Net Assets presents the University's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. On the following page is a summary of the University's activity for the 2005-06 and 2004-05 fiscal years:

OPERATING REVENUES

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either give up or receive something of equal or similar value.

On the following page is a summary of the operating revenues by source that were used to fund operating activities during the 2005-06 and 2004-05 fiscal years:

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

(in millions)

	2005-06	2004-05
Operating Revenues	\$ 983.2	\$ 1,021.4
Operating Expenses	(1,732.4)	(1,638.5)
Operating Loss	(749.2)	(617.1)
Net Nonoperating Revenues (Expenses)	703.8	660.7
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(45.4)	43.6
Other Revenues, Expenses, Gains, or Losses	107.1	104.2
Increase in Net Assets	61.7	147.8
Net Assets – Beginning of Year	1,620.1	1,423.2
Adjustment to Beginning Net Assets – See Note 20	-	49.1
Net Assets – End of Year	\$ 1,681.8	\$ 1,620.1

Operating Revenues

(in millions)

	2005-06	2004-05
Grants and Contracts	\$ 642.5	\$ 699.4
Student Tuition and Fees, Net of Scholarship Allowances	152.5	156.7
Sales and Services of Auxiliary Enterprises *	133.5	120.7
Sales and Services of Educational Departments *	53.4	42.0
Other	1.3	2.6
Total Operating Revenues	\$ 983.2	\$1,021.4

* Financial activities of the University's self-insurance program were reclassified in the 2005-06 fiscal year. Prior fiscal year amounts have been adjusted to make amounts between fiscal years comparable.

OPERATING EXPENSES

Expenses are categorized as operating or nonoperating. The majority of the University's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting expenses in the functional or natural classifications. The University has chosen to report the expenses in their natural classification on the Statement of Revenues, Expenses, and Changes in Net Assets and has displayed the functional classification in the notes to the financial statements.

The following summarizes the operating expenses for each method of classification for the 2005-06 and 2004-05 fiscal years:

Operating Expenses

(in millions)

Natural Classifications	2005-06
Compensation and Employee Benefits	\$ 1,128.0
Services and Supplies	340.9
Depreciation	107.4
Scholarships, Fellowships and Waivers *	68.6
Utilities and Communications	63.9
Self-Insured Claims and Expenses	23.6
Total Operating Expenses	\$ 1,732.4
Functional Classifications	2005-06
Instruction	\$ 534.9
Research	441.2
Auxiliary Operations **	139.2
Public Service	135.0
Academic Support	110.0
Depreciation	107.4
Institutional Support **	95.6
Operation and Maintenance of Plant	90.6
Scholarships, Fellowships and Waivers *	47.4
Student Services	31.1
Total Operating Expenses	\$ 1,732.4

* Net of Scholarship Allowances of \$102.9 million in the 2005-06 fiscal year and \$86.2 million in the 2004-05 fiscal year.

** Financial activities of the University's self-insurance program were reclassified in the 2005-06 fiscal year. Prior fiscal year amounts have been adjusted to make amounts between fiscal years comparable.

NONOPERATING REVENUES AND EXPENSES

Certain revenue sources that the University relies on to funding for operations, including State appropriations, gifts and grants, and investment income, are defined by GASB nonoperating. Nonoperating expenses include capital financing and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2005-06 and 2004-05 fiscal years:

Nonoperating Revenues (Expenses)

(in millions)

	2005-06
State Appropriations	\$ 596.3
Federal and State Student Financial Aid	97.0
Investment Income	19.2
Interest on Capital Asset-Related Debt	(5.3)
Other Nonoperating Revenues (Expenses)	(3.4)
Net Nonoperating Revenues (Expenses)	\$ 703.8

OTHER REVENUES, EXPENSES, GAINS, OR LOSSES

This category is mainly composed of capital appropriations and capital grants, contracts, and donations. The following summarizes the University's other revenues, expenses, gains or losses for the 2005-06 and 2004-05 fiscal years:

Other Revenues, Expenses, Gains, or Losses

(in millions)

	2005-06	2004-05
Capital Appropriations	\$ 68.7	\$ 42.7
Capital Grants, Contracts and Donations	43.0	67.2
Loss on Disposal of Capital Assets	(4.6)	(5.7)
otal Other Revenues, Expenses, Gains, or Losses	\$ 107.1	\$ 104.2

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from capital and related financing activities include activities of the capital funds and related long-term debt. Cash flows from investing activities show the net source and use of cash related to the purchases and sales of investments, and income earned on those investments. Cash flows from noncapital financing activities include those activities not covered in the other sections.

Major sources of funds came from State appropriations (\$596.3 million), net student tuition and fees (\$148.9 million), grants and contracts (\$683.8 million), and sales and services of auxiliary enterprises (\$135.8 million).

During the 2004-05 fiscal year, the changes in balances in Due from State, Due to State, Due from Component Units and Due to Component Units, were reported as Operating Subsidies and Transfers for operating funds, and as Capital Subsidies and Transfers for non-operating funds. For the 2005-06 fiscal year, the changes have been combined with operating Grants and Contracts and Capital Gifts and Grants Received, respectively. Therefore, the 2004-05 fiscal year amounts reported on the Statement of Cash Flows have been restated for comparability.

The following summarizes cash flows for the 2005-06 and 2004-05 fiscal years:

Condensed Statement of Summary of Cash Flows

(in millions)

	2005-06	2004-05
Cash Provided (Used) by:		
Operating Activities	\$ (578.4)	\$ (539.5)
Noncapital Financing Activities	691.5	632.4
Capital and Related Financing Activities	(104.7)	(121.9)
Investing Activities	(12.3)	.7
Net Change in Cash and Cash Equivalents	(3.9)	(28.3)
Cash and Cash Equivalents, Beginning of Year	4.5	32.8
Cash and Cash Equivalents, End of Year	\$.6	\$ 4.5

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2006, the University had approximately \$2.4 billion in capital assets, less accumulated depreciation of \$1.1 billion, for net capital assets of \$1.3 billion. Depreciation charges for the current fiscal year totaled \$107.4 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net

(in millions)

	2006	2005
Land	\$ 10.9	\$ 10.4
Buildings	850.5	696.7
Infrastructure and Other Improvements	34.1	30.3
Furniture and Equipment	236.5	226.7
Library Resources	57.6	58.5
Property Under Capital Lease and Leasehold Improvements	7.7	9.1
Computer Software	19.0	24.2
Other Capital Assets	1.5	1.7
Construction in Progress	82.5	172.6
Total Capital Assets (Non-Depreciable and Depreciable, Net)	\$ 1,300.3	\$ 1,230.2

Additional information about the University's capital assets is presented in Note 8 to the financial statements.

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses through June 30, 2006, were incurred on the following continuing projects: Proton Therapy Institute located in Jacksonville, Florida (\$17.9 million), Murphree Hall renovation (\$6.9 million), and the Kathryn Chicone Ustler Hall (\$4.0 million). The following table summarizes the University's major capital commitments as of June 30, 2006:

Capital Expenses and Commitments

(in millions)

Project Name	Current Commitment	Expenses	Commitment Balance
Biomedical Sciences Building	\$ 92.4	\$.7	\$ 91.7
NIMET Nanoscale Research Facility	35.2	2.1	33.1
Graham Center at Pugh Hall	15.7	-	15.7
Proton Therapy Institute located in Jacksonville, FL	31.4	17.9	13.5
2005-2006 Utility and Infrastructure	14.0	.5	13.5
Hub Renovation	10.7	3.3	7.4
George Steinbrenner Band Building	6.0	.1	5.9
Projects with remaining balances less than \$5 million	115.5	57.9	57.6
Total	\$ 320.9	\$ 82.5	\$ 238.4

Additional information about the University's capital commitments is presented in Note 15 to the financial statements.

DEBT ADMINISTRATION

As of June 30, 2006, the University had \$125.4 million in outstanding bonds and revenue certificates, capital leases, and installment purchase agreements, representing an increase of \$4 million, or 3.3%, from the prior fiscal year. The following table summarizes the outstanding capital asset related debt by type of debt at June 30:

Capital Asset Related Debt

(in millions)

	2006	2005
Bonds and Revenue Certificates	\$ 119.2	\$ 117.3
Capital Leases	3.8	3.9
Installment Purchase Agreements	2.4	.2
Total Capital Asset Related Debt	\$ 125.4	\$ 121.4

Additional information about the University's capital asset related debt is presented in Note 11 to the financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The budget that the Florida Legislature adopted for the 2006-07 fiscal year provided an 11.8% increase for State universities. The Legislature provided a salary increase of 3% for State university employees; and provided \$54.5 million for enrollment growth at State universities (the University's share is \$4.8 million or 8.8%). The University expects an increase in revenue from student tuition and fees because of increased enrollment and increased student tuition and fees. Effective Fall 2006, in addition to assessing tuition and fees based on student residency, course level, and program, tuition rates are now also based on the first enrolled term of the current degree. The new fee schedule resulted in increases as shown below:

Undergraduate Courses

	Pre-Fall 2005	Fall 2005	Fall 2006
Resident Tuition & Fees	3.6% increase	3.6% increase	3.6% increase
Non-Resident Tuition & Fees	3.1% increase	3.3% increase	3.3% increase

Graduate Courses

	Pre-Fall 2005	Fall 2005	Fall 2006
Resident Tuition & Fees	5% increase	5% increase	9.5% increase
Non-Resident Tuition & Fees	1.4% increase	1.5% increase	2.8% increase

Overall enrollment for Fall 2006 (50,785 students after drop/add) increased 2.3% from Fall 2005. Undergraduate enrollment increased by 1.1% and graduate and professional enrollment increased by 3.5% and 10.2%, respectively, which illustrates the continued shift of enrollment into graduate and professional courses with higher tuition costs.

STATEMENT OF NET ASSETS as of June 30, 2006

(amounts expressed in thousands)

	University of Florida		Component Units (FYE 2006)		
	2006	2005	Direct-Support Organizations	Health Science Center Affiliates	Shands Hospital and Others
ASSETS					
Current Assets:					
Cash and Cash Equivalents (Note 2)	\$ 298	\$ 4,330	\$ 24,068	\$ 56,179	\$ 186,115
Investments (Note 3)	535,289	500,685	96,252	3,042	172,902
Accounts Receivable, Net (Note 4)	108,750	127,852	62,888	52,183	167,120
Loans and Notes Receivable, Net (Note 4)	3,783	3,952	-	-	-
Due from State (Note 5)	96,396	65,876	34,349	-	-
Due from Component Units/University (Note 6)	-	-	76,091	26,859	8,089
Inventories (Note 7)	5,614	5,700	1,237	73	3
Other Current Assets	646	414	4,621	4,579	37,960
Total Current Assets	750,776	708,809	299,506	142,915	572,189
Noncurrent Assets:					
Restricted Cash and Cash Equivalents (Note 2)	273	208	399	1,500	-
Restricted Investments (Note 3)	71,314	73,864	1,252,799	22,251	188,926
Loans and Notes Receivable, Net (Note 4)	33,685	32,531	1,255	-	-
Depreciable Capital Assets, Net (Note 8)	1,206,525	1,046,932	123,613	18,573	560,990
Non-depreciable Capital Assets (Note 8)	93,806	183,343	39,963	380	79,026
Other Noncurrent Assets	915	863	1,347	15,891	78,587
Total Noncurrent Assets	1,406,518	1,337,741	1,419,376	58,595	907,529
TOTAL ASSETS	\$ 2,157,294	\$ 2,046,550	\$ 1,718,882	\$ 201,510	\$ 1,479,718
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 63,645	\$ 61,337	\$ 16,403	\$ 10,323	\$ 217,390
Accrued Salaries and Wages Payable	28,802	24,860	6,100	17,331	71
Due to State	176	261	-	-	-
Due to Component Units/University (Note 6)	9,444	12,269	83,953	9,759	8,207
Deferred Revenues (Note 10)	27,050	6,316	61,629	46	47
Deposits Held in Custody	4,803	5,491	103	62	-
Long-Term Liabilities – Current Portion: (Note 11)					
Bonds and Revenue Certificates Payable	6,595	6,044	1,565	532	17,453
Installment Purchase Agreements Payable	742	187	-	-	-
Capital Leases Payable	83	78	-	83	220
Compensated Absences Payable	9,599	8,504	2,018	6,968	-
Liability for Self-Insured Claims	9,613	8,988	-	-	-
Other Current Liabilities	-	-	6,164	3,857	112
Total Current Liabilities	160,552	134,335	177,935	48,961	243,500
Noncurrent Liabilities: (Note 11):					
Bonds and Revenue Certificates Payable	112,665	111,247	118,350	18,231	394,178
Installment Purchase Agreements Payable	1,656	79	-	-	-
Capital Leases Payable	3,700	3,783	-	152	6,616
Compensated Absences Payable	130,300	120,782	89	19,584	-
Liability for Self-Insured Claims	66,646	56,214	-	-	-
Other Noncurrent Liabilities	-	-	30,364	1,458	61,624
Total Noncurrent Liabilities	314,967	292,105	148,803	39,425	462,418
TOTAL LIABILITIES	475,519	426,440	326,738	88,386	705,918
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	1,185,280	1,111,191	53,724	968	220,805
Restricted:					
Nonexpendable:					
Endowment	-	-	820,654	-	155
Expendable:					
Loans	51,225	49,866	-	-	-
Capital Projects	104,764	85,869	-	-	-
Debt Service	3,722	3,923	-	-	-
Other Restricted Net Assets	255,488	276,099	400,323	1,500	3,167
Unrestricted	81,296	93,162	117,443	110,656	549,673
TOTAL NET ASSETS	1,681,775	1,620,110	1,392,144	113,124	773,800
TOTAL LIABILITIES AND NET ASSETS	\$ 2,157,294	\$ 2,046,550	\$ 1,718,882	\$ 201,510	\$ 1,479,718

The accompanying notes to the financial statements are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
for the Fiscal Year Ended June 30, 2006

(amounts expressed in thousands)

	University of Florida		Component Units (FYE 2006)		
	2005-06	2004-05	Direct-Support Organizations	Health Science Center Affiliates	Shands Hospital and Others
REVENUES					
Operating Revenues:					
Student Tuition and Fees	\$ 255,373	\$ 242,921	\$ -	\$ -	\$ -
Scholarship Allowances	(102,868)	(86,216)	-	-	-
Student Tuition and Fees, Net of Scholarship Allowances	152,505	156,705	-	-	-
Federal Grants and Contracts	284,353	294,692	-	-	-
State and Local Grants and Contracts	36,118	70,080	-	-	-
Nongovernmental Grants and Contracts	322,067	334,642	-	-	-
Sales and Services of Auxiliary Enterprises (Note 12)	133,546	120,686	-	-	-
Sales and Services of Educational Departments	53,373	42,026	-	-	-
Sales and Services of Component Units	-	-	49,364	-	598
Hospital Revenues	-	-	-	379,484	1,397,435
Gifts and Donations - Component Units	-	-	108,725	8,043	9,205
Royalties and Licensing Fees - Component Units	-	-	43,115	-	1,098
Interest on Loans and Notes Receivable	726	386	-	-	-
Other Operating Revenues	533	2,194	4,703	10,148	143,520
Total Operating Revenues	983,221	1,021,411	205,907	397,675	1,551,856
EXPENSES					
Operating Expenses:					
Compensation and Employee Benefits	1,128,013	1,053,495	-	-	-
Services and Supplies	340,892	327,796	-	-	-
Utilities and Communications	63,884	51,133	-	-	-
Scholarships, Fellowships and Waivers	68,614	82,748	-	-	-
Depreciation	107,398	101,215	6,464	4,444	63,832
Self-Insured Claims and Expenses	23,612	22,119	-	-	-
Other Component Unit Operating Expenses	-	-	250,417	328,737	1,362,307
Total Operating Expenses (Note 13)	1,732,413	1,638,506	256,881	333,181	1,426,139
Operating Income (Loss)	(749,192)	(617,095)	(50,974)	64,494	125,717
NONOPERATING REVENUES (EXPENSES)					
State Appropriations	596,314	557,086	-	-	-
Federal and State Student Financial Aid	97,013	90,111	-	-	-
Investment Income	19,246	22,894	131,522	2,395	18,436
Interest on Capital Asset Related Debt	(5,342)	(6,419)	(4,180)	(191)	-
Other Nonoperating Revenues (Expenses)	(3,436)	(2,895)	3,215	(103,086)	(17,261)
Net Nonoperating Revenues (Expenses)	703,795	660,777	130,557	(100,882)	1,175
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(45,397)	43,682	79,583	(36,388)	126,892
Capital Appropriations	68,716	42,745	-	-	-
Capital Grants, Contracts and Donations	43,008	67,201	-	-	-
Gain/(Loss) on Disposal of Capital Assets	(4,662)	(5,778)	20	175	-
Additions to Permanent Endowments	-	-	88,885	-	985
Transfers from/(to) Component Units	-	-	3,597	49,278	(32,596)
Total Other Revenues, Expenses, Gains or Losses	107,062	104,168	92,502	49,453	(31,611)
Increase in Net Assts	61,665	147,850	172,085	13,065	95,281
Net Assets, Beginning of Year	1,620,110	1,423,163	1,220,059	100,059	678,519
Adjustment to Beginning Net Assets (Note 20)	-	49,097	-	-	-
Adjusted Net Assets, Beginning of Year, as Restated	1,620,110	1,472,260	1,220,059	100,059	678,519
Net Assets, End of Year	\$ 1,681,775	\$ 1,620,110	\$ 1,392,144	\$ 113,124	\$ 773,800

The accompanying notes to the financial statements are an integral part of the financial statements.

STATEMENT OF CASH FLOWS for the Fiscal Year Ended June 30, 2006*(amounts expressed in thousands)*

	University of Florida	
	2005-06	2004-05
CASH FLOWS FROM OPERATING ACTIVITIES		
Student Tuition and Fees	\$ 148,865	\$ 156,993
Grants and Contracts	683,829	648,665
Sales and Services of Auxiliary Enterprises	135,811	119,979
Sales and Services of Educational Departments	53,323	42,051
Repayment of Loans Receivable	7,503	8,297
Interest on Loans Receivable	787	813
Payments to Employees	(1,114,254)	(1,047,517)
Payments to Suppliers	(404,321)	(351,644)
Payments for Scholarships and Fellowships	(68,614)	(82,748)
Loans Issued to Students	(8,486)	(9,843)
Payments on Self-Insurance Claims	(12,555)	(10,997)
Other Operating Disbursements	(371)	(13,564)
Net Cash Used by Operating Activities	(578,483)	(539,515)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	596,314	557,086
Federal and State Scholarship Grants	97,013	90,111
Direct Loan Program Receipts	151,343	153,240
Direct Loan Program Disbursements	(151,238)	(153,591)
Funds Held for Others	(2,130)	(12,835)
Other Nonoperating Receipts	4,827	1,321
Other Nonoperating Disbursements	(4,628)	(2,937)
Net Cash Provided by Noncapital Financing Activities	691,501	632,395
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Appropriations	68,716	22,911
Capital Grants and Gifts Received	15,254	56,246
Proceeds from Sales of Capital Assets	129	75
Purchases of Capital Assets	(175,814)	(188,311)
Principal Paid on Capital Debt and Leases	(7,602)	(6,351)
Interest Paid on Capital Debt and Leases	(5,342)	(6,419)
Net Cash Used by Capital and Related Financing Activities	(104,659)	(121,849)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of Investments	1,610,027	1,298,211
Purchase of Investments	(1,643,986)	(1,320,257)
Investment Income	21,633	22,796
Net Cash Provided (Used) by Investing Activities	(12,326)	750
Net Decrease in Cash and Cash Equivalents	(3,967)	(28,219)
Cash and Cash Equivalents, Beginning of Year	4,538	32,757
Cash and Cash Equivalents, End of Year	\$ 571	\$ 4,538
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (749,192)	\$ (617,095)
Adjustments to Reconcile Net Operating Income to Net Cash Used by Operating Activities:		
Depreciation Expense	107,398	101,215
Changes in Assets and Liabilities:		
Receivables, Net	17,787	(54,365)
Due from State and Component Units	-	422
Inventories	86	89
Other Assets	(233)	632
Accounts Payable	601	26,565
Accrued Salaries and Wages Payable	3,146	(8,646)
Due to State and Component Units	(469)	604
Deferred Revenue	20,734	(14,710)
Deposits Held in Custody	(11)	29
Compensated Absences Payable	10,613	14,623
Liability for Self Insured Claims	11,057	11,122
NET CASH USED BY OPERATING ACTIVITIES	\$ (578,483)	\$ (539,515)

The accompanying notes to the financial statements are an integral part of the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2006

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the University of Florida are described below to enhance the usefulness of the financial statements.

A. Reporting Entity

The University of Florida is a separate public instrumentality that is part of the State university system of public universities, and is directly governed by a Board of Trustees (Trustees) consisting of thirteen members. The Governor appoints six citizen members and the State's Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The chair of the faculty senate and the president of the student body of the University are also members. The State's Board of Education is responsible for overseeing kindergarten through graduate school education in the State. The State's Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which

provide governance in accordance with Florida law, State Board of Education rules, and Board of Governors regulations. The Trustees select the University President and the State Board of Education ratifies the candidate selected. The University President serves as the executive officer and the corporate secretary of the Trustees, and is responsible for administering the policies prescribed by the Trustees for the University.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600*. These criteria were used to evaluate potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete. Based on the application of these criteria, the University of Florida is a component unit of the State of Florida, and its financial balances and activities are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

B. Blended Component Unit

Based on the application of the criteria for determining component units, the University of Florida Self-Insurance Program (the Program), combined with the University of Florida Healthcare Education Insurance Company (HEIC), is included within the University's reporting entity as a blended component unit. The Program was created by the State's Board of Governors, pursuant to Section 1004.24, Florida Statutes. The HEIC was created on September 1, 1994, as a self-insurance mechanism created pursuant to Section 1004.24, Florida Statutes. Although legally separate from the University of Florida, the Program's and the HEIC's sole purpose is to assist in providing liability protection for the University and its affiliated individuals and entities, and are therefore reported as if they are part of the University. See Note 18 for more details.

C. Discretely Presented Component Units

Based on the application of the criteria for determining component units, certain affiliated organizations are included within the University's reporting entity as discretely presented component units. The University further categorizes its component units as Direct-Support Organizations, Health Science Center Affiliates, and Shands Teaching Hospital and Others. An annual audit of each organization's financial statements is conducted by independent certified public accountants. The annual report is submitted to the Auditor General and the University Board of Trustees. Additional information on the University's discretely presented component units, including copies of audit reports, is available by contacting the Office of University Relations. Condensed financial statements for the University's discretely presented component units are shown in Note 22.

D. Direct-Support Organizations

The University's direct-support organizations, as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 6C-9.011, are considered component units of the University of Florida and therefore the latest audited financial statements of these organizations are included in the financial statements of the University by discrete presentation. These legally separate, not-for-profit, corporations are organized and operated exclusively to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests, and valuable education support services.

The Statute authorizes these organizations to receive, hold, invest and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

University of Florida Foundation, Inc. solicits, collects, manages, and directs contributions to the various academic departments and programs of the University, and assists the University in fund raising, public relations, and maintenance of alumni records.

University of Florida Research Foundation, Inc. promotes, encourages, and assists research activities of the University through income derived from or related to the development and commercialization of intellectual properties, which include inventions, discoveries, processes, and work products.

The University Athletic Association, Inc. conducts various inter-collegiate athletic programs for and on behalf of the University.

Gator Boosters, Inc. supports athletic activities at the University.

The University of Florida Law Center Association, Inc. supports the College of Law.

Florida Foundation Seed Producers, Inc. supplies Florida farmers and producers with crop seed and nursery stock. This organization stocks foundation seed of the best-known varieties acceptable to Florida climate and soils in adequate quantities and at reasonable prices.

Florida 4-H Club Foundation, Inc. promotes the educational objectives of the Florida Cooperative Extension Service.

Southwest Florida Research and Education Foundation, Inc. provides research and educational support to the University of Florida Southwest Florida Research and Education Center.

Citrus Research and Education Foundation, Inc. expedites citrus production, propagates new plant materials, collects and analyzes environmental impact research data, and provides research and education support to the University of Florida Citrus Research and Education Center at Lake Alfred.

The Florida Leadership and Education Foundation, Inc. was formed to further agriculture and natural resource education and related activities, promote agriculture and natural resources leadership, and make contributions to and confer benefits upon the University.

Treasure Coast Agricultural Research Foundation, Inc. supports, encourages, and fosters research, education, and extension at the Institute of Food and Agricultural Sciences of the University on issues related to the citrus industry within the Indian River region.

University of Florida Alumni Association, Inc. supports activities of the alumni of the University of Florida.

University of Florida Investment Corporation promotes the educational purposes of the University of Florida by providing investment research, advice, counsel, and management to and for the University Board of Trustees and affiliated organizations of the University.

E. Health Science Center Affiliates

Several corporations closely affiliated with the University of Florida J. Hillis Miller Health Science Center (JHMH) are considered to be component units of the University of Florida. These corporations are as follows:

- Florida Clinical Practice Association, Inc.
- UF Jacksonville Physicians, Inc.
- Faculty Associates, Inc.
- Florida Health Professions Association, Inc.
- UF College of Nursing Faculty Practice Association, Inc.
- UF College of Pharmacy Faculty Practice Association, Inc.
- Florida Veterinary Medicine Faculty Association, Inc.
- UF Jacksonville Healthcare, Inc.
- Faculty Clinic, Inc. d.b.a. UF Faculty Clinic/Jacksonville
- Jacksonville Health Education Programs, Inc. (discontinued as a component unit effective for the 2005-06 fiscal year)

The first seven corporations listed are Faculty Practice Plans, as provided for in Board of Governors Regulation 6C- 9.017. The Faculty Practice Plans provide educationally-oriented clinical practice settings and opportunities through which faculty members provide health, medical, and dental care to patients as an integral part of their academic activities and their employment as faculty. Because these faculty practice activities

generate income, the colleges are authorized to regulate fees generated from faculty practice and maintain Faculty Practice Plans for the orderly collection and distribution of fees. These organizations provide significant support for the clinical instruction function of the JHMH.

University of Florida Jacksonville Healthcare, Inc., a Health Services Support Organization, as provided for in Board of Governors Regulation 6C-9.020, engages in strategic alliances and partnerships with non-academic entities, effecting managed care contracting and provider network development for the JHMH. Faculty Clinic, Inc. was originally organized to operate a multi-specialty clinic. However, effective January 1, 1995, Faculty Clinic, Inc. was restructured to operate as a facilities management company.

F. Shands Teaching Hospital and Others

Shands Teaching Hospital and Clinics, Inc. (Shands) was incorporated October 15, 1979, as a not-for-profit corporation. Shands, a major tertiary care teaching institution, is a leading referral center in the State of Florida and the southeast United States and facilitates medical education programs at the University.

Shands entered into a contractual agreement, as of July 1, 1980, as subsequently restated and amended, with the State Board of Education of the State of Florida, to provide for the use of hospital facilities at the JHMH through December 31, 2030, with renewal provisions. The contractual agreement also provides for the transfer to Shands of all other assets and liabilities arising from the operation of the hospital facilities prior to July 1, 1980. At termination of the contractual agreement, the net assets of Shands revert to the State Board of Education. Legal title to all buildings and improvements transferred to Shands remains with the State of Florida during the term of the contractual agreement. The contractual agreement provides for a 12-month grace period for any event of default, other than the bankruptcy of Shands. In addition, the contractual agreement limits the right of the State Board of Education to terminate the contractual agreement solely to the circumstance in which Shands declares bankruptcy and, in such event, requires net revenues derived from the operation of the hospital facilities to continue to be applied to the payment of Shands' debts.

Under the terms of the contractual agreement, Shands is obligated to manage, operate, maintain, and insure the hospital facilities in support of the programs of the JHMH and further

agrees to contract with the State Board of Education for the provision of these programs. By operation of law, the University of Florida Board of Trustees has become the successor-in-interest to the State Board of Education.

Baby Gator Child Care Center, Inc. (the Center) was incorporated October 19, 1970, under Section 1011.48, Florida Statutes, to establish and operate an educational research center for child development for children of University of Florida students, faculty and staff. The Center is funded primarily through fees paid by parents and an annual allocation of funds from the Capital Improvement Trust Fund established by the State Board of Education. In addition, the Center receives other governmental assistance. The Center uses a facility owned by the University without charge. The University also provides other services and support for the Center, some also without charge. The Center's policy is to not record contributed facilities, services, and other support in its financial statements.

University Village Apartments, Inc. (the Corporation) was established in 1969, for the purpose of providing housing for low- and moderate-income families, especially those affiliated with the University of Florida. Capital was contributed at inception by the University of Florida Foundation, Inc., but no capital stock was issued because the Corporation does not operate for the benefit of any special interest. The Corporation provides housing under Section 221(d)(3) of the National Housing Act. The facility consists of 28 two-story buildings and is regulated by the United States Department of Housing and Urban Development as to rent charges and operating methods. The Corporation's major program is its Section 221 insured loan, which is in the repayment phase. Legal title to the property is held by the Corporation.

G. Basis of Presentation

The University's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB). The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public universities various reporting options. The University of Florida has elected to report as an entity engaged in only business-type activities. This election requires the adoption

of the accrual basis of accounting and entity-wide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
 - 1) Statement of Net Assets
 - 2) Statement of Revenues, Expenses, and Changes in Net Assets
 - 3) Statement of Cash Flows
 - 4) Notes to the Financial Statements

H. Basis of Accounting

Basis of accounting refers to when revenues, expenses, and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The University's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

The University's discretely presented component units use the accrual basis of accounting whereby revenues are earned and expenses are recognized when incurred; some follow GASB and some, such as the University of Florida Foundation, Inc. and Shands Teaching Hospital and Clinics, Inc., follow FASB standards of accounting and financial reporting for not-for-profit organizations.

The University follows FASB Statements and Interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

Interdepartmental sales between auxiliary service departments and other institutional departments have been accounted for as reductions of expenses and not revenues of those departments.

The University's principal operating activities consist of instruction, research and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation and maintenance of capital assets, and depreciation on capital assets. Nonoperating revenues include State appropriations,

Federal and State student financial aid, investment income and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

The Statement of Net Assets is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the University's policy to first apply the restricted resources to such programs followed by the use of the unrestricted resources.

The Statement of Revenues, Expenses, and Changes in Net Assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the University and the amount that is actually paid by a student or a third party making payment on behalf of the student. The University applied "The Alternate Method" as prescribed in *NACUBO Advisory Report 2000-05* to determine the tuition scholarship allowances reported in the Statement of Revenues, Expenses, and Changes in Net Assets. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered to be third-party aid.

The Statement of Cash Flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows for Proprietary and Non-Expendable Trust Funds*.

I. Capital Assets

University capital assets consist of land, buildings, infrastructure and other improvements, furniture and equipment, library resources, property under capital lease and lease improvements, works of art and historical treasures, computer software, construction in progress, and other capital assets. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts or purchases of State surplus property. Additions, improvements and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of \$1,000 for tangible personal property and \$100,000 for new buildings. For building improvements, the threshold is \$100,000, or less, if the amount expended is at least 25% of the cost basis of the building. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings / Improvements – 20 to 50 years, depending on construction
- Infrastructure and Other Improvements – 12 to 50 years
- Furniture and Equipment – 3 to 20 years
- Leasehold Improvements – 5 to 20 years or the term of the lease, whichever is less
- Computer Software – 3 to 7 years
- Library Resources – 10 years

J. Noncurrent Liabilities

Noncurrent liabilities include principal amounts of bonds and revenue certificates payable, installment purchases agreements payable, capital leases payable, compensated absences payable, and liability for self-insured claims that are not scheduled to be paid within the next fiscal year. Bonds and revenue certificates payable are reported net of unamortized premium or discounts and deferred losses on refundings. The University amortizes bond premiums and discounts over the life of the bonds and revenue certificates using the straight-line method. Deferred losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method. Issuance costs paid from the debt proceeds are reported as deferred charges, and are amortized over the life of the bonds and revenue certificates using the straight-line method.

K. Other Significant Accounting Policies

Other significant accounting policies are set forth in the financial statements and subsequent notes hereafter.

2 CASH AND CASH EQUIVALENTS

The amount reported by the University as cash and cash equivalents consists of cash on hand and cash in interest earning demand accounts. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, and to purchase or construct capital assets are classified as restricted.

3 INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds awaiting clearing with the State Treasury and State Board of Administration, and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Local Government Investment Pool, administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's Board of Trustees, as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted. Investments of the University and its component units at June 30, 2006 are reported at fair value and shown in Tables 1 and 2.

Table 1. University Investments

Types of Investments	Fair Value
External Investment Pools:	
Florida State Treasury Special Purpose Investment Account	\$ 7,955
Florida State Board of Administration Local Government Investment Pool	501,672,085
Florida State Board of Administration Debt Service Accounts	185,190
United States Government and Federally -Guaranteed Obligations	5,714,300
Federal Agency Obligations	35,587,456
Repurchase Agreements	13,914,323
Bonds and Notes	14,670,911
Stocks	29,429,954
Certificates of Deposit	750,000
Money Market Funds	4,671,410
Total University Investments	\$ 606,603,584

A. External Investment Pools

The University and its discretely presented component units (See Note 1) reported investments at fair value totaling \$7,955 and \$47,429,801, respectively, at June 30, 2006, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The State Treasury has

Table 2. Component Units Investments

Types of Investments	Fair Value
External Investment Pools:	
Florida State Treasury Special Purpose Investment Accounts	\$ 47,429,801
Florida State Board of Administration Local Government Investment Pool	28,308,023
United States Government and Federally -Guaranteed Obligations	68,631,237
Federal Agency Obligations	33,994,200
Bonds and Notes	89,541,272
Investment Agreements	585,948,038
Real Estate Agreements	5,942,414
Stocks	113,941,789
Certificates of Deposit	716,011
Money Market Funds	94,910,625
Equity Mutual Funds	475,336,326
Bond Mutual Funds	191,472,929
Total Component Units Investments	\$ 1,736,172,665

taken the position that participants in the pool should disclose information related to interest rate risk and credit risk. The SPIA carried a credit rating of AA-f by Standard and Poor's and had an effective duration of 2.72 years at June 30, 2006. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

The University and its discretely presented component units reported investments at fair value totaling \$501,672,085 and \$28,308,023, respectively, at June 30, 2006, in the Local Government Investment Pool, administered by State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The University's investments in the Local Government Investment Pool, a Securities and Exchange Commission Rule 2a-7 like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the actual underlying investments. The SBA has taken the position that participants in the pool are not required to disclose information related to interest rate risk, custodial credit risk, concentration of credit risk, and foreign currency risk. The investment pool was not rated by a nationally recognized statistical rating agency as of June 30, 2006.

B. Florida State Board of Administration Debt Service Accounts

The University reported investments at fair value totaling \$185,190 at June 30, 2006, in the State Board of Administration Debt Service Accounts. These investments are used to make

debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of six months or less. The University relies on policies developed by the State Board of Administration for managing interest rate risk or credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

C. Other Investments

In addition to external investment pools, the University and its discretely presented component units invested in various debt and equity securities, money market funds, mutual funds and certificates of deposit. For the University, practically all of the other investments are those reported by the University of Florida Self-Insurance Program combined with the University of Florida Healthcare Education Insurance Company, a blended component unit (See Note 1). For the University's discretely presented component units, other investments are those reported primarily by the University of Florida Foundation, Inc., University of Florida Research Foundation, Inc., The University Athletic Association, Inc., Florida Clinical Practice Association, Inc., and Shands Teaching Hospital and Clinics, Inc. The following risks apply to University and discretely presented component units investments other than external investment pools:

Interest Rate Risk: Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Pursuant to Section 218.415(16), Florida Statutes, the University's investments in securities must provide sufficient liquidity to pay obligations as they come due. Per the Statement of Investment Guidelines and Objectives of the University of Florida Healthcare Education Insurance Company, the weighted average duration of the fixed income portfolio shall at all times be less than five years. Investments of the University and its component units in debt securities and bond mutual funds, and their future maturities at June 30, 2006 are shown in Tables 3 and 4, respectively.

Credit Risk: Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States Government or obligations explicitly guaranteed by the United States Government are not considered to have credit risk and do not require disclosure of credit quality. At June 30, 2006, the University and its component units had bonds and notes, money market funds and bond mutual funds, with quality ratings by nationally recognized rating agencies (i.e., Moody's), as shown in Tables 5 and 6, respectively.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial risk relates to

Table 3. University Debt Investment Maturities

Types of Investments	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
United States Government and Federally-Guaranteed Obligations	\$ 5,714,300	\$ -	\$ -	\$ 548,858	\$ 5,165,442
Federal Agency Obligations	35,587,456	-	24,563,075	10,401,418	622,963
Bonds and Notes	14,670,911	-	10,776,199	3,894,712	-
Total	\$ 55,972,667	\$ -	\$ 35,339,274	\$ 14,844,988	\$ 5,788,405

Table 4. Component Units Debt Investment Maturities

Types of Investments	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
United States Government and Federally-Guaranteed Obligations	\$ 68,631,237	\$ 5,687,957	\$ 30,675,540	\$ 12,980,671	\$ 19,287,069
Federal Agency Obligations	33,994,200	-	30,169,609	1,584,537	2,240,054
Bonds and Notes	89,541,272	43,338,203	30,933,332	2,427,427	12,842,310
Bond Mutual Funds	191,472,929	2,500,626	54,038,506	134,915,732	18,065
Total	\$ 383,639,638	\$ 51,526,786	\$ 145,816,987	\$ 151,908,367	\$ 34,387,498

Table 5. University Debt Investments Quality Ratings

Types of Investments	Fair Value	AAA/Aaa	AA/Aa	A/Ba	Less than A/Ba or Not Rated
Bonds and Notes	\$ 14,670,911	\$ 847,722	\$ 10,313,194	\$ 3,509,995	\$ -
Money Market Funds	4,671,410	4,671,410	-	-	-
Total	\$ 19,342,321	\$ 5,519,132	\$ 10,313,194	\$ 3,509,995	\$ -

Table 6. Component Units Debt Investments Quality Ratings

Types of Investments	Fair Value	AAA/Aaa	AA/Aa	A/Ba	Less than A/Ba or Not Rated
Bonds and Notes	\$ 89,541,272	\$ 23,709,346	\$ 7,392,241	\$ 37,335,532	\$ 21,104,153
Money Market Funds	94,910,625	-	-	14,775,605	80,135,020
Bond Mutual Funds	191,472,929	114,718,626	1,306,000	-	75,448,303
Total	\$ 375,924,826	\$ 138,427,972	\$ 8,698,241	\$ 52,111,137	\$ 176,687,476

investment securities that are held by someone other than the University and are not registered in the University's name. The University has no formal policy on custodial credit risk. The component units manage their custodial credit risk based on various investment policies, which may be obtained separately from the component units.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investments in a single issuer. The University has no formal policy on concentration of credit risk. The component units manage their concentration of credit risk based on various investment policies, which may be obtained separately from the component units.

4 RECEIVABLES

A. Accounts Receivable

Accounts receivable represent amounts for contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, student tuition and fees, and interest accrued on investments and loans receivable. These receivables, net of an allowance for uncollectible accounts, are summarized in Table 7.

Table 7. Accounts Receivable

Contracts and Grants	\$ 87,075,289
Sales and Services of Auxiliary Enterprises	16,426,287
Student Tuition and Fees	3,548,497
Interest	1,129,145
Sales and Services of Educational Departments	570,960
Accounts Receivable, Net	\$ 108,750,178

B. Loans and Notes Receivable

Loans and notes receivable represent all amounts owed on promissory notes from debtors, including student loans made under the Federal Perkins Loan Program and other loan programs.

C. Allowances for Uncollectible Receivables

Allowances for uncollectible accounts, and loans and notes receivable, are recorded based upon management's best estimate as of fiscal year-end, considering type, age, collection history, and other factors considered appropriate. Accounts receivable for student tuition and fees, various sales and services provided to students and third parties, and interest are reported net of an allowance of \$8,703,874, which is 29% of total related accounts receivable. Loans and notes receivable are reported net of an allowance of \$3,214,460, which is 8% of total related loans and notes receivable. No allowance has been accrued for contracts and grants receivable. University management considers these to be fully collectible.

5 DUE FROM STATE

This is the amount of Public Education Capital Outlay, Alec P. Courtelis Capital Facility Matching Trust Fund, Capital Improvement Fee Trust Fund and other allocations due to the University for construction of University facilities.

6 DUE FROM AND TO COMPONENT UNITS/UNIVERSITY

The University's financial statements are reported for the fiscal year ended June 30, 2006. The University's component units financial statements are reported for the most recent fiscal year for which an audit report is available. Some component units have a fiscal year other than June 30. Accordingly, amounts reported by the University as due from and to component units on the Statement of Net Assets may not agree with amounts reported by the component units as due from and to the University.

7 INVENTORIES

Inventories have been categorized into the following two types:

A. Departmental Inventories - Those inventories maintained by departments and not available for resale. Departmental inventories are comprised of such items as classroom and laboratory supplies, teaching materials, and office supply items, which are consumed in the teaching and work process. These inventories are normally expensed when purchased and therefore are not reported on the Statement of Net Assets.

B. Merchandise Inventories - Those inventories maintained which are available for resale to individuals and other University departments, and are not expensed at the time of purchase. These inventories are reported on the Statement of Net Assets and are valued at cost using either the moving average method or the first-in, first-out method.

8 CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2006 is presented in Table 8.

9 MUSEUM AND ART COLLECTIONS

The Florida Museum of Natural History, which is part of the University, maintains a depository of biological, geological, archaeological, and ethnographic materials. The Museum's collections contain approximately 20 million individual items, more than half of which are catalogued, either individually or in lots. While many of the collections are undoubtedly quite valuable and irreplaceable, the University has not placed a dollar valuation on these items and, accordingly, the financial statements do not include these assets.

Table 8. Capital Assets

Description	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets, Non-Depreciable:				
Land	\$ 10,369,253	\$ 616,414	\$ 63,140	\$ 10,922,527
Construction in Progress	172,560,857	106,581,745	196,675,107	82,467,495
Works of Art and Historical Treasures	413,062	3,000	-	416,062
Total Capital Assets, Non-Depreciable	\$ 183,343,172	\$ 107,201,159	\$ 196,738,247	\$ 93,806,084
Capital Assets, Depreciable:				
Buildings	\$ 1,229,099,910	\$ 194,006,490	\$ 255,033	\$ 1,422,851,367
Infrastructure and Other Improvements	68,800,967	6,594,861	-	75,395,828
Furniture and Equipment	542,874,953	60,783,423	33,686,366	569,972,010
Library Resources	229,338,761	11,281,003	150,000	240,469,764
Property Under Capital Lease and Lease Improvements	9,815,002	-	-	9,815,002
Works of Art and Historical Treasures	521,931	94,791	3,000	613,722
Computer Software	31,829,623	1,978,659	1,468,181	32,340,101
Other Capital Assets	2,305,435	171,313	198,850	2,277,898
Total Capital Assets, Depreciable	2,114,586,582	274,910,540	35,761,430	2,353,735,692
Less: Accumulated Depreciation for:				
Buildings	583,264,051	41,295,841	52,200,378 (1)	572,359,514
Infrastructure and Other Improvements	38,469,509	2,799,427	-	41,268,936
Furniture and Equipment	316,200,806	43,361,088	26,092,532	333,469,362
Library Resources	170,847,991	11,627,855	(416,192)	182,892,038
Property Under Capital Lease and Lease Improvements	693,750	1,452,198	-	2,145,948
Works of Art and Historical Treasures	197,045	36,024	-	233,069
Computer Software	7,632,919	6,672,957	929,705	13,376,171
Other Capital Assets	1,370,791	152,755	57,439	1,466,107
Total Accumulated Depreciation	1,118,676,862	107,398,145	78,863,862	1,147,211,145
Total Capital Assets, Depreciable, Net	\$ 995,909,720	\$ 167,512,395	\$ (43,102,432)	\$ 1,206,524,547

(1) See Note 20 regarding the adjustment related to Shands' buildings accumulated depreciation.

10 DEFERRED REVENUES

Deferred revenues include amounts received prior to the end of the fiscal year but related to subsequent accounting periods. Deferred Revenues, as of June 30, 2006 are summarized in Table 9.

Table 9. Deferred Revenues

Description	Amount
Contracts and Grants	\$ 21,052,724
Sales and Services of Auxiliary Enterprises	5,879,616
Other Operating Revenue	117,875
Total Deferred Revenues	\$ 27,050,215

11 LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2006 include bonds and revenue certificates payable, installment purchase agreements payable, capital leases payable, compensated absences payable and liability for self-insured claims.

Long-term liability activity for the fiscal year ended June 30, 2006 is presented in Table 10.

A. Bonds and Revenue Certificates Payable

Bonds and revenue certificates were issued to construct University facilities, including parking garages, student housing facilities, and academic and student service facilities. Bonds and revenue certificates outstanding, which include both term and serial bonds, are secured by a pledge of housing rental revenues, traffic and parking fees, and an assessed transportation fee based on credit hours. Building and capital improvement fees, collected as part of tuition and remitted to the State Board of Education, are used to retire the revenue certificates of the

academic and student service facilities. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of sinking fund resources, and compliance with reserve requirements.

The University has extinguished long-term debt obligations by the issuance of new long-term debt instruments, as follows:

On October 27, 2005, the University issued \$37,610,000 of University of Florida Housing Revenue Refunding Bonds, Series 2005A, with interest rates ranging from 3.250 to 5.125 percent to advance refund callable portions of the University's Housing Revenue Bonds, Series 1993 and 2000, with rates from 5.0 to 7.0 percent. The refunding bonds were issued to advance refund the \$10,350,000 principal amount of the Series 1993 bonds maturing on or after July 1, 2006, and \$26,070,000 principal amount of the Series 2000 bonds maturing on or after July 1, 2011. The proceeds were used to purchase U.S. Government securities, which were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. The trust assets and the liability for the defeased bonds are not included in the University's Statement of Net Assets. As a result of the refunding, the University reduced its debt service requirement by \$3,491,349 over the next 25 years and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,166,783.

The Housing Revenue Bonds, Series 2000, are considered to be in-substance defeased and the liabilities for the defeased bonds, which total \$26,070,000 at June 30, 2006, are not included in the University's statement of net assets.

A summary of the University's bonds and revenue certificates payable outstanding at June 30, 2006 appears in Table 11.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2006 appear in Table 12.

Table 10. Long-Term Liabilities

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Asset Related Debt:					
Bonds and Revenue Certificates	\$ 117,290,859	\$ 44,684,640	\$ 42,715,300	\$ 119,260,199	\$ 6,594,817
Installment Purchase Agreements	266,100	2,722,872	591,033	2,397,939	741,538
Capital Leases	3,861,410	-	78,106	3,783,304	83,144
Total Capital Asset Related Debt	121,418,369	47,407,512	43,384,439	125,441,442	7,419,499
Other Long-Term Liabilities:					
Compensated Absences	129,285,894	230,778,598	220,165,676	139,898,816	9,598,628
Liability for Self-Insured Claims	65,202,520	26,301,281	15,244,323	76,259,478	9,613,018
Total Long-Term Liabilities	\$ 315,906,783	\$ 304,487,391	\$ 278,794,438	\$ 341,599,736	\$ 26,631,145

Table 11. Bonds and Revenue Certificates Payable

Bond Series	Amount of Original Issue	Total Retired	Amount Outstanding		Bonds Interest Rate	Maturity Date
			Principal	Interest		
Student Housing Bonds:						
1959F	\$ 1,500,000	\$ 1,220,000	\$ 280,000	\$ 12,750	3.000%	2011
1984	3,500,000	2,195,000	1,305,000	181,950	3.000%	2014
1993	13,000,000	13,000,000	-	-		
1998	26,155,000	4,815,000	21,340,000	11,256,499	4.200 to 5.000%	2028
2000	30,695,000	28,085,000	2,610,000	353,750	5.000 to 7.000%	2010
2005A	37,610,000	1,170,000	36,440,000	25,470,151	3.250 to 5.125%	2030
Subtotal	112,460,000	50,485,000	61,975,000	37,275,100		
Parking Garage Bonds:						
1993	19,545,000	12,335,000	7,210,000	1,254,088	4.800 to 5.000%	2014
1998	10,000,000	2,360,000	7,640,000	2,503,956	3.875 to 4.750%	2019
Subtotal	29,545,000	14,695,000	14,850,000	3,758,044		
Academic and Student Services Facilities Bonds:						
1997	11,349,317	2,767,561	8,581,756	4,450,144	5.100 to 5.625%	2022
1997A	4,723,765	616,256	4,107,509	1,249,742	4.400 to 5.000%	2016
1998	13,783,839	2,944,292	10,839,547	5,092,875	4.000 to 5.000%	2023
2001	4,259,373	486,047	3,773,326	2,111,941	4.000 to 5.000%	2026
2003A	12,359,757	4,004,175	8,355,582	1,703,578	5.000%	2013
2006A	8,470,880	-	8,470,880	6,129,243	4.000 to 5.000%	2030
Subtotal	54,946,931	10,818,331	44,128,600	20,737,523		
Less: Unamortized Bonds Discounts	-	-	(891,900)	-		
Plus: Unamortized Bond Premiums	-	-	1,062,645	-		
Less: Unamortized Refunding Loss	-	-	(1,864,146)	-		
Total Bonds and Revenue Certificates	\$ 196,951,931	\$ 75,998,331	\$ 119,260,199	\$ 61,770,667		

B. Installment Purchase Agreements Payable

The University has entered into several installment purchase agreements for the purchase of equipment reported at \$3,355,954. The stated interest rates ranged from 2.38% to 8.90%. Future minimum payments remaining under the agreements as of June 30, 2006 appear in Table 13.

C. Capital Leases Payable

On June 8, 1994, the former Board of Regents, on behalf of the University of Florida, entered into a lease agreement with the University of Florida Foundation, Inc. (the Foundation), a direct-support organization (component unit) of the University. Under the terms of the agreement, the University agreed to lease from the Foundation a 607-space parking garage (the garage) located near the Health Science Center Administrative Offices for a period of thirty years beginning July 1, 1994. Lease payments of \$100,000 annually are due each July 1. The

garage was simultaneously acquired by the Foundation from Shands Teaching Hospital and Clinics, Inc. (Shands), also a component unit, and financed by the Foundation through the issuance of a promissory note secured by a non-recourse mortgage containing payment terms similar to those in the lease agreement between the Foundation and the University. Lease payments from the University to the Foundation and from the Foundation to Shands were based on an original construction cost of \$3,000,000 and no interest. For reporting purposes, the lease is considered a capital lease under Financial Accounting Standards Board (FASB) Statement No. 13, *Accounting for Leases*. The initial obligation was discounted at an imputed interest rate of 6.45% and was recorded at \$1,382,470. The asset, "Leased Property Under Capital Lease," was recorded at cost to Shands of \$3,000,000.

On March 1, 2000, the University, acting for and on behalf of the former Board of Regents, entered into a lease agreement with Shands. Under the terms of the agreement, the University agreed to lease from Shands an 800-space parking garage located

Table 12. Bonded Debt Outstanding

Fiscal Year Ending June 30	Principal	Interest	Total
2007	\$ 6,594,817	\$ 5,823,385	\$ 12,418,202
2008	6,693,365	5,448,075	12,141,440
2009	6,173,831	5,163,964	11,337,795
2010	6,410,424	4,880,683	11,291,107
2011	6,727,925	4,583,979	11,311,904
2012-2016	31,955,513	18,172,137	50,127,650
2017-2021	26,854,198	11,114,181	37,968,379
2022-2026	18,505,425	5,235,691	23,741,116
2027-2031	11,038,102	1,348,572	12,386,674
Subtotal	120,953,600	61,770,667	182,724,267
Less: Unamortized Bond Discounts	(891,900)	-	(891,900)
Plus: Unamortized Bond Premiums	1,062,645	-	1,062,645
Less: Unamortized Refunding Loss	(1,864,146)	-	(1,864,146)
Total	\$ 119,260,199	\$ 61,770,667	\$ 181,030,866

Table 13. Installment Purchase Agreements

Fiscal Year Ending June 30	Principal	Interest	Total
2007	\$ 741,538	\$ 90,895	\$ 832,433
2008	617,062	58,382	675,444
2009	397,463	35,961	433,424
2010	367,593	20,546	388,139
2011	241,823	6,637	248,460
2012-2016	32,460	1,240	33,700
Total	\$ 2,397,939	\$ 213,661	\$ 2,611,600

Table 14. Capital Leases Payable

Capital Leases	Interest Rate	Original Balances	Outstanding Balance At June 30, 2006
Shands Garage (607 spaces)	6.45%	\$ 1,382,470	\$ 1,047,097
Shands Garage (800 spaces)	6.45%	2,981,939	2,736,207
Total		\$ 4,364,409	\$ 3,783,304

Table 15. Capital Leases Principal and Interest

Fiscal Year Ending June 30	Principal	Interest	Total
2007	\$ 83,144	\$ 244,023	\$ 327,167
2008	88,506	238,660	327,166
2009	94,215	232,952	327,167
2010	100,292	226,875	327,167
2011	106,761	220,406	327,167
2012-2016	646,419	989,415	1,635,834
2017-2021	883,573	752,261	1,635,834
2022-2026	1,001,282	434,552	1,435,834
2027-2031	779,112	129,554	908,666
Total	\$ 3,783,304	\$ 3,468,698	\$ 7,252,002

near the Health Science Center Administrative Offices for a period of thirty years beginning March 1, 2000. Lease payments of \$227,167 annually are due each May 1, beginning May 1, 2001. Lease payment amounts were based on an original construction cost of \$6,815,002 and no interest. For reporting purposes, the lease is considered a capital lease under FASB Statement No. 13, *Accounting for Leases*. The initial obligation was discounted at an imputed interest rate of 6.45% and was recorded at \$2,981,939. The asset, "Leased Property Under Capital Lease," was recorded at cost to Shands of \$6,815,002. A summary of pertinent information related to the two capital leases appears in Table 14.

Future minimum payments under the capital lease agreements as of June 30, 2006 are presented in Table 15.

D. Compensated Absences Payable

Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors Regulation 6C-5.920 and bargaining agreements. Leave earned is accrued to the credit of the employee, and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2006, the estimated liability for annual, sick, and compensatory leave is \$82,742,491, \$56,821,684, and \$334,641, respectively, which includes the University's share of the Florida Retirement System and FICA contributions. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last three years, calculated as a percentage of those years' total compensated absences liability.

12 INTERDEPARTMENTAL AUXILIARY SALES

Interdepartmental sales between auxiliary service departments and other institutional departments have been eliminated from expenses and revenues for reporting purposes. The interdepartmental transactions eliminated in the financial statement preparation totaled \$90,628,955 for the fiscal year ended June 30, 2006.

13 FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of an operating expense (instruction, research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of academic departments for which the primary departmental function is instruction may include some activities other than direct instruction, such as research and public service. However, when the primary mission of those departments consists of instructional program elements, all expenses of those departments are reported under the instruction classification. The operating expenses on the Statement of Revenues, Expenses, and Changes in Net Assets are presented by natural classifications. Table 16 presents those same expenses in functional classifications as recommended by NACUBO.

Table 16. Functional Expenses

Functional Classification	Amount (in thousands)
Instruction	\$ 534,863
Research	441,181
Public Service	134,959
Academic Support	109,949
Student Services	31,143
Institutional Support	95,643
Operations and Maintenance of Plant	90,644
Scholarships, Fellowships and Waivers	47,390
Auxiliary Operations	139,243
Depreciation	107,398
Total Operating Expenses	\$ 1,732,413

14 OPERATING LEASE COMMITMENTS

The University has long-term commitments for assets leased under operating lease agreements. These leased assets and the related commitments are not reported on the University's Statement of Net Assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations and not considered material.

15 CONSTRUCTION COMMITMENTS

The University's major construction commitments at June 30, 2006 are presented in Table 17.

16 RETIREMENT PROGRAMS

A. Florida Retirement System

Most employees working in regularly established positions of the University are covered by the Florida Retirement System (FRS). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). FRS provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein Plan eligibility, contributions, and benefits are defined and described in detail. Essentially, all regular employees of participating employers are eligible to enroll as members of the FRS.

Benefits in the Plan vest at 6 years of service. All members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

A Deferred Retirement Option Program (DROP), subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

The State of Florida establishes contribution rates for participating employers. Employer contribution rates (none from employees) during the 2005-06 fiscal year are presented in Table 18.

The University's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University's contributions for the fiscal years ended June 30, 2004, June 30, 2005, and June 30, 2006, totaled \$25,100,999, \$24,323,691, and \$26,643,733, respectively, which were equal to the required contributions for each fiscal year.

Table 17. Construction Commitments

Project Name	Current Commitment	Expenses	Commitment Balance
O'Connell Center Fire Code Corrections	\$ 1,660,000	\$ 1,470,963	\$ 189,037
Cancer and Genetics Research Center	2,935,593	2,935,593	-
Broward Courts Phase II	2,432,000	2,158,858	273,142
Proton Therapy Institute located in Jacksonville, Florida	31,420,000	17,880,678	13,539,322
College of Medicine/JAX Biomedical Research Lab	3,233,439	110,553	3,122,886
Powell Structures & Materials Testing Laboratory	2,727,000	2,692,165	34,835
NIMET Nanoscale Research Facility (NRF)	35,151,600	2,119,908	33,031,692
George Steinbrenner Band Building	6,000,000	112,680	5,887,320
Kathryn Chicone Ustler Hall	4,947,000	4,022,622	924,378
Whitney Lab Marine Studies Classrooms	3,645,359	2,974,099	671,260
CREC Citrus Pathology Lab Renovations	2,301,698	549,229	1,752,469
Harrell Center Renovation	1,053,301	704,887	348,414
Murphree Hall Renovation	9,047,200	6,945,334	2,101,866
Hub Renovation	10,705,000	3,337,022	7,367,978
Indian River REC Biological and Agricultural Research	4,989,396	34,446	4,954,950
2004-05 PECO Maintenance, Repair, Life Safety, ADA, etc.	9,159,424	4,604,505	4,554,919
UF Brain Institute Renovations - AMRIS Facility	1,300,000	1,080,000	220,000
2004-05 Utilities/Infrastructure/Capital Renewal/Roofs	6,867,900	3,499,431	3,368,469
Biomedical Sciences Building	92,400,000	675,451	91,724,549
HR Facility Renovation	3,750,000	45,597	3,704,403
Campus Security Lighting	1,250,000	13,631	1,236,369
Graham Center at Pugh Hall	15,732,000	25,000	15,707,000
J. Wayne Reitz Student Union Renovation and Repairs	1,500,000	200,000	1,300,000
2005-06 PECO Maintenance, Repair, Life Safety, ADA, etc. (Campus Planning)	1,351,322	224,917	1,126,405
2005-06 PECO Maintenance, Repair, Life Safety, ADA, etc. (IFAS)	2,222,033	1,053,775	1,168,258
2005-06 PECO Maintenance, Repair, Life Safety, ADA, etc. (PPD)	4,300,366	950,067	3,350,299
2005-06 Utilities/Infrastructure/Capital Renewal/Roofs	14,032,536	531,288	13,501,248
Eastside Campus Renovations	2,600,000	2,530,436	69,564
Total	278,714,167	63,483,135	215,231,032
Projects Under \$1,000,000	42,132,376	31,395,696	10,736,680
Reversal of Accounts Payable at June 30, 2005		(12,411,336)	12,411,336
Total	\$ 320,846,543	\$ 82,467,495	\$ 238,379,048

Table 18. Florida Retirement System Rates

Class or Plan	Percent of Gross Salary*
Florida Retirement System, Regular	7.83%
Florida Retirement System, Senior Management Service	10.45%
Florida Retirement System, Special Risk	18.53%
Deferred Retirement Option Program-Applicable to members from all of the above classes or plan	9.33%

* Employer rates for each membership class include 1.11% for the post-employment health insurance subsidy (See Note 17). Also, employer rates, other than for DROP participants, include .05% for administrative costs of the Public Employee Optional Retirement Program.

Section 121.4501, Florida Statutes, provides for a Public Employee Optional Retirement Program (PEORP). The PEORP is a defined contribution plan alternative available to all FRS members in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based

on salary and membership class (Regular, Special Risk, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 1,087 University participants during the 2005-06 fiscal year. Required contributions made to the PEORP totaled \$2,431,849.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

B. State University System Optional Retirement Program

Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in the FRS for six or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes, on behalf of the participant, 10.43% of the participant's salary. A small amount remains in the Optional Retirement Program Trust Fund for administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by salary deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account.

There were 5,110 University participants during the 2005-06 fiscal year. Required employer contributions made to the Program totaled \$37,000,595 and employee contributions totaled \$18,337,460.

C. Institute of Food and Agricultural Sciences Supplemental Retirement

In 1984, the Florida Legislature enacted the Institute of Food and Agricultural Sciences Supplemental Retirement Act to provide a supplement to the monthly retirement benefit being paid under the Federal Civil Service Retirement System to retirees of the Institute of Food and Agricultural Sciences (IFAS) at the University of Florida. The supplement is designated for IFAS cooperative extension employees employed before July 1, 1983, who are not entitled to benefits from either a State-supported retirement system or social security based on their service with IFAS. It was intended to compensate these IFAS employees for the difference between their Civil Service benefit and the benefits an FRS member receives, which include a social security benefit. No additional persons can become eligible for this supplement.

There were 83 University participants during the 2005-06 fiscal year. Required employer contributions made to the program totaled \$1,784,645 and employee contributions totaled \$470,406.

D. Other Retirement Programs

Some University employees participate in the Florida Teacher's Retirement System and the U.S. Civil Service Retirement System. Three employees were covered by the Florida Teacher's Retirement System during the 2005-06 fiscal year. Employer contributions totaled \$35,957, and employee contributions totaled \$21,174. Fifteen employees were covered by the U.S. Civil Service Retirement System during the 2005-06 fiscal year. Employer contributions totaled \$77,605, and employee contributions totaled \$77,605.

17 POST-EMPLOYMENT BENEFITS

Pursuant to Section 112.363, Florida Statutes, the Florida Legislature established the Retiree Health Insurance Subsidy (HIS) to assist retirees of all State-administered retirement systems in paying health insurance costs. During the 2005-06 fiscal year, the HIS program was funded by required contributions consisting of 1.11% assessed against the payroll for all active employees covered in State-administered retirement systems. This assessment is included in the Florida Retirement System contribution rates presented in Table 18.

Eligible retirees, spouses, or financial dependents under any State-administered retirement system must provide proof of health insurance coverage, which can include Medicare. During the 2005-06 fiscal year, participants received an extra \$5 per month for each year of creditable service completed at the time of retirement; however, no eligible retiree or beneficiary may receive a subsidy payment of more than \$150 or less than \$30. If contributions fail to provide full subsidy benefits to all participants, the subsidy payments may be reduced or canceled.

18 RISK MANAGEMENT PROGRAMS

A. State Self-Insurance Funds

Pursuant to Section 1001.72(3), Florida Statutes, the University participates in State self-insurance programs providing insurance coverage for property and casualty, workers' compensation, general liability, and fleet automotive liability. During the 2005-06 fiscal year, the State retained the first \$2

million of losses for each occurrence with an annual aggregate retention of \$40 million for wind and flood and \$5 million for perils other than wind and flood. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$50 million for wind, \$50 million for flood, and \$200 million for perils other than wind and flood; and losses exceeding those amounts were retained by the State. Payments on tort claims are limited to \$100,000 per person and \$200,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. The \$50 million wind coverage is \$35 million less than the coverage provided for the 2004-05 fiscal year. There have been no other significant reductions in insurance coverage from the prior year coverage. Settlements have not exceeded insurance coverage during the past three years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain health care services through participation in the State's group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

B. University Self-Insurance Programs

The J. Hillis Miller Health Science Center (JHMHC) Self-Insurance Program and the University of Florida JHMHC/Jacksonville Self-Insurance Program were established pursuant to Section 1004.24, Florida Statutes. The Self-Insurance Programs provide general and professional liability protection for the University on behalf of the six health colleges of the JHMHC, that also include the Student Health Service Auxiliary and the Veterinary Medical Teaching Hospital. Hospital professional liability protection, including patient

general liability, is provided to Shands Teaching Hospital and Clinics, Inc.; Shands Jacksonville Medical Center, Inc.; the Shands community hospitals in Starke, Lake City and Live Oak; and other statutorily permitted entities, which voluntarily participate in the Self-Insurance Programs. The University is protected for losses, which are subject to Section 768.28, Florida Statutes, including legislative claims bills, that in combination with the waiver of immunity limits described in Section 768.28, Florida Statutes, do not exceed \$1 million per claim. The Self-Insurance Programs provide \$2 million per-claim protection for the participants which are not subject to the provisions of Section 768.28, Florida Statutes. The per-claim limit of liability protection for the participants does not exceed \$2 million per claim in the event more than one protected entity is involved in the same claim or action.

Pursuant to Board of Governors Regulation 6C-10.001(2), the University of Florida Self-Insurance Program Councils have created the University of Florida Healthcare Education Insurance Company (HEIC), a captive insurance company which is wholly owned by the State's Board of Governors and domiciled in the State of Vermont. HEIC is managed by a Board of Directors created by the Florida Board of Governors. HEIC provides coverage for claims that are in excess of the protections afforded by the JHMHC Self-Insurance Program and the JHMHC/Jacksonville Self-Insurance Program at limits of \$4 million per-claim coverage for insured participants subject to Section 768.28, Florida Statutes, and \$3 million per claim for insured participants that are not subject to Section 768.28, Florida Statutes. HEIC provides additional limits of liability coverage of \$50 million per claim and in the aggregate, which is in excess of the coverages described above. The excess insurance is paid to claimants on a first come-first serve basis.

Claims settlement and adjustment expenses are accrued as expenses and liabilities of the University of Florida JHMHC Self-Insurance Program, inclusive of the University of Florida JHMHC Self-Insurance Program (Gainesville), the University of Florida JHMHC/Jacksonville Self-Insurance Program and University of Florida Healthcare Education Insurance Company, for the estimated settlement value of claims that is reported as a "Liability for Self-Insured Claims." The estimated settlement value of claims was determined based on the judgment and experience of management and the Self-Insurance Program

TABLE 19. Liability for Self-Insured Claims

Fiscal Year	Claims Liabilities Beginning of Year	Current Claims/ Changes in Estimates	Claims Payments	Claims Liabilities End of Year
2004-05	\$ 54,080,468	\$ 18,361,642	\$ (7,239,590)	\$ 65,202,520
2005-06	65,202,520	26,301,281	(15,244,323)	76,259,478

Councils through a case-by-case review. Estimated losses from incurred but unreported incidents are accrued based upon the findings of casualty actuaries.

The amount of "Liability for Self-Insured Claims" accrued for the Self-Insurance Programs at June 30, 2006 was \$76,259,478 for compensatory losses and for allocated expenses. The "Liability for Self-Insured Claims" was accrued at an undiscounted present value.

The aggregate amount of claims liabilities for which annuity contracts have been purchased in the claimants' names, resulting in the removal of the related liabilities from the Statement of Net Assets, totals \$50,000 for the Self-Insurance Programs at June 30, 2006. These annuities have been assigned to third parties, and all claimants have fully and completely released trust fund participants from all actual and contingent liability.

Changes in the balances of claims liabilities for the Self-Insurance Programs during the 2004-05 and 2005-06 fiscal years are presented in Table 19.

19 LITIGATION

The University is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions, as estimated by the University's legal counsel and management, should not materially affect the University's financial position.

20 PRIOR PERIOD ADJUSTMENTS

Adjustments to beginning net assets are reported in accordance with Accounting Principles Board Opinion Nos. 9 and 20, and FASB Statement No. 16. The following adjustment was made to beginning net assets reported in the Statement of Revenues, Expenses, and Changes in Net Assets to correct a prior year accounting error:

The University of Florida leased certain buildings to Shands pursuant to a capital lease agreement in 1979. These buildings are recorded on the University's property records, although for financial statement reporting purposes they are considered an asset of Shands in accordance with governmental accounting and reporting standards for lease agreements. During the 2005-06 fiscal year, it was discovered that while the building cost had been removed for reporting purposes, the accumulated depreciation was still being reported by the University. The

accumulated depreciation was removed from the University's reporting records, increasing the University's invested in capital assets, net of related debt by \$51,022,336.

Because comparative data is presented within these financial statements, the depreciation expense reported for 2005 was reduced by \$1,925,204 and the beginning net assets for 2005 was increased by \$49,097,132, reflecting the total retroactive application of the prior period adjustment.

21 RESTATEMENT OF PRIOR YEAR'S OPERATING REVENUES AND OPERATING EXPENSES

During 2005-06 management decided to classify revenues and expenses of the University of Florida Self-Insurance Program (the Program) and the University of Florida Healthcare Education Insurance Company (HEIC) as from auxiliary enterprises, rather than from educational departments. Operating revenues and expenses for the 2004-05 fiscal year have been restated by \$23,979,817 and \$25,847,687, respectively.

22 COMPONENT UNITS

The University's component units, as discussed in Note 1, comprise 100% of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. Summary financial information from the most recently available audited financial statements for these component units is presented on the following pages in Tables 20, 21, and 22.

23 SEGMENT INFORMATION

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instruments outstanding, with a revenue stream pledged in support of that debt. In addition, the activity's related revenues, expenses, gains, losses, assets, and liabilities are required to be accounted for separately. Transportation and Parking Services provides the University with safe and adequate parking facilities. Several parking garages have been constructed from the proceeds of revenue-backed debt instruments. The Division of Housing provides safe, affordable, living space for students of the University of Florida. Several revenue bonds have been issued over the years to provide funding for the construction of facilities to house students of the University. A summary of the financial activity for these segments is presented in Table 23.

Table 20. Direct-Support Organizations
(amounts expressed in thousands)

	University of Florida Foundation 6/30/2006	University of Florida Research Foundation 6/30/2006	University of Florida Athletic Association 6/30/2006	Gator Boosters 6/30/2006	University of Florida Law Center Association 6/30/2006	Florida Foundation Seed Producers 6/30/2006
Condensed Statement of Net Assets						
Assets						
Due from Component Units/University	\$ -	\$ 57,795	\$ 2,892	\$ 5,217	\$ 4,995	\$ -
Other Current Assets	85,356	75,372	50,465	4,247	1,074	2,382
Capital Assets, Net	32,074	-	130,170	38	-	1,048
Other Noncurrent Assets	<u>1,218,641</u>	<u>1,512</u>	<u>34,742</u>	<u>449</u>	<u>338</u>	<u>-</u>
Total Assets	<u>1,336,071</u>	<u>134,679</u>	<u>218,269</u>	<u>9,951</u>	<u>6,407</u>	<u>3,430</u>
Liabilities						
Due to Component Units/University	63,953	13,762	119	5,140	-	979
Other Current Liabilities	9,151	28,167	54,689	299	43	37
Noncurrent Liabilities	<u>29,407</u>	<u>34,200</u>	<u>84,934</u>	<u>89</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>102,511</u>	<u>76,129</u>	<u>139,742</u>	<u>5,528</u>	<u>43</u>	<u>1,016</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	5,764	-	46,628	38	-	1,048
Restricted - Endowment	810,106	-	-	3,870	2,042	-
Restricted - Other	395,015	-	984	-	3,081	-
Unrestricted	<u>22,675</u>	<u>58,550</u>	<u>30,915</u>	<u>515</u>	<u>1,241</u>	<u>1,366</u>
Total Net Assets	<u>\$ 1,233,560</u>	<u>\$ 58,550</u>	<u>\$ 78,527</u>	<u>\$ 4,423</u>	<u>\$ 6,364</u>	<u>\$ 2,414</u>
Condensed Statement of Revenues, Expenses, and Changes in Net Assets						
Operating Revenues	\$ 73,318	\$ 49,265	\$ 45,030	\$ 30,074	\$ 1,254	\$ 954
Operating Expenses	<u>(94,476)</u>	<u>(76,028)</u>	<u>(72,188)</u>	<u>(2,409)</u>	<u>(894)</u>	<u>(1,030)</u>
Operating Income (Loss)	(21,158)	(26,763)	(27,158)	27,665	360	(76)
Nonoperating Revenues (Expenses)						
Investment Income	120,738	6,070	2,642	875	532	50
Addition to Permanent Endowments	88,646	-	-	12	-	-
Other	-	798	(2,034)	-	204	19
Transfers from/(to) Component Units	<u>(2,678)</u>	<u>-</u>	<u>30,762</u>	<u>(28,526)</u>	<u>-</u>	<u>-</u>
Change in Net Assets	185,548	(19,895)	4,212	26	1,096	(7)
Net Assets, Beginning of Year	<u>1,048,012</u>	<u>78,445</u>	<u>74,315</u>	<u>4,397</u>	<u>5,268</u>	<u>2,421</u>
Net Assets, End of Year	<u>\$ 1,233,560</u>	<u>\$ 58,550</u>	<u>\$ 78,527</u>	<u>\$ 4,423</u>	<u>\$ 6,364</u>	<u>\$ 2,414</u>

Florida 4-H Club Foundation 3/31/2006	Southwest Fla. Research and Education Foundation 6/30/2006	Citrus Research and Education Foundation 6/30/2006	Florida Leadership & Education Foundation 12/31/2005	Treasure Coast Agricultural Research Foundation 6/30/2006	University of Florida Alumni Association 6/30/2006	University of Florida Investment Corporation 6/30/2006	Total Direct Support Organizations
\$ 2,477	\$ -	\$ 24	\$ 2,691	\$ -	\$ -	\$ -	\$ 76,091
1,817	44	560	1,179	180	-	739	223,415
-	129	16	-	2	-	99	163,576
<u>118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,255,800</u>
<u>4,412</u>	<u>173</u>	<u>600</u>	<u>3,870</u>	<u>182</u>	<u>-</u>	<u>838</u>	<u>1,718,882</u>
-	-	-	-	-	-	-	83,953
158	14	2	855	-	-	567	93,982
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>173</u>	<u>148,803</u>
<u>158</u>	<u>14</u>	<u>2</u>	<u>855</u>	<u>-</u>	<u>-</u>	<u>740</u>	<u>326,738</u>
-	129	16	-	2	-	99	53,724
2,404	-	-	2,232	-	-	-	820,654
1,243	-	-	-	-	-	-	400,323
<u>607</u>	<u>30</u>	<u>582</u>	<u>783</u>	<u>180</u>	<u>-</u>	<u>(1)</u>	<u>117,443</u>
<u>\$ 4,254</u>	<u>\$ 159</u>	<u>\$ 598</u>	<u>\$ 3,015</u>	<u>\$ 182</u>	<u>\$ -</u>	<u>\$ 98</u>	<u>\$ 1,392,144</u>
\$ 2,087	\$ 24	\$ 429	\$ 1,951	\$ 35	\$ 1,486	\$ -	\$ 205,907
<u>(1,981)</u>	<u>(51)</u>	<u>(186)</u>	<u>(2,107)</u>	<u>(11)</u>	<u>(4,164)</u>	<u>(1,356)</u>	<u>(256,881)</u>
106	(27)	243	(156)	24	(2,678)	(1,356)	(50,974)
358	2	3	237	3	-	12	131,522
215	-	-	12	-	-	-	88,885
22	-	-	-	46	-	-	(945)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,678</u>	<u>1,361</u>	<u>3,597</u>
701	(25)	246	93	73	-	17	172,085
<u>3,553</u>	<u>184</u>	<u>352</u>	<u>2,922</u>	<u>109</u>	<u>-</u>	<u>81</u>	<u>1,220,059</u>
<u>\$ 4,254</u>	<u>\$ 159</u>	<u>\$ 598</u>	<u>\$ 3,015</u>	<u>\$ 182</u>	<u>\$ -</u>	<u>\$ 98</u>	<u>\$ 1,392,144</u>

Table 21. Health Science Center Affiliates*(amounts expressed in thousands)*

	Florida Clinical Practice Association 6/30/2006	University of Florida Jacksonville Physicians 6/30/2006	Faculty Associates 6/30/2006	Florida Health Professions Association 6/30/2006
Condensed Statement of Net Assets				
Assets				
Due from Component Units/University	\$ 17,936	\$ 5,063	\$ 1,047	\$ 134
Other Current Assets	43,313	53,984	6,519	2,450
Capital Assets, Net	4,033	7,970	-	-
Other Noncurrent Assets	<u>36,904</u>	<u>132</u>	<u>-</u>	<u>20</u>
Total Assets	<u>102,186</u>	<u>67,149</u>	<u>7,566</u>	<u>2,604</u>
Liabilities				
Due to Component Units/University	-	7,129	-	-
Other Current Liabilities	14,938	19,443	1,522	719
Noncurrent Liabilities	<u>15,870</u>	<u>16,089</u>	<u>-</u>	<u>1,166</u>
Total Liabilities	<u>30,808</u>	<u>42,661</u>	<u>1,522</u>	<u>1,885</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	3,592	(3,274)	-	-
Restricted	-	-	-	-
Unrestricted	<u>67,786</u>	<u>27,762</u>	<u>6,044</u>	<u>719</u>
Total Net Assets	<u>\$ 71,378</u>	<u>\$ 24,488</u>	<u>\$ 6,044</u>	<u>\$ 719</u>
Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
Operating Revenues	\$ 219,050	\$ 144,227	\$ 19,047	\$ 8,297
Operating Expenses	<u>(151,746)</u>	<u>(147,941)</u>	<u>(11,134)</u>	<u>(3,094)</u>
Operating Income (Loss)	67,304	(3,714)	7,913	5,203
Nonoperating Revenues (Expenses)				
Investment Income	917	1,013	97	60
Other	(85,790)	(3,793)	(8,602)	(42)
Transfers from/(to) Component Units	<u>25,514</u>	<u>9,752</u>	<u>1,864</u>	<u>(4,956)</u>
Change in Net Assets	7,945	3,258	1,272	265
Net Assets, Beginning of Year	<u>63,433</u>	<u>21,230</u>	<u>4,772</u>	<u>454</u>
Net Assets, End of Year	<u>\$ 71,378</u>	<u>\$ 24,488</u>	<u>\$ 6,044</u>	<u>\$ 719</u>

Nursing Faculty Practice Association 6/30/2006	Pharmacy Faculty Practice Association 6/30/2006	Veterinary Medicine Faculty Association 6/30/2006	University of Florida Jacksonville Healthcare 6/30/2006	Faculty Clinic 6/30/2006	Jacksonville Health Education Programs (Unaudited) 9/30/2005	Total Health Science Center Affiliates
\$ 74	\$ 823	\$ 200	\$ 1,582	\$ -	\$ -	\$ 26,859
3,125	198	3,987	258	2,222	-	116,056
-	-	-	2,848	4,102	-	18,953
<u>973</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,613</u>	<u>-</u>	<u>39,642</u>
<u>4,172</u>	<u>1,021</u>	<u>4,187</u>	<u>4,688</u>	<u>7,937</u>	<u>-</u>	<u>201,510</u>
-	-	-	2,614	16	-	9,759
39	60	703	1,705	73	-	39,202
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,300</u>	<u>-</u>	<u>39,425</u>
<u>39</u>	<u>60</u>	<u>703</u>	<u>4,319</u>	<u>6,389</u>	<u>-</u>	<u>88,386</u>
-	-	-	2,848	(2,198)	-	968
-	-	-	-	1,500	-	1,500
<u>4,133</u>	<u>961</u>	<u>3,484</u>	<u>(2,479)</u>	<u>2,246</u>	<u>-</u>	<u>110,656</u>
<u>\$ 4,133</u>	<u>\$ 961</u>	<u>\$ 3,484</u>	<u>\$ 369</u>	<u>\$ 1,548</u>	<u>\$ -</u>	<u>\$ 113,124</u>
\$ 881	\$ 74	\$ 5,354	\$ 327	\$ 418	\$ -	\$ 397,675
<u>(504)</u>	<u>(107)</u>	<u>(928)</u>	<u>(16,523)</u>	<u>(1,204)</u>	<u>-</u>	<u>(333,181)</u>
377	(33)	4,426	(16,196)	(786)	-	64,494
91	32	68	-	117	-	2,395
1	-	(4,290)	(10)	(191)	(385)	(103,102)
<u>-</u>	<u>11</u>	<u>-</u>	<u>16,206</u>	<u>887</u>	<u>-</u>	<u>49,278</u>
469	10	204	-	27	(385)	13,065
<u>3,664</u>	<u>951</u>	<u>3,280</u>	<u>369</u>	<u>1,521</u>	<u>385</u>	<u>100,059</u>
<u>\$ 4,133</u>	<u>\$ 961</u>	<u>\$ 3,484</u>	<u>\$ 369</u>	<u>\$ 1,548</u>	<u>\$ -</u>	<u>\$ 113,124</u>

Table 22. Shands Teaching Hospital and Others
(amounts expressed in thousands)

	Shands Teaching Hospital & Clinics 6/30/2006	Baby Gator Childcare Center 6/30/2006	University Village Apartments 6/30/2006	Total Shands Teaching Hospital and Others
Condensed Statement of Net Assets				
Assets				
Due from Component Units/University	\$ 7,818	\$ 217	\$ 54	\$ 8,089
Other Current Assets	563,877	114	109	564,100
Capital Assets, Net	639,138	32	846	640,016
Other Noncurrent Assets	<u>266,700</u>	<u>-</u>	<u>813</u>	<u>267,513</u>
Total Assets	<u>1,477,533</u>	<u>363</u>	<u>1,822</u>	<u>1,479,718</u>
Liabilities				
Due to Component Units/University	8,207	-	-	8,207
Other Current Liabilities	234,860	70	363	235,293
Noncurrent Liabilities	<u>461,784</u>	<u>-</u>	<u>634</u>	<u>462,418</u>
Total Liabilities	<u>704,851</u>	<u>70</u>	<u>997</u>	<u>705,918</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	220,671	32	102	220,805
Restricted - Endowments	155	-	-	155
Restricted - Other	3,167	-	-	3,167
Unrestricted	<u>548,689</u>	<u>261</u>	<u>723</u>	<u>549,673</u>
Total Net Assets	<u>\$ 772,682</u>	<u>\$ 293</u>	<u>\$ 825</u>	<u>\$ 773,800</u>
Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
Operating Revenues	\$ 1,549,527	\$ 1,111	\$ 1,218	\$ 1,551,856
Operating Expenses	<u>(1,423,688)</u>	<u>(1,143)</u>	<u>(1,308)</u>	<u>(1,426,139)</u>
Operating Income (Loss)	125,839	(32)	(90)	125,717
Nonoperating Revenues (Expenses)				
Investment Income	18,420	12	4	18,436
Addition to Permanent Endowments	985	-	-	985
Other	(17,237)	-	(24)	(17,261)
Transfers from/(to) Component Units	<u>(32,596)</u>	<u>-</u>	<u>-</u>	<u>(32,596)</u>
Change in Net Assets	95,411	(20)	(110)	95,281
Net Assets, Beginning of Year	<u>677,271</u>	<u>313</u>	<u>935</u>	<u>678,519</u>
Net Assets, End of Year	<u>\$ 772,682</u>	<u>\$ 293</u>	<u>\$ 825</u>	<u>\$ 773,800</u>

Table 23. Segment Information

	Transportation and Parking Services	Division of Housing
CONDENSED STATEMENT OF NET ASSETS		
Assets		
Current Assets	\$ 4,504,519	\$ 11,915,584
Capital Assets, Net	30,963,724	60,329,936
Other Noncurrent Assets	<u>3,362,760</u>	<u>5,149,025</u>
Total Assets	<u>38,831,003</u>	<u>77,394,545</u>
Liabilities		
Current Liabilities	4,611,608	5,531,422
Noncurrent Liabilities	<u>16,556,263</u>	<u>59,247,672</u>
Total Liabilities	<u>21,167,871</u>	<u>64,779,094</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	12,448,432	5,088,565
Restricted	3,014,215	3,831,653
Unrestricted	<u>2,200,485</u>	<u>3,695,233</u>
Total Net Assets	<u>\$ 17,663,132</u>	<u>\$ 12,615,451</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS		
Operating Revenues (Expenses):		
Operating Revenues	\$ 14,730,580	\$ 36,456,873
Depreciation Expense	(1,849,034)	(3,665,579)
Other Operating Expenses	<u>(10,716,623)</u>	<u>(28,164,338)</u>
Operating Income (Loss)	<u>2,164,923</u>	<u>4,626,956</u>
Nonoperating Revenues (Expenses):		
Investment Income	242,149	910,714
Interest Expense	(985,517)	(2,405,244)
Other	(132,686)	(2,499,562)
Capital Related Expenses	-	(3,185,817)
Transfers	<u>(744,649)</u>	<u>(22,116)</u>
Net Nonoperating Revenues (Expenses)	<u>(1,620,703)</u>	<u>(7,202,025)</u>
Change in Net Assets	544,220	(2,575,069)
Net Assets, Beginning of Year	<u>17,118,912</u>	<u>15,190,520</u>
Net Assets, End of Year	<u>\$ 17,663,132</u>	<u>\$ 12,615,451</u>
CONDENSED STATEMENT OF CASH FLOWS		
Net Cash Provided (Used) by:		
Operating Activities	\$ 3,948,433	\$ 8,399,776
Noncapital Financing Activities	(684,152)	(3,695,429)
Capital and Related Financing Activities	(2,760,968)	(9,361,057)
Investing Activities	<u>(598,776)</u>	<u>2,944,905</u>
Net Decrease in Cash and Cash Equivalents	<u>(95,463)</u>	<u>(1,711,805)</u>
Cash and Cash Equivalents, Beginning of Year	<u>97,863</u>	<u>13,184,213</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,400</u>	<u>\$ 11,472,408</u>

Table 24. Financial Summary by Budget Entity For the Fiscal Year Ended June 30, 2006 (unaudited)
(amounts expressed in thousands)

	Education and General			Health Science Center		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
REVENUES						
Student Tuition and Fees	\$ 234,047	\$ -	\$ 234,047	\$ 21,044	\$ -	\$ 21,044
Scholarship Allowance	(102,868)	-	(102,868)	-	-	-
Student Tuition and Fees, Net of Scholarship Allowances	131,179	-	131,179	21,044	-	21,044
Federal Grants and Contracts	-	66,500	66,500	-	171,352	171,352
State and Local Grants and Contracts	7,432	(14,996)	(7,564)	-	27,906	27,906
Nongovernmental Grants and Contracts	1,489	71,416	72,905	3,740	220,215	223,955
Sales and Services of Auxiliary Enterprises	100,980	-	100,980	32,566	-	32,566
Sales and Services of Educational Departments	31,854	178	32,032	18,376	60	18,436
Interest on Loans and Notes Receivable	-	573	573	-	153	153
Other Operating Revenues	299	373	672	(189)	29	(160)
Total Operating Revenues	273,233	124,044	397,277	75,537	419,715	495,252
EXPENSES						
Operating Expenses:						
Personnel Services	463,685	92,620	556,305	133,171	271,322	404,493
Supplies and Other Services	138,330	64,678	203,008	24,738	68,452	93,190
Utilities and Communications	49,819	1,684	51,503	1,639	1,270	2,909
Scholarships, Fellowships and Waivers	23,737	31,897	55,634	1,446	5,847	7,293
Depreciation	-	76,307	76,307	-	21,200	21,200
Self-Insured Claims and Expenses	-	-	-	23,612	-	23,612
Total Operating Expenses	675,571	267,186	942,757	184,606	368,091	552,697
Operating Income (Loss)	(402,338)	(143,142)	(545,480)	(109,069)	51,624	(57,445)
NONOPERATING REVENUES (EXPENSES)						
State Appropriations	374,098	-	374,098	92,732	-	92,732
Federal and State Financial Aid	-	96,956	96,956	-	57	57
Investment Income (Loss)	7,063	8,931	15,994	2,973	-	2,973
Interest on Capital Asset-Related Debt	(35)	(5,261)	(5,296)	(27)	(8)	(35)
Other Nonoperating Revenues (Expenses)	(814)	(5,901)	(6,715)	(277)	(256)	(533)
Net Nonoperating Revenues (Expenses)	380,312	94,725	475,037	95,401	(207)	95,194
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(22,026)	(48,417)	(70,443)	(13,668)	51,417	37,749
Capital Appropriations	-	68,716	68,716	-	-	-
Capital Grants, Contracts and Donations	-	41,744	41,744	-	1,264	1,264
Transfers within University	(166,985)	162,308	(4,677)	20,535	(34,957)	(14,422)
Gain/(Loss) on Disposal of Capital Assets	-	(2,370)	(2,370)	-	(1,517)	(1,517)
Total Other Revenues , Expenses, Gains, or Losses	(166,985)	270,398	103,413	20,535	(35,210)	(14,675)
Increase (Decrease) in Net Assets	\$ (189,011)	\$ 221,981	\$ 32,970	\$ 6,867	\$ 16,207	\$ 23,074

Institute of Food and Agricultural Science			Summary for University		
Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
\$ 282	\$ -	\$ 282	\$ 255,373	\$ -	\$ 255,373
-	-	-	(102,868)	-	(102,868)
282	-	282	152,505	-	152,505
-	46,501	46,501	-	284,353	284,353
-	15,776	15,776	7,432	28,686	36,118
1,292	23,915	25,207	6,521	315,546	322,067
-	-	-	133,546	-	133,546
2,355	550	2,905	52,585	788	53,373
-	-	-	-	726	726
23	(2)	21	133	400	533
3,952	86,740	90,692	352,722	630,499	983,221
125,814	41,401	167,215	722,670	405,343	1,128,013
17,882	26,812	44,694	180,950	159,942	340,892
9,037	435	9,472	60,495	3,389	63,884
3,310	2,377	5,687	28,493	40,121	68,614
-	9,891	9,891	-	107,398	107,398
-	-	-	23,612	-	23,612
156,043	80,916	236,959	1,016,220	716,193	1,732,413
(152,091)	5,824	(146,267)	(663,498)	(85,694)	(749,192)
129,484	-	129,484	596,314	-	596,314
-	-	-	-	97,013	97,013
159	120	279	10,195	9,051	19,246
(11)	-	(11)	(73)	(5,269)	(5,342)
3,808	4	3,812	2,717	(6,153)	(3,436)
133,440	124	133,564	609,153	94,642	703,795
(18,651)	5,948	(12,703)	(54,345)	8,948	(45,397)
-	-	-	-	68,716	68,716
-	-	-	-	43,008	43,008
23,786	(4,687)	19,099	(122,664)	122,664	-
-	(775)	(775)	-	(4,662)	(4,662)
23,786	(5,462)	18,324	(122,664)	229,726	107,062
\$ 5,135	\$ 486	\$ 5,621	\$ (177,009)	\$ 238,674	\$ 61,665

FINANCIAL AID ADMINISTERED for the Fiscal Year Ended June 30, 2006 (unaudited)

	2005-06 Number of Recipients	Aid Disbursed
Federal Programs		
Pell Grants	7,793	\$ 20,067,707
Supplemental Educational Opportunity Grants	1,888	2,283,670
Perkins Student Loans	2,722	8,203,712
Health Professions Student Loans (PCL, LDS, HPSL)	66	456,243
Direct Loans	<u>18,014</u>	<u>151,238,346</u>
Total Federal Financial Aid Administered	<u>30,483</u>	<u>\$ 182,249,678</u>
State Programs		
Loans:		
University of Florida Short Term Loans	631	\$ 574,794
Student Aid For Education(SAFE) Loans	239	390,380
University of Florida Long Term Loans	<u>195</u>	<u>547,826</u>
Total Loans Administered	<u>1,065</u>	<u>1,513,000</u>
Scholarships and Grants		
Racing	438	503,599
State of Florida Financial Aid Programs	30,329	76,092,424
Lottery Trust Grant Funded Waivers	<u>719</u>	<u>1,198,042</u>
Total State Scholarships and Grants Administered	<u>31,486</u>	<u>77,794,065</u>
Total State Financial Aid Administered	<u>32,551</u>	<u>\$ 79,307,065</u>
Other Scholarships and Grants:		
Institutional Grants		
College Awarded Scholarships	15,872	34,367,934
Graduate Tuition Remission Waivers	7,805	9,440,868
General Scholarships	<u>6,857</u>	<u>13,421,460</u>
Total Institutional Grants	<u>30,534</u>	<u>57,230,262</u>
Custodial Scholarships		
Tuition, Trusts, Clubs, Service Organizations, etc.	<u>4,648</u>	<u>7,949,242</u>
Total Other Scholarships and Grants	<u>35,182</u>	<u>\$ 65,179,504</u>
Fee Waivers:		
Non-Resident Tuition Waivers	1,309	\$ 5,885,614
Other Waivers	<u>9,562</u>	<u>19,358,449</u>
Total Fee Waivers Administered	<u>10,871</u>	<u>\$ 25,244,063</u>
Total Financial Aid Administered		<u>\$ 351,980,310</u>

UNIVERSITY OF FLORIDA

ANNUAL FINANCIAL REPORT 2005-06

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FLORIDA
The Foundation for The Gator Nation

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
JUNE 30, 2007 AND 2006
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JAMES MOORE & CO., P.L.
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

The Audit Committee,
The University Athletic Association, Inc.:

We have audited the accompanying financial statements of The University Athletic Association, Inc. (the Association), a direct support organization and component unit (for accounting purposes only) of the University of Florida, as of and for the years ended June 30, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2007 and 2006, and its revenues, expenses, and changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2007, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 15 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally

accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

James Moore & Co., P.L.

Gainesville, Florida
September 7, 2007

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007 AND 2006

Introduction

The University Athletic Association, Inc. (the Association), a not-for-profit corporation, is a Direct Support Organization of the University of Florida (UF). The Association exists to advance UF's teaching, research and service missions through the intercollegiate athletics program.

The Association's goal is to be the nation's finest intercollegiate athletics program, where each student-athlete has every opportunity for athletic and academic success and each coach has challenging and rewarding career opportunities. The Association recognizes its responsibility to UF to operate the Association in an efficient manner using sound business principles within an ethical decision making process.

The tremendous success of the athletic program can be attributed to many factors: outstanding coaches and support staff, extremely talented student-athletes, a great academic institution, a strong recruiting base, university support and a commitment to each sport. The Association's financial strength is also a key component in its success and is a major factor in maintaining or surpassing its current level of achievement in all the Association's endeavors.

Overview of the Financial Statements and Financial Analysis

The Association is pleased to present its financial statements for the fiscal years ended June 30, 2007 and 2006. This Discussion and Analysis is a narrative explanation of the Association's financial condition and operating activities for these years. The overview presented below highlights the significant financial activities that occurred during the past two years and describes changes in financial activity from the prior year. Please read this overview in conjunction with the comparative summaries of net assets and revenues, expenses and changes in net assets and the Association's financial statements which begin on Page 16.

Using these Financial Statements

This report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments* and Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Colleges and Universities*.

There are three financial statements presented: the Statements of Net Assets; the Statements of Revenues, Expenses and Changes in Net Assets; and the Statements of Cash Flows.

The Association's net assets are one indicator of the improvement or erosion of its financial health when considered with non-financial facts such as the overall academic and athletic success of the intercollegiate athletic program and the condition of its facilities. This success is evidenced by:

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007 AND 2006
(Continued)

- An unprecedented sweep of the national titles for both the Gator football and men's basketball teams led the University of Florida athletics program to sixth-place overall in the 2006-2007 Sports Academy Directors' Cup competition. The national all-sports competition award is presented annually by the National Association of Collegiate Directors of Athletics (NACDA), United States Sports Academy and USA Today. The finish marks Florida's 24th consecutive finish among the nation's top-10 programs. Florida and UCLA are the only schools to finish in the top 10 in national all-sports rankings every year since 1983-1984.
- Florida's sixth place finish in the Director's Cup standings was the highest by any school in the Southeastern Conference (SEC).
- The University of Florida men's basketball team became the first team in 15 years and just the seventh ever to win back-to-back national championships, defeating Ohio State 84-75 in the 2007 title game. Florida finished a school-best 35-5, breaking the 2005-2006 squad's record for wins (33). Florida men's basketball also claimed the 2007 SEC regular season and SEC Tournament titles.
- With its 41-14 victory over Ohio State in the Tostitos BCS National Championship Game, the University of Florida football team won its second national title in school history (1996, 2006). The Gators won their first Southeastern Conference championship since 2000 and seventh in program history with a 38-28 defeat of Arkansas on Dec. 2. Florida finished the season with a 13-1 overall record and was 7-1 in SEC play. The 13 wins established a single-season school record for victories.
- A total of 11 Gator athletic teams finished in the top 10 of their respective sports, including five among the top five. Florida won a league-high six SEC Championships in 2006-2007, to raise its total to 44 since the 1997-1998 academic year, the most by any conference school during the 10-year span. The Gators won the SEC in men's basketball, football, gymnastics, soccer, volleyball and shared the women's tennis title.
- Florida was also successful away from the athletic arena in 2006-2007, as the Gators had 187 SEC Academic Honor Roll accolades. The total ranks as the second-highest in school history.
- In an era when the NCAA estimates that 70 percent of Division I schools are losing money on intercollegiate athletics, the Association has contributed more than \$37.6 million since 1990 to help fund University of Florida academic endeavors.
- Over one million fans attended 153 home events in 2006-2007. Four UF teams ranked among the nation's top 10 in attendance.
- UF student-athletes, partnering with 35 schools, 24 civic organizations and 18 non-profit organizations, participated in Goodwill Gator activities by volunteering more than 2,000 hours of community service in 2006-2007.
- The Association has given nearly \$40 million back to the University of Florida since 1990, including a gift of \$6 million subsequent to June 30, 2007 in support of the Florida Opportunity Scholarship program.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007 AND 2006
(Continued)

Summary of Net Assets

The Statements of Net Assets present the assets, liabilities and net assets of the Association as of the end of the last two fiscal years. A Statement of Net Assets is a point-in-time financial statement. Its purpose is to present to the readers of the financial statements a fiscal snapshot of the Association. The Statements of Net Assets present end-of-the-year data concerning Assets (what the Association owns and how much is owed to the Association by others), Liabilities (what the Association owes to others and has collected from others before the service has been provided), and Net Assets (Assets minus Liabilities). The statements are prepared using the economic resources measurement focus and the accrual basis of accounting, where revenues are recorded when they are earned and expenses are recognized when they are incurred.

From the data presented, readers of the Statements of Net Assets are able to determine the assets available to continue the operations of the Association. They are able to determine how much the Association owes to vendors and lending institutions. Finally, the Statements of Net Assets provide a picture of the net assets and their availability for expenditure by the Association.

Net Assets are divided into three major categories. The first category, “invested in capital assets, net of related debt”, presents the Association’s equity in property, plant and equipment. The next net asset category is “restricted” net assets. The Association’s restricted net assets have constraints placed upon their use by independent donors. The final category is “unrestricted” net assets. Unrestricted assets are available to the Association for any legal use.

Condensed Summary of Net Assets (thousands of dollars)							
		2007-2006					
				2006-2005			
	2007	2006	Increase (decrease)	Percent change	2005	Increase (decrease)	Percent change
Assets:							
Current assets	\$ 63,384	\$ 53,337	10,047	18.84%	\$ 43,582	9,755	22.38%
Capital assets, net of depreciation	138,655	130,169	8,486	6.52%	125,358	4,811	3.84%
Other assets	40,530	34,763	5,767	16.59%	31,781	2,982	9.38%
Total assets	<u>242,569</u>	<u>218,269</u>	<u>24,300</u>	<u>11.13%</u>	<u>200,721</u>	<u>17,548</u>	<u>8.74%</u>
Liabilities:							
Long-term debt outstanding	84,150	84,915	(765)	(0.90)%	76,410	8,505	11.13%
Other liabilities	64,222	54,827	9,395	17.14%	49,996	4,831	9.66%
Total liabilities	<u>148,372</u>	<u>139,742</u>	<u>8,630</u>	<u>6.18%</u>	<u>126,406</u>	<u>13,336</u>	<u>10.55%</u>
Net assets:							
Invested in capital assets, net of related debt	55,131	46,628	8,503	18.24%	49,464	(2,836)	(5.73)%
Restricted	5,896	984	4,912	499.19%	15	969	6,460.00%
Unrestricted	33,170	30,915	2,255	7.29%	24,836	6,079	24.48%
Total net assets	<u>\$ 94,197</u>	<u>\$ 78,527</u>	<u>15,670</u>	<u>19.95%</u>	<u>\$ 74,315</u>	<u>4,212</u>	<u>5.67%</u>

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007 AND 2006
(Continued)

Highlights

- Total assets of the Association increased by \$24.3 million in 2007 and by \$17.5 million in 2006.
- In 2007, current assets increased \$10.0 million due to a \$1.7 million increase in cash and cash equivalents, a \$3.9 million increase in short term investments, a \$4.8 million increase in accounts receivable from home football game opponents and rights holders and a \$0.4 million decrease in restricted assets. In 2006, short term investments increased by \$10.7 million, accounts receivable from home football game opponents decreased by \$2.0 million and restricted assets increased by \$1.1 million, for a net increase of \$9.8 million.
- The \$8.5 million increase in capital assets in 2007 is primarily due to the purchase of new video scoreboards in the O'Connell Center and other venues, the completion of the baseball project and the construction of the football front door project. In 2006, capital assets increased \$4.8 million primarily due to the construction in progress on the baseball project.
- Other assets increased by \$5.8 million in 2007 and by \$3.0 million in 2006 due to increases in the value of long term investments.
- In 2007, long term debt outstanding decreased by \$0.8 million due to loan repayments. Long term debt outstanding increased by \$8.5 million in 2006 due to the issuance of \$10.0 million in tax-exempt revenue bonds in September and loan repayments totaling \$1.5 million.
- Other liabilities increased by \$9.4 million in 2007 due to a \$6.1 million increase in advanced football ticket sales and deferred Gator Booster contributions related to the 2007 and future football seasons, a \$1.4 million decrease in other unearned income, a \$4.3 million increase in accounts payable and accrued expenses and a \$0.4 million increase in compensated absences. In 2006, other liabilities increased by \$4.8 million due to a \$1.7 million increase in deferred Gator Booster contributions related to the 2006 football season, a \$2.5 million increase in accounts payable and accrued expenses and a \$0.6 million increase in compensated absences and employee longevity incentives payable.
- Total net assets increased by \$15.7 million in 2007 and by \$4.2 million in 2006. Unrestricted net assets increased by \$2.3 million and \$6.1 million in 2007 and 2006, respectively.
- In 2007, net assets invested in capital assets, net of related debt increased by \$8.5 million due to the payment of \$0.8 million on long term debt, purchases of \$14.9 million in fixed assets, spending of the remaining \$0.7 million of construction trust funds, disposals of \$0.2 million in fixed assets and the expensing of \$6.3 million in depreciation. Net assets invested in capital assets, net of related debt decreased by \$2.8 million in 2006 due to the issuance of \$10.0 million in additional long term debt (less unspent construction trust funds of \$0.7 million), payments of \$1.5 million on long term debt, purchases of \$11.4 million in fixed assets, disposals of \$0.7 million in fixed assets, the capitalizing of \$0.2 million in bond issuance costs and the expensing of \$5.9 million in depreciation.
- Restricted net assets increased by \$4.9 million in 2007 due to the receipt of temporarily restricted contributions for future projects. In 2006, restricted net assets increased by nearly \$1.0 million due to the monthly funding of a debt service interest sinking fund and the receipt of temporarily restricted contributions for future projects.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007 AND 2006
(Continued)

Summary of Revenues, Expenses and Changes in Net Assets

The Statements of Revenues, Expenses and Changes in Net Assets present the revenues and expenses incurred during each year. Revenues and expenses are reported as operating and nonoperating. In general, operating revenues are received for providing goods and services to the Association's various customers and constituencies. Operating expenses are those expenses paid to acquire or produce goods and services provided in return for the operating revenues, and to carry out the mission of the Association. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Nonoperating revenues are revenues received for which goods or services are not provided. The GASB requires that state appropriations, student athletic fees and other revenues which are not payment for services be classified as nonoperating revenues. Because these significant, recurring revenues are budgeted to fund operating expenses, classifying them as nonoperating can cause the reporting of an operating loss. For this reason, the Association believes that income before contributions (which includes nonoperating revenues and expenses) provides the most appropriate measure of its financial results. Nonoperating expenses include interest on capital asset-related debt.

Capital contributions are considered neither operating nor nonoperating and are reported after "Income before contributions". Contributions to the University of Florida include unrestricted gifts for the academic mission of the University, contributions for designated purposes, and costs contributed by the Association for UF projects. Contributions to the University of Florida Foundation are transfers by the Association to the athletic scholarship endowment.

Changes in Total Net Assets as presented on the Statements of Net Assets are based on the activity presented in the Statements of Revenues, Expenses and Changes in Net Assets. The purpose of the Statements of Revenues, Expenses and Changes in Net Assets is to present the operating and nonoperating revenues received by the Association and the operating and nonoperating expenses paid by the Association, and any other revenues, expenses, gains and losses received or spent by the Association.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007 AND 2006
(Continued)

Condensed Summary of Revenues, Expenses and Changes in Net Assets (thousands of dollars)							
	2007	2006	2007-2006		2005	2006-2005	
			Increase (decrease)	Percent change		Increase (decrease)	Percent change
Operating revenues:							
Football	\$ 49,626	\$ 44,414	5,212	11.74%	\$ 41,487	2,927	7.06%
Men's basketball	7,963	5,964	1,999	33.52%	5,629	335	5.95%
Other sports	696	655	41	6.26%	703	(48)	(6.83)%
Auxiliaries	15,703	11,609	4,094	35.27%	9,765	1,844	18.88%
Camps	2,899	2,176	723	33.23%	1,964	212	10.79%
Other operating revenues	10,535	7,329	3,206	43.74%	8,156	(827)	(10.14)%
Total operating revenues	87,422	72,147	15,275	21.17%	67,704	4,443	6.56%
Nonoperating revenues:							
Student fees	2,570	2,501	69	2.76%	2,417	84	3.48%
Investment income, net	7,471	2,642	4,829	182.78%	3,260	(618)	(18.96)%
Sales taxes retained	1,234	1,002	232	23.15%	884	118	13.35%
Other nonoperating revenues	452	452	0	0.00%	452	0	0.00%
Total nonoperating revenues	11,727	6,597	5,130	77.76%	7,013	(416)	(5.93)%
Total revenues	99,149	78,744	20,405	25.91%	74,717	4,027	5.39%
Operating expenses:							
Team expenses	34,200	26,969	7,231	26.81%	27,471	(502)	(1.83)%
Scholarships and support services	18,252	15,173	3,079	20.29%	14,074	1,099	7.81%
General and administrative	18,636	17,629	1,007	5.71%	16,116	1,513	9.39%
Auxiliaries	4,807	4,414	393	8.90%	4,076	338	8.29%
Camps	2,901	2,145	756	35.24%	1,990	155	7.79%
Depreciation and amortization	6,302	5,858	444	7.58%	5,766	92	1.60%
Total operating expenses	85,098	72,188	12,910	17.88%	69,493	2,695	3.88%
Nonoperating expenses	2,962	2,583	379	14.67%	2,213	370	16.72%
Total expenses	88,060	74,771	13,289	17.77%	71,706	3,065	4.27%
Capital contributions from Gator Boosters and others	8,631	3,646	4,985	136.73%	2,638	1,008	38.21%
Contributions to University of Florida	(3,336)	(3,407)	71	(2.08)%	(1,775)	(1,632)	91.94%
Contributions to University of Florida Foundation	(714)	0	(714)	> 100%	0	0	0.00%
Increase in net assets	15,670	4,212	11,458	272.03%	3,874	338	8.72%
Net assets, end of year	\$ 94,197	\$ 78,527	15,670	19.95%	\$ 74,315	4,212	5.67%

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007 AND 2006
(Continued)

Highlights

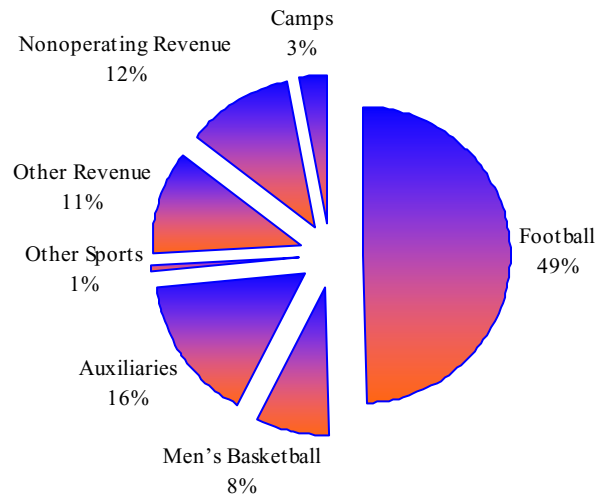
- The Condensed Statements of Revenues, Expenses and Changes in Net Assets present three consecutive years with an increase in Net Assets at the end of each year.
- Football revenues increased by \$5.2 million in 2007 due to the addition of a seventh home game and a ticket price increase. In 2006, football revenues increased by \$2.9 million due to a ticket price increase and a contribution increase for the existing luxury seating areas.
- Men's basketball revenue increased by \$2.0 million in 2007 due to a ticket price increase, creation of court side seating and additional contributions due to a new Gator Booster club level system for men's basketball.
- Auxiliaries revenue increased in 2007 by \$4.1 million due to a \$2.6 million increase in licensing, a \$0.8 million increase sportshop revenue, and a \$0.7 million increase in TV and radio rights fee revenues. Most of these increases were due to the football and men's basketball National Championships. In 2006, auxiliaries revenue increased by \$1.9 million due to increases in licensing, sportshop, golf course, TV and radio rights revenues.
- In 2007, other operating revenues increased by \$3.2 million as result of increased sponsorships and royalty revenue associated with the 100th anniversary of Florida football and concessions revenue from the additional home football game.
- Investment income increased in 2007 by \$4.8 million and decreased in 2006 \$0.6 million due to investment performance fluctuations.
- In both 2007 and 2006, sales taxes retained increased due to increases in home game ticket revenue and the local tax rate.
- In 2007, operating expenses increased by \$12.9 million. The \$7.2 million increase in team expenses was primarily attributable to increased salary costs for football and men's basketball, BCS football bowl expenses, costs associated with the baseball and women's basketball transitions and the hosting of various NCAA championship events. Support expenses increased by \$3.1 million due to the expenses associated with the 100th anniversary of Florida football and the cost for national championship celebrations for football and men's basketball. General and administrative increased by \$1.0 million due to administrative bonus' and related pension and payroll taxes.
- Operating expenses increased by \$2.7 million in 2006. Scholarship expenses increased primarily due to in-state and out-of-state tuition increases. Administrative and support expenses increased due to increases in utility costs and budgeted salary increases and the related pension and payroll taxes.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007 AND 2006
(Continued)

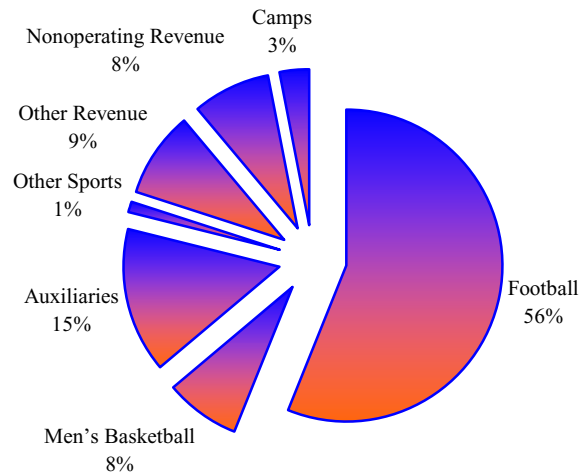
- Capital contributions are major gifts designated by the donors for facility construction, renovations and equipment purchases. Capital contributions in 2007 totaled \$8.6 million and included \$4.9 million for the football entrance project, \$1.4 million designated for the baseball project, \$1.0 million for the naming of the softball stadium, \$0.5 million for the naming of the football stadium Champions club, \$0.2 million for the naming of the golf course and other gifts totaling \$0.6 million. In 2006, capital contributions of \$3.6 million included \$1.4 million for the naming of the football stadium Champions club, \$0.4 million designated for the baseball project, \$0.4 million for a future team locker room at the golf course, \$0.3 million for naming of the football support facility at the practice field, \$0.3 million designated for the football practice field turf project, \$0.2 million for the future football entrance project, \$0.2 million for the naming of the golf course, \$0.2 million for the basketball practice facility and other gifts totaling \$0.2 million.
- Contributions to the University of Florida (UF) include unrestricted gifts for the academic mission of the University, contributions for designated purposes, and costs incurred by the Association for UF projects. Total contributions were \$3.3 million in 2007 and \$3.4 million in 2006. See Note 9 in the Notes to the Financial Statements for further details on contributions to UF.
- Contribution to the University of Florida Foundation (UFF) consisted of transfers by the Association to the athletic endowment fund as part of the 100 year celebration and men's basketball National Championship.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007 AND 2006
(Continued)

REVENUE 2006-2007

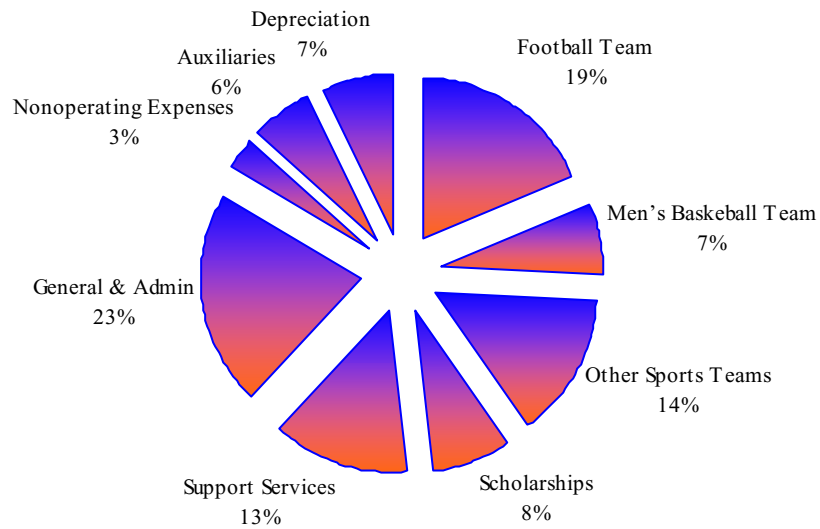


REVENUE 2005-2006

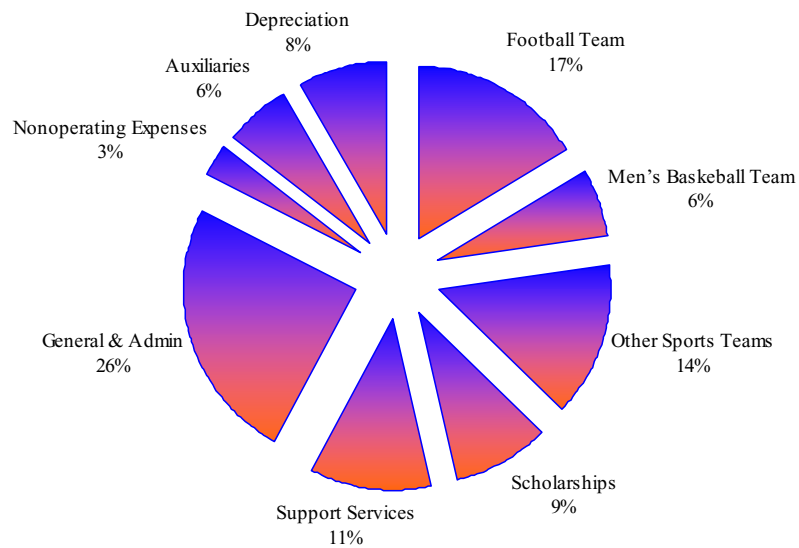


THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007 AND 2006
(Continued)

EXPENSES 2006-2007



EXPENSES 2005-2006



THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007 AND 2006
(Continued)

Statement of Cash Flows

The final statements presented include Statements of Cash Flows. The primary purpose of the Statements of Cash Flows is to provide relevant information about the cash receipts and cash payments of the Association during the years shown. The statements classify cash receipts and cash payments as they result from operating, noncapital financing, capital and related financing, or investing activities. The first section, cash flows from operating activities, presents the cash effects of transactions and other events that enter into the determination of the Association's operating income. The second section, cash flows from noncapital financing activities, shows the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes and includes contributions to and from UF and the State of Florida. The next section, cash flows from capital and related financing activities, provides information about cash used for the acquisition and construction of capital and related items and cash received from contributions specifically designated for capital purposes. The fourth section, cash flows from investing activities, details the purchases, proceeds and interest received from investing activities. The final section reconciles the net cash provided (used) by operating activities to the operating income reflected on the Statements of Revenues, Expenses, and Changes in Net Assets.

Condensed Summary of Cash Flows (thousands of dollars)							
		2007-2006		2006-2005			
		Increase	Percent		Increase	Percent	
	2007	2006	(decrease)	change	2005	(decrease)	change
Cash flows from:							
Operating activities	\$ 12,850	\$ 11,095	1,755	15.82%	\$ 1,877	9,218	491.10%
Noncapital financing activities	303	1,949	(1,646)	(84.45)%	2,031	(82)	(4.04)%
Capital & related financing activities	(9,936)	(1,839)	(8,097)	440.29%	(6,938)	5,099	(73.49)%
Investing activities	(1,545)	(11,552)	10,007	(86.63)%	(5,593)	(5,959)	106.54%
Net change in cash and cash equivalents	1,672	(347)	2,019	(581.84)%	(8,623)	8,276	(95.98)%
Cash and cash equivalents, end of year	\$ 5,705	\$ 4,033	1,672	41.46%	\$ 4,380	(347)	(7.92)%

Highlights

- Cash flows from operating activities increased by \$1.8 million in 2007 due to increased cash receipts from royalties, right and sponsors and cash receipts from ticket holders. In 2006, cash flows from operating activities increased by \$9.2 million due to increased cash contributions from Gator Boosters and cash receipts from ticket holders.
- Cash provided by noncapital financing activities decreased by \$1.6 million in 2007 and by \$82 thousand in 2006 due to increased cash contributed to the University of Florida.
- In 2007, cash used in capital and related financing activities increased by \$8.1 million due to the completion of the baseball project. Cash used in capital and related financing activities increased by \$5.1 million in 2006 due to the issuance of additional capital debt and the purchase of capital assets.
- Cash used in investing activities decreased by \$10.0 million in 2007 due to increased cash receipts from the sale and maturities of investment securities. In 2006, cash used in investing activities

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007 AND 2006
(Continued)

decreased by \$6.0 million due to increased cash payments for the purchases of investment securities.

Capital Asset and Debt Administration

A major renovation and expansion of the west side of Ben Hill Griffin Stadium was completed in August, 2003. The project was started in May, 2001. The expansion included a new club level, the Champions Club, and additional suites as well as expanded and renovated Bull Gator, Press and President's decks. The total cost of the football stadium expansion was approximately \$55.0 million of which \$5.0 million is being funded from private contributions and \$50.0 million from the 2001 bond issue.

In October, 2001, the Association issued \$57.4 million in tax-exempt revenue bonds. Proceeds of the bond issue were used to retire the outstanding 1994 Capital Improvement Revenue bonds and to pay costs associated with bond issuance and to fund a portion of the new basketball facility. The remaining proceeds were used for the football stadium expansion. In 2003, revenue from the pre-sold Champions Club level and additional suites was \$5.5 million per year, which exceeded the estimated debt service on the 2001 bonds. A total of \$54.5 million and \$55.3 million was outstanding at June 30, 2007 and 2006, respectively.

In September, 2005, the Association issued \$10.0 million in tax-exempt revenue bonds. Proceeds were used to finance the construction of improvements and the expansion of McKethan Stadium at Perry Field, the construction of a new football equipment storage facility/restroom/training room and renovation and improvements to the Lemerand Athletic Center. The total issue of \$10.0 million was outstanding at June 30, 2007 and 2006.

The 1990 tax-exempt revenue bonds remain outstanding (\$19.6 million at June 30, 2007 and 2006). The Association's total long term debt as of June 30, 2007 and 2006, was \$84.2 million and \$84.9 million, respectively.

All bonds are secured by the gross revenues of the Association and backed by an irrevocable letter of credit as collateral for their payment. The bond covenants include minimum requirements for net revenues and liquidity. These requirements were met in 2007 and 2006.

For additional information on Capital Assets and Long Term Obligations, see Notes 5 and 6 in the Notes to the Financial Statements.

Economic Outlook

The Association continues to be in excellent financial condition as a result of a supportive fan base and successful Gator Booster organization. Operating revenues are expected to increase in fiscal 2007-2008 due to ticket price increases in football and men's basketball, an increase in the football Gator Booster club level and per seat contributions and the Association's ability to capitalize on the National Championship's in football and men's basketball. The revenue increases will allow the Association to continue to operate its programs at the highest level, focusing on student athletes, teams, coaches and staff and maintaining facilities of the highest quality.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007 AND 2006
(Continued)

New Women's Sport

The Association's Board of Directors approved the addition of women's lacrosse at their June 14, 2006 meeting. The head coach was hired in June of 2007. The lacrosse timeline includes the completion of facilities in the 2008-2009 fiscal year and competition in the 2009-2010 fiscal year.

Contacting Management

This financial narrative is designed to provide the reader with a general overview of the University Athletic Association, Inc.'s finances and to show the Association's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Association's Business Office at Ben Hill Griffin Stadium, Gainesville, Florida:

The University Athletic Association, Inc.
Attn: Assistant Athletics Director/Controller
PO Box 14485
Gainesville, FL 32604-2485
(352) 375-4683

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
STATEMENTS OF NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 5,304,240	\$ 3,638,674
Short-term investments	41,821,109	37,901,470
Accounts receivable, net	11,619,311	6,767,880
Inventories	884,864	1,011,343
Prepaid expenses and other current assets	3,353,860	2,911,871
Restricted cash and cash equivalents	400,724	394,394
Restricted short-term investments	-	711,079
Total current assets	<u>63,384,108</u>	<u>53,336,711</u>
Noncurrent assets		
Assets held by the University of Florida Foundation, Inc.	108	21,221
Investments	39,942,393	34,056,060
Unamortized bond costs	551,937	595,951
Other assets	35,000	90,000
Capital assets, net of accumulated depreciation	<u>138,655,071</u>	<u>130,168,768</u>
Total noncurrent assets	<u>179,184,509</u>	<u>164,932,000</u>
Total assets	<u>242,568,617</u>	<u>218,268,711</u>
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable and accrued expenses	14,373,454	10,110,840
Accrued compensated absences - current portion	180,000	175,000
Long-term debt – current portion	735,000	765,000
Deferred revenues – current portion	46,373,971	41,865,680
Agency funds payable	<u>154,090</u>	<u>119,168</u>
Total current liabilities	<u>61,816,515</u>	<u>53,035,688</u>
Noncurrent liabilities		
Longevity incentive payable	549,571	596,903
Accrued compensated absences, less current portion	2,082,146	1,772,089
Deferred revenues, less current portion	508,872	187,340
Long-term debt, less current portion	<u>83,415,000</u>	<u>84,150,000</u>
Total noncurrent liabilities	<u>86,555,589</u>	<u>86,706,332</u>
Total liabilities	<u>148,372,104</u>	<u>139,742,020</u>
<u>NET ASSETS</u>		
Net assets		
Invested in capital assets, net of related debt	<u>55,131,272</u>	<u>46,627,945</u>
Restricted for:		
Capital projects	5,495,216	574,536
Debt service	400,724	394,394
Other purposes	-	14,727
	<u>5,895,940</u>	<u>983,657</u>
Unrestricted	<u>33,169,301</u>	<u>30,915,089</u>
Total net assets	<u>\$ 94,196,513</u>	<u>\$ 78,526,691</u>

The accompanying notes to financial statements
are an integral part of these statements.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Operating revenues		
Football	\$ 49,625,829	\$ 44,414,059
Men's basketball	7,963,107	5,963,584
Other sports	695,637	655,146
Auxiliaries	15,703,451	11,609,096
Camps	2,898,878	2,176,014
Sponsorships and other	10,535,415	7,328,726
Total operating revenues	<u>87,422,317</u>	<u>72,146,625</u>
Operating expenses		
Football team expenses	15,455,680	12,037,217
Men's basketball team expenses	6,526,327	4,787,528
Other sports team expenses	12,218,548	10,144,190
Scholarships	7,298,944	6,913,881
Support services	10,952,810	8,259,190
General and administrative	18,635,714	17,629,280
Auxiliaries	4,806,805	4,413,983
Camps	2,901,608	2,144,743
Depreciation and amortization	6,302,416	5,858,002
Total operating expenses	<u>85,098,852</u>	<u>72,188,014</u>
Operating income (loss)	<u>2,323,465</u>	<u>(41,389)</u>
Nonoperating revenues (expenses)		
Student fees	2,570,113	2,501,292
Investment income, net	7,471,259	2,641,710
Sales taxes retained	1,234,152	1,002,261
Interest on capital asset related debt	(2,961,858)	(2,583,111)
Other nonoperating revenues	451,805	451,805
Total nonoperating revenues (expenses)	<u>8,765,471</u>	<u>4,013,957</u>
Income before contributions	<u>11,088,936</u>	<u>3,972,568</u>
Capital contributions from Gator Boosters, Inc. and others	8,631,358	3,646,120
Contributions to the University of Florida	(3,336,018)	(3,406,649)
Contributions to the University of Florida Foundation, Inc.	(714,454)	-
Increase in net assets	<u>15,669,822</u>	<u>4,212,039</u>
Net assets, beginning of year	78,526,691	74,314,652
Net assets, end of year	<u>\$ 94,196,513</u>	<u>\$ 78,526,691</u>

The accompanying notes to financial statements
are an integral part of these statements.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Contributions from Gator Boosters, Inc.	\$ 25,695,945	\$ 25,638,282
Receipts from ticket holders and others	30,828,215	25,851,315
Receipts from the Southeastern Conference and NCAA	13,461,493	11,429,574
Receipts from rights, royalties, and sponsors	15,100,252	11,071,974
Other receipts	295,697	174,617
Payments to suppliers and others	(31,925,439)	(31,579,432)
Payments to employees	(33,071,881)	(24,653,175)
Payments for scholarships	(7,534,651)	(6,837,714)
Net cash provided by operating activities	<u>12,849,631</u>	<u>11,095,441</u>
Cash flows from noncapital financing activities		
Statutory distributions from the University of Florida and the State of Florida	4,256,070	3,955,358
Contributions to the University of Florida	(3,238,307)	(2,006,345)
Contributions to the University of Florida Foundation, Inc.	(714,454)	-
Net cash provided by noncapital financing activities	<u>303,309</u>	<u>1,949,013</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	(14,854,374)	(11,254,428)
Proceeds from capital debt	-	10,000,000
Capital contributions from Gator Boosters, Inc.	8,545,458	3,646,120
Capital contributions from others	140,900	60,000
Principal paid on bonds	(765,000)	(1,495,000)
Interest paid on bonds	(2,974,500)	(2,604,236)
Prepaid bond remarketing fee	(35,588)	(73,500)
Bond cost of issuance	-	(137,045)
Proceeds from sale of capital assets	6,800	18,764
Net cash used in capital and related financing activities	<u>(9,936,304)</u>	<u>(1,839,325)</u>
Cash flows from investing activities		
Purchases of investment securities	(70,174,302)	(60,416,158)
Proceeds from sale and maturities of investment securities	65,172,777	46,896,638
Interest and dividends received	3,456,785	1,967,560
Net cash used in investing activities	<u>(1,544,740)</u>	<u>(11,551,960)</u>
Net increase (decrease) in cash and cash equivalents	<u>1,671,896</u>	<u>(346,831)</u>
Cash and cash equivalents, beginning of year	4,033,068	4,379,899
Cash and cash equivalents, end of year	<u><u>\$ 5,704,964</u></u>	<u><u>\$ 4,033,068</u></u>

The accompanying notes to financial statements
are an integral part of these statements.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Continued)

	<u>2007</u>	<u>2006</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ 2,323,465	\$ (41,389)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	6,302,416	5,858,002
Loss on disposal of capital assets	144,807	704,927
Changes in assets and liabilities:		
Accounts receivable	(4,856,630)	2,015,319
Inventories	126,479	(335,339)
Prepaid expenses and other current assets	(434,871)	(308,375)
Assets held by the University of Florida Foundation, Inc.	21,113	-
Accounts payable and accrued expenses	4,135,391	781,852
Accrued compensated absences	315,057	261,406
Deferred revenues	4,829,823	1,707,870
Agency funds payable	34,922	119,168
Longevity incentive payable	(92,341)	332,000
Net cash provided by operating activities	<u>\$ 12,849,631</u>	<u>\$ 11,095,441</u>
Supplemental disclosure of noncash activity		
Decrease in investments and longevity incentive payable to reflect earnings on employee directed incentive balances	<u>\$ 70,009</u>	<u>\$ 16,209</u>
Cash and cash equivalents are presented on the Statements of Net Assets as:		
Cash and cash equivalents	\$ 5,304,240	\$ 3,638,674
Restricted cash and cash equivalents	400,724	394,394
	<u>\$ 5,704,964</u>	<u>\$ 4,033,068</u>

The accompanying notes to financial statements
are an integral part of these statements.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies of the University Athletic Association, Inc. (the Association), which affect significant elements of the accompanying basic financial statements.

(a) **Reporting entity**—The Association is a not-for-profit entity organized in 1929 for the purpose of conducting various intercollegiate athletic programs for and on behalf of the University of Florida. The Association operates for the service and convenience of the University of Florida and is a direct support organization and component unit (for accounting purposes only) of the University of Florida.

(b) **Measurement focus, basis of accounting, and financial statement presentation**—The financial statements of the Association have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred.

The Association follows all pronouncements of the Governmental Accounting Standards Board (GASB), and has elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

The Association distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses for the Association are those that result from the operation of the University of Florida's intercollegiate athletic programs. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. As required by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, capital contributions from Gator Boosters and others and contributions to the University of Florida and University of Florida Foundation are not considered operating revenues or expenses and are reported after nonoperating revenues and expenses in the accompanying statements of revenues, expenses, and changes in net assets.

(c) **Cash and cash equivalents**—Cash and cash equivalents include cash in banks and money market funds available for immediate use.

(d) **Accounts receivable**—Accounts receivable are stated at the amount management expects to collect from balances at year-end. Based on management's assessment of the credit history with organizations and individuals having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial. The Association has no policy requiring collateral or other security to support its accounts receivable.

(e) **Inventories**—Inventories consist of items held for sale at the Gator Sportshop, golf course pro shop and snack bar. Inventory items at the Gator Sportshop and the golf course pro shop are recorded at the lower of cost or market using the average cost method. All other inventory items are recorded at the lower of cost or market, as determined by using the first-in, first-out (FIFO) method.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(1) **Summary of Significant Accounting Policies:** (Continued)

(f) **Capital assets**—Capital assets purchased with an original cost of \$500 or more are recorded at cost and depreciated utilizing the straight-line method over the estimated useful lives of assets (generally 5 years for permanent equipment and 10 to 15 years for capital improvements, except for improvements to buildings which range from 50 to 60 years). Costs to maintain or repair these assets are expensed as incurred.

(g) **Assets held by the University of Florida Foundation, Inc.**—Assets held by the University of Florida Foundation, Inc. (the Foundation) consist of pooled investments and real estate. Substantially all investments are stated at fair value.

(h) **Agency funds**—The Association acts as an agent for the control and distribution of cash from the sale of Gator Growl tickets for the University of Florida. Such amounts are not included in the statements of revenues, expenses and changes in net assets.

(i) **Unamortized bond costs**—Unamortized bond costs consist of prepaid bond issuance and remarketing costs. These costs are being amortized utilizing the straight-line method over the term of the bonds or the length of the remarketing period.

(j) **Accrued compensated absences**—Eligible employees are entitled to vacation and sick leave with pay. Employees are not limited in the amount of annual and sick leave accrued during the fiscal year. For annual leave, however, only a maximum of 352 hours can be carried forward from one fiscal year to the next or paid upon termination provided the employee has completed six months of continuous service. Any amounts accrued over the maximums convert to sick leave at the end of the year on an hour for hour basis. Additionally, sick leave amounts paid upon termination are limited to the lesser of 480 hours or 1/4 of the employee's sick leave balances for those employees who have completed ten years of continuous service. Vacation pay and sick leave payments are expensed as earned by the employee.

(k) **Deferred revenues**—Current deferred revenues consist of advance sales of football tickets, related scholarship contributions, and miscellaneous other unearned fees received. The deferred items are recognized as revenue when the related football games are played, when the related scholarship expenses are incurred, and when the service is performed or event occurs for which miscellaneous fees were received.

Additionally, deferred revenues included in other liabilities consist of booster prepayments and advance sponsorship payments. The sponsorship amounts are recognized over the life of the agreements, while the booster prepayments will be recognized in the applicable sports season.

(l) **Longevity incentive payable**—These balances represent amounts due to various coaches and employees as specified in their employment contracts. Such amounts are accrued based upon schedules included in the respective employment contracts. In some circumstances, the coach or employee's employment contract may require the Association to make specified deposits into an employee directed investment account until such time as the coach or employee has reached the stay period specified in their contract. These investment balances would transfer to the coach or employee at the end of the stay period and are included in investments in the accompanying statements of net assets. In other circumstances, the Association is obligated to pay certain amounts to the coach or employee which are not paid until the end of the stay period. The Association accrues for these amounts ratably over the contract period. No payments are made to the coach or employee until they have reached the stay period specified in their contract.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(1) **Summary of Significant Accounting Policies:** (Continued)

(m) **Net assets**—Net assets are classified and displayed in three components:

- Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to those assets.
- Restricted – consists of assets that have constraints placed upon their use either by external donors or creditors or through laws, regulations or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets.
- Unrestricted – consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted net assets are available for use, it is the Association’s policy to use restricted resources first, then unrestricted resources as they are needed.

(n) **Restricted net assets**—Restricted net assets consist of capital contributions received for specific future capital projects, funds held by the bond trustee for payments on the bonds, and other funds which have been restricted as to their use by donors.

(o) **Functional allocation of expenses**—The costs of providing various programs and other activities have been summarized by program in the accompanying statements of revenues, expenses, and changes in net assets. However, certain costs categorized as Support Services and General and Administrative are not specifically identifiable with men’s and women’s programs and are not allocated. As a result, no distinction between men’s and women’s programs has been made within these expense classifications.

(p) **Sales taxes retained**—In accordance with Chapter 1006, Section 71 of the Florida Statutes, the Association retains an amount equal to sales taxes collected from ticket sales to athletic events for use in the support of women’s athletic programs.

(q) **Income taxes**—The Association is generally exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

(r) **In-kind contributions**—Donations of materials and services are recorded at their fair market value at the date of donation.

(s) **Reclassifications**—In order to facilitate the comparison of financial data, certain June 30, 2006 account balances have been reclassified to conform to the current year reporting format. These reclassifications had no effect on net assets.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(2) Cash and Investments:

A. Cash and Cash Equivalents:

The amounts reported as cash and cash equivalents include cash on hand, cash in bank demand accounts, cash held at the University of Florida and money market funds. Cash and cash equivalents at June 30, 2007 and 2006, were as follows:

	<u>2007</u>	<u>2006</u>
Money market funds	\$ 5,507,212	\$ 3,469,048
Cash in bank demand accounts	(2,261,886)	(2,751,643)
Cash held at the University of Florida	1,988,514	2,870,869
Cash on hand	70,400	50,400
Restricted cash in bank demand accounts	400,724	394,394
Cash and cash equivalents	<u>\$ 5,704,964</u>	<u>\$ 4,033,068</u>

Cash in bank demand accounts is held in a regional and a national bank. Bank account balances for these bank demand accounts as of June 30, 2007 and 2006, were \$1,363,902 and \$679,029, respectively. Deposits are uncollateralized and are insured up to \$100,000 by the Federal Deposit Insurance Corporation. Money market funds are uninsured and collateralized by securities held by the institution, not in the Association's name. For deposits, custodial credit risk is the risk that in the event of a bank failure, the Association's deposits may not be returned to it. The Association does not have a policy for custodial credit risk.

B. Investments:

The Association follows the provisions of GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This statement requires that government entities report investments at fair value, except that money market investments that have a remaining maturity at the time of purchase of one year or less, may be reported at amortized cost provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. For purposes of GASB Statement No. 31, money market investments are defined as short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations.

Short-term investments are comprised of mutual funds and investment accounts with the State of Florida Division of Treasury and State Board of Administration and are reported at fair value. Other investments include mutual funds and commingled funds that are reported at fair value as determined by their net asset values at year-end. The classification of investments between short-term and long-term is based on management's anticipated cash flow needs. However, the needs of the organization may require the sale or retention of investment balances which differ from the classifications reflected in the accompanying statements of net assets.

The Association's corporate investment policy divides the Association's assets into two portfolios, the long-term portfolio and the short-term portfolio. The policy states that the short-term portfolio invests in cash and equivalents and the long-term portfolio invests in a diversified portfolio of commingled and/or mutual funds in the following classes: Domestic Large Cap Equity, Domestic Small Cap Equity, International Equity and Fixed Income.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(2) **Cash and Investments:** (Continued)

As of June 30, 2007 and 2006, the Association had the following investments:

	<u>2007</u>	<u>2006</u>
Short term investments:		
External Investment Pools:		
Florida State Treasury Special Purpose Investment Account	\$ 40,089,723	\$ 37,901,470
Investment Pool Florida State Board of Administration	1,731,386	-
Subtotal	<u>41,821,109</u>	<u>37,901,470</u>
Restricted short term investments:		
Florida State Treasury Special Purpose Investment Account	<u>-</u>	<u>711,079</u>
Investments:		
Domestic equity mutual funds and commingled funds	21,255,293	18,073,000
International equity mutual funds	9,569,375	7,221,762
Debt securities mutual fund	8,761,154	8,326,395
Employee directed investments	356,571	434,903
Subtotal	<u>39,942,393</u>	<u>34,056,060</u>
Total investments	<u>\$ 81,763,502</u>	<u>\$ 72,668,609</u>

The Association's short term investments include pooled investments with the State of Florida Treasury Investment Pool and the Florida State Board of Administration Investment Pool.

The Association's investment in the State Treasury Special Purpose Investment Account (SPIA) represents ownership of a share of the pool, not the underlying securities. The State Treasury has taken the position that participants in the pool should disclose information related to interest rate risk and credit risk. The SPIA carried a credit rating of AA-f by Standard and Poor's and had an effective duration of 3.21 years and 2.72 years at June 30, 2007 and 2006, respectively. The Association relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool.

The Local Government Investment Pool is administered by State Board of Administration (SBA) pursuant to Section 218.405, of the Florida Statutes and is a Securities and Exchange Commission Rule 2a-7 like external investment pool, similar to money market funds in which shares are owned in the fund rather than the actual underlying investments. The SBA has taken the position that participants in the pool are not required to disclose information related to interest rate risk, custodial credit risk, concentration of credit risk and foreign currency risk. The investment pool was not rated nationally by a recognized statistical rating agency as of June 30, 2007. The June 30, 2007 weighted average days to maturity were 26.

Disclosures for the SPIA and SBA investment pools are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

The Association's long term investments include an investment in a bond mutual fund, the PIMCO Total Return Fund Institutional Class. As of June 30, 2007 and 2006, this fund was unrated, however, the underlying investments in this fund had an average credit quality rating of AA+ and AAA, respectively, and a weighted average duration to maturity of 5.07 and 5.3 years, respectively. Long term investments also include employee directed investments. Several coaches have a longevity plan built into their employment contract, whereby a specified amount is deposited into an investment account of their choice.

The Association does not have a policy for credit risk or interest rate risk associated with its investments.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(2) **Cash and Investments:** (Continued)

C. Restricted Assets:

The Association's restricted assets include cash and cash equivalents held for the payment of accrued interest on the 1990, 2001 and 2005 series bonds, which is due in October. Additionally, in 2006, restricted assets included the 2005 bond construction trust fund. Those funds were held in a short term investment account with the State of Florida Division of Treasury. Restricted assets were included in both the cash and cash equivalents and short term investments schedules, as applicable.

(3) **Accounts Receivable:**

Accounts receivable at June 30, 2007 and 2006, consist of the following:

	<u>2007</u>	<u>2006</u>
Ticket accounts receivable	\$ 2,060,750	\$ 220,482
Gator Boosters, Inc.	6,634,267	5,096,832
SEC and NCAA	77,485	57,592
Royalties and sponsorships	371,641	1,258,460
Other receivables	<u>2,542,955</u>	<u>200,226</u>
Total accounts receivable	11,687,098	6,833,592
Less allowance for doubtful accounts	<u>(67,787)</u>	<u>(65,712)</u>
Total accounts receivable, net	<u>\$ 11,619,311</u>	<u>\$ 6,767,880</u>

(4) **Accounts Payable and Accrued Expenses:**

Accounts payable and accrued expenses consist of the following at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Vendors	\$ 9,008,992	\$ 5,610,313
Salaries and benefits	4,475,054	3,527,417
Accrued interest	687,462	683,157
Gator Boosters, Inc.	172,565	256,913
Other	<u>29,381</u>	<u>33,040</u>
Total accounts payable and accrued expenses	<u>\$ 14,373,454</u>	<u>\$ 10,110,840</u>

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(5) **Capital Assets:**

Capital asset activity for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 567,039	\$ -	\$ -	\$ 567,039
Construction in progress	<u>10,542,875</u>	<u>9,544,771</u>	<u>(12,688,313)</u>	<u>7,399,333</u>
Total capital assets not being depreciated	<u>11,109,914</u>	<u>9,544,771</u>	<u>(12,688,313)</u>	<u>7,966,372</u>
Capital assets being depreciated:				
Buildings and improvements	5,843,381	-	-	5,843,381
Furniture and equipment	19,022,612	1,001,276	(124,585)	19,899,303
Leasehold improvements	<u>136,966,606</u>	<u>17,083,204</u>	<u>(772,667)</u>	<u>153,277,143</u>
Total capital assets being depreciated	<u>161,832,599</u>	<u>18,084,480</u>	<u>(897,252)</u>	<u>179,019,827</u>
Less accumulated depreciation for:				
Buildings and improvements	1,856,667	233,616	-	2,090,283
Furniture and equipment	10,117,968	1,554,852	(117,906)	11,554,914
Leasehold improvements	<u>30,799,110</u>	<u>4,513,948</u>	<u>(627,127)</u>	<u>34,685,931</u>
Total accumulated depreciation	<u>42,773,745</u>	<u>6,302,416</u>	<u>(745,033)</u>	<u>48,331,128</u>
Total capital assets being depreciated, net	119,058,854	11,782,064	(152,219)	130,688,699
Capital assets, net	<u>\$130,168,768</u>	<u>\$ 21,326,835</u>	<u>\$ (12,840,532)</u>	<u>\$138,655,071</u>

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(5) **Capital Assets:** (Continued)

Capital asset activity for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 567,039	\$ -	\$ -	\$ 567,039
Construction in progress	1,536,640	10,228,670	(1,222,435)	10,542,875
Total capital assets not being depreciated	<u>2,103,679</u>	<u>10,228,670</u>	<u>(1,222,435)</u>	<u>11,109,914</u>
Capital assets being depreciated:				
Buildings and improvements	5,843,381	-	-	5,843,381
Furniture and equipment	21,075,394	1,066,312	(3,119,094)	19,022,612
Leasehold improvements	137,224,703	1,340,073	(1,598,170)	136,966,606
Total capital assets being depreciated	<u>164,143,478</u>	<u>2,406,385</u>	<u>(4,717,264)</u>	<u>161,832,599</u>
Less accumulated depreciation for:				
Buildings and improvements	1,623,051	233,616	-	1,856,667
Furniture and equipment	11,631,766	1,580,394	(3,094,192)	10,117,968
Leasehold improvements	27,634,265	4,043,992	(879,147)	30,799,110
Total accumulated depreciation	<u>40,889,082</u>	<u>5,858,002</u>	<u>(3,973,339)</u>	<u>42,773,745</u>
Total capital assets being depreciated, net	123,254,396	(3,451,617)	(743,925)	119,058,854
Capital assets, net	<u>\$125,358,075</u>	<u>\$ 6,777,053</u>	<u>\$ (1,966,360)</u>	<u>\$130,168,768</u>

At June 30, 2007, the Association has commitments to provide for additional capital improvement projects approximating \$24,866,000.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(6) Long-Term Obligations:

The change in long-term obligations for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Accrued compensated absences	\$ 1,947,089	\$ 807,343	\$ (492,286)	\$ 2,262,146	\$ 180,000
Longevity incentive payable	721,903	401,009	(423,341)	699,571	150,000
Deferred revenues	42,053,020	46,878,572	(42,048,749)	46,882,843	46,373,971
Long-term debt	84,915,000	-	(765,000)	84,150,000	735,000
Total long-term liabilities	<u>\$129,637,012</u>	<u>\$48,086,924</u>	<u>\$ (43,729,376)</u>	<u>\$133,994,560</u>	<u>\$ 47,438,971</u>

The change in long-term obligations for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Accrued compensated absences	\$ 1,685,683	\$ 608,731	\$ (347,325)	\$ 1,947,089	\$ 175,000
Longevity incentive payable	373,694	521,209	(173,000)	721,903	125,000
Deferred revenues	40,345,150	41,865,680	(40,157,810)	42,053,020	41,865,680
Long-term debt	76,410,000	10,000,000	(1,495,000)	84,915,000	765,000
Total long-term liabilities	<u>\$118,814,527</u>	<u>\$52,995,620</u>	<u>\$ (42,173,135)</u>	<u>\$129,637,012</u>	<u>\$ 42,930,680</u>

A. Long-term Debt

In February 1990, the Association issued \$10,715,000 in tax-exempt revenue bonds. Proceeds of \$10,559,000 were used to retire the outstanding 1982 and 1985 Stadium Revenue Bonds and pay accrued interest and costs associated with issuance. In December 1990, the Association issued an additional \$17,300,000 in tax-exempt revenue bonds. Proceeds of the December 1990 issue were used to finance the construction cost of the North End Zone, and pay accrued interest and costs associated with issuance. Initially, the 1990 Bonds bore an interest at the Daily Rate.

In August 1994, an additional \$5,000,000 in tax-exempt revenue bonds was issued by the Association. Proceeds of the 1994 issuance were used to finance the construction of a volleyball practice gymnasium and to renovate the athletic field house. Both the 1990 and 1994 Series bonds were scheduled to mature in the year 2020 and were secured by the gross revenues of the Association.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(6) Long-Term Obligations: (Continued)

In October 2001, the Association issued \$57,400,000 in tax-exempt revenue bonds. Proceeds of \$4,688,193 were used to retire the outstanding 1994 Capital Improvement Revenue Bonds and pay costs associated with issuance. The remaining proceeds are being used to finance the construction cost of the Basketball Practice Facility and the expansion of Ben Hill Griffin, Jr. Stadium. Construction of the Basketball Practice Facility was completed in 2002 and construction on the stadium was completed in 2004. The 2001 Series Athletic Program Revenue Bonds mature in the year 2031 and initially bore an interest at the Multiannual Rate.

In September 2005, the Association issued \$10,000,000 in tax-exempt revenue bonds. Proceeds were used to finance the construction of improvements and the expansion of McKethan Stadium at Perry Field, the construction of a new football equipment storage facility/restroom/training room and the renovation and improvements to the Lemerand Athletic Center (collectively, the "2005 Project"). Construction on the 2005 Project was completed in October, 2006. Initially, the 2005 Bonds bear interest at the Multiannual Rate.

Also in September 2005, the Association redeemed \$800,000 of the Series 1990 Capital Improvement Revenue Bonds and converted all the remaining, outstanding 1990 Bonds (\$19,600,000) to bear interest at the Multiannual Rate.

In October 2005, the Association converted a portion (\$11,705,000) of the 2001 Bonds to the Daily Rate (as specified by the remarketing agent).

At June 30, 2007 and 2006, the 1990 Bonds bear interest based upon the following schedule:

June 30, 2007			June 30, 2006		
Outstanding Amount	Term	Interest Rate	Outstanding Amount	Term	Interest Rate
\$ 9,600,000	9/1/05 – 10/1/09	3.40%	\$ 9,600,000	9/1/05 – 10/1/09	3.40%
10,000,000	9/1/05 – 10/1/10	3.50%	10,000,000	9/1/05 – 10/1/10	3.50%
<u>\$ 19,600,000</u>			<u>\$ 19,600,000</u>		

At June 30, 2007 and 2006, the 2001 Bonds bear interest based upon the following schedule:

June 30, 2007			June 30, 2006		
Outstanding Amount	Term	Interest Rate	Outstanding Amount	Term	Interest Rate
\$ 11,705,000	Daily Rate	Variable	\$ 11,705,000	Daily Rate	Variable
14,335,000	10/1/03 – 10/1/08	2.80%	14,335,000	10/1/03 – 10/1/08	2.80%
14,275,000	10/1/04 – 10/1/09	3.00%	14,275,000	10/1/04 – 10/1/09	3.00%
14,235,000	10/1/06 – 10/1/11	3.80%	15,000,000	10/1/01 – 10/1/06	3.50%
<u>\$ 54,550,000</u>			<u>\$ 55,315,000</u>		

The Daily Rate at June 30, 2007 and 2006 was 3.9% and 4.05%, respectively.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(6) **Long-Term Obligations:** (Continued)

At June 30, 2007 and 2006, the 2005 Bonds bear interest based upon the following schedule:

June 30, 2007			June 30, 2006		
Outstanding Amount	Term	Interest Rate	Outstanding Amount	Term	Interest Rate
<u>\$ 10,000,000</u>	9/1/05 – 10/1/08	3.30%	<u>\$ 10,000,000</u>	9/1/05 – 10/1/08	3.30%

Debt service requirements at June 30, 2007, were as follows:

Year Ended June 30,	2005 Bonds		2001 Bonds		1990 Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ -	\$ 330,000	\$ 735,000	\$1,808,418	\$ -	\$ 676,200
2009	2,400,000	270,600	710,000	1,784,431	-	676,200
2010	600,000	235,950	790,000	1,758,644	4,000,000	572,700
2011	600,000	216,150	770,000	1,732,689	1,200,000	507,150
2012	600,000	196,350	755,000	1,707,278	1,200,000	465,750
2013 – 2017	3,000,000	684,750	3,875,000	8,137,023	7,500,000	1,599,939
2018 – 2022	2,800,000	181,500	6,250,000	7,446,920	5,700,000	252,713
2023 – 2027	-	-	18,230,000	5,181,154	-	-
2028 – 2032	-	-	22,435,000	1,753,327	-	-
	<u>\$10,000,000</u>	<u>\$ 2,115,300</u>	<u>\$54,550,000</u>	<u>\$31,309,884</u>	<u>\$19,600,000</u>	<u>\$ 4,750,652</u>

The Association is subject to certain general and financial covenants related to the Bond agreements (the Agreements). The first financial covenant requires the Association to maintain a Net Revenues to Debt Service ratio, as defined in the Agreements, of greater than 1.1:1, tested annually at the end of each fiscal year. The Association's ratio of net revenues to required principal and interest was 4.69 and 2.19 in 2007 and 2006, respectively. The second financial covenant requires the Association to maintain unrestricted cash, marketable securities and investments in an amount greater than twenty-five percent (25%) of its total indebtedness measured at the end of the fiscal year. At June 30, 2007, the required amount of liquidity was \$21,037,500 and the actual amount was in excess of \$87,000,000. At June 30, 2006, the required amount of liquidity was \$21,228,750 and the actual amount was in excess of \$75,500,000.

In conjunction with the Agreements, the Association entered into an irrevocable letter of credit agreement with the insurer of the bonds as collateral for their payment. The irrevocable letter of credit has been amended and restated with each bond issue. The current letter of credit agreement was dated September 1, 2005 and was issued in an initial amount not to exceed \$86,722,930 ("Stated Amount"), of which an amount not to exceed \$85,610,000 ("Principal Component") may be drawn upon with respect to the payment of the unpaid principal and an amount not to exceed \$1,112,930 ("Interest Component") may be drawn upon with respect to the payment of interest. The Interest Component is an amount equal to 39

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(6) Long-Term Obligations: (Continued)

days of interest on the bonds' outstanding principal at a rate of 12%, computed on the basis of a 360-day year. The balance on the letter of credit at June 30, 2007, was \$85,243,950. The current letter of credit expires on October 15, 2011. The Association pays a fee in order to retain the letter of credit which currently equal to 0.18% of the outstanding letter of credit balance and is valid through September 30, 2007. The fee is scheduled to increase on October 1, 2007. The fee is paid in arrears on the first day of each quarterly period.

B. Deferred Revenues

Changes in current deferred revenues for June 30, 2007 and 2006, are as follows:

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 41,865,680	\$ 39,072,457
Additions:		
Advance football ticket sales	18,733,255	14,865,005
Unearned booster contributions	26,477,772	24,497,083
Unearned amenities	1,025,982	957,053
Unearned other income	132,691	1,546,539
Total additions	<u>46,369,700</u>	<u>41,865,680</u>
Deductions:		
Earned football revenue	(14,865,005)	(14,313,673)
Earned booster contributions	(24,497,083)	(22,986,046)
Earned amenities	(952,782)	(720,155)
Earned other income	(1,546,539)	(1,052,583)
Total deductions	<u>(41,861,409)</u>	<u>(39,072,457)</u>
Balance, end of year	<u>\$ 46,373,971</u>	<u>\$ 41,865,680</u>

Changes in long term deferred revenues for June 30, 2007 and 2006, are as follows:

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 187,340	\$ 1,272,693
Additions:		
Unearned booster contributions	418,872	-
Unearned sponsorships	90,000	-
Total additions	<u>508,872</u>	<u>-</u>
Deductions:		
Booster contributions reclassified to current	(187,340)	(154,353)
Sponsorships recognized	-	(160,000)
Royalties recognized	-	(771,000)
Total deductions	<u>(187,340)</u>	<u>(1,085,353)</u>
Balance, end of year	<u>\$ 508,872</u>	<u>\$ 187,340</u>

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(7) Pension Plan:

In 1979, the Association established The University Athletic Association, Inc. Employees' Money Purchase Pension Plan and Trust, a defined contribution pension plan covering substantially all full-time employees. Total pension expense for the plan was \$1,704,742 and \$2,310,083 (net of forfeitures of \$258,942 and \$200,175, respectively) for the years ended June 30, 2007 and 2006, respectively. Contributions are made by the Association to the pension plan based on 12% of an eligible employee's earnings. During the years ended June 30, 2007 and 2006, total pension applicable payroll for employees covered under the plan was \$17,329,183 and \$15,078,930, which represented approximately 62% and 72% of total payroll for the years ended June 30, 2007 and 2006, respectively.

(8) Related-Party Transactions:

Gator Boosters, Inc. receives contributions from the general public and remits the majority of these funds (less their operating expenses) to the Association. Contributions of \$33,610,966 and \$27,116,732 were recognized from Gator Boosters, Inc., for the years ended June 30, 2007 and 2006, respectively, and have been included in the accompanying statements of revenues, expenses, and changes in net assets. Additionally, beginning in 2004, the Association contracted to provide accounting and other support services to Gator Boosters. The Association recognized contract revenue in the amount of \$65,000 and \$53,000 for the year ended June 30, 2007 and 2006, respectively.

Gator Boosters, Inc. recognizes contribution expense for amounts remitted to the Association in the year in which such amounts are remitted. The Association, however, does not recognize these amounts as revenue until the year in which the related athletic event is held or the year when the related scholarship expenses are incurred. A reconciliation of contribution revenues from Gator Boosters, Inc. as recognized in the accompanying statements of revenues, expenses, and changes in net assets to contributions expense as reflected in the financial statements of Gator Boosters, Inc. for the years ended June 30, 2007 and 2006, is as follows:

	<u>2007</u>	<u>2006</u>
Contributions to the Association, as reported in the financial statements of Gator Boosters, Inc.	\$ 35,863,187	\$ 28,473,414
Recognition of prior year amounts received from Gator Boosters, Inc. that were previously deferred	24,684,422	23,327,742
Deferral of amounts received from Gator Boosters, Inc. in the current year	(26,936,643)	(24,684,424)
Contributions from Gator Boosters, Inc., as recognized in the accompanying statements of revenues, expenses, and changes in net assets	<u>\$ 33,610,966</u>	<u>\$ 27,116,732</u>

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(9) Contributions to the University of Florida:

Contributions to the University of Florida for the years ended June 30, 2007 and 2006, consisted of gifts for the following purposes:

	<u>2007</u>	<u>2006</u>
Opportunity scholarship program	\$ -	\$ 1,100,000
Logo profits	2,524,376	1,326,665
Parking facilities	265,000	200,000
Broward teaching center (strategic plan support)	200,000	200,000
Registrar and financial aid positions	107,153	158,856
Salaries	154,155	134,628
AIM scholarship program grant	-	200,000
Library	50,000	50,000
General scholarships	2,000	3,166
Council for Economic Outreach	33,334	33,334
Total contributions to University of the Florida	<u>\$ 3,336,018</u>	<u>\$ 3,406,649</u>

The Association has committed to contribute \$265,000 for 2007 and 2008, for parking facilities usage for athletic events. In 2001, the Association agreed to contribute \$33,334 per year for five years for the Council for Economic Outreach. In 2006, the Association agreed to continue to contribute \$33,334 per year for an additional five years for the Council for Economic Outreach. The final contribution will be made during fiscal year 2010.

(10) Contributions to the University of Florida Foundation, Inc.:

The Association conducted several fund raising initiatives during the 2006-2007 fiscal year to celebrate the 100 Years of Gator Football, including the sale of Gator Walk bricks. The profits of \$528,653 from the sale of these bricks were contributed to the University of Florida Foundation, Inc. and included in the athletic scholarship endowment. Additionally, contributions in the amount of \$102,529, received for the 100 Years of Gator Football were also contributed to the University of Florida Foundation, Inc. and included in the athletic scholarship endowment. The Association sold pieces of the 2007 Men's Basketball National Championship Final Four floor. The profits of \$83,272 from the sale of the floor pieces were contributed to the University of Florida Foundation, Inc. and included in the athletic scholarship endowment.

(11) Operating Leases:

The Association leases various equipment and facilities under operating leases. Total rent expense for the years ended June 30, 2007 and 2006, was \$687,467 and \$605,649, respectively. Included in rent expense for the years ended June 30, 2007 and 2006, was \$626,755 and \$546,884, respectively, in rent paid to the University of Florida for rental of the O'Connell Center and recreational sports fields. In addition, the Association has a long-term lease between the Association and the University of Florida Board of Trustees for the lease of various other athletic facilities on the University campus. There are no rental payments due under the lease.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(11) **Operating Leases:** (Continued)

Future minimum lease payments under noncancelable operating lease agreements for the next five years are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 231,861
2009	8,164
2010	8,164
2011	8,164
2012	8,164
	<u>\$ 264,517</u>

(12) **Commitments Under Employment Contracts:**

The Association has entered into employment contracts with certain employees expiring in years through 2014 that provide for a minimum annual salary. At June 30, 2007, the total commitment for all contracts for each of the next five years and in the aggregate is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 9,555,089
2009	9,712,030
2010	8,922,623
2011	8,153,962
2012	8,032,202
2013 – 2018	13,244,419
	<u>\$ 57,620,325</u>

(13) **Risk Management:**

The Association purchased conventional commercial insurance coverage for potential exposures in the areas of property, workers' compensation, automobile liability and physical damage, and other general liability exposures. This insurance was purchased from various independent carriers and is designed to insure against such risks and minimize the Association's financial exposure. The Association also participates with the employees in the purchase of group health, dental and life insurance for its employees and their families.

The Association has also purchased commercial insurance to cover injuries to student athletes received during practice or play. This policy requires a \$10,000 deductible per athlete per incident. Any amounts paid by the athletes' private insurance carriers can be applied to the Association's deductible. Total athlete medical expenses were \$678,915 and \$462,600 for the years ended June 30, 2007 and 2006, respectively. Estimated liabilities relating to unpaid and incurred but not reported claims were considered immaterial, and therefore have not been reported in the accompanying financial statements.

The Association is not involved in any risk pools with other governmental entities.

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AND CONSULTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Audit Committee,
The University Athletic Association, Inc.:

We have audited the financial statements of The University Athletic Association, Inc. (the Association) as of and for the year ended June 30, 2007, and have issued our report thereon dated September 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Association in a separate letter dated September 7, 2007.

This report is intended solely for the information and use of the Audit Committee and management of the Association, and the Board of Trustees and management of the University of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.

Gainesville, Florida
September 7, 2007

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

**THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
JUNE 30, 2006 AND 2005
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JAMES MOORE & CO., P.L.

CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

The Audit Committee,
The University Athletic Association, Inc.:

We have audited the accompanying basic financial statements of The University Athletic Association, Inc. (the Association), a direct support organization and component unit (for accounting purposes only) of the University of Florida, as of and for the years ended June 30, 2006 and 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Association's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2006 and 2005, and its revenues, expenses, and changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2006, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Gainesville, Florida
August 30, 2006

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006 AND 2005
(Continued)

Introduction

The University Athletic Association, Inc. (the Association), a not-for-profit corporation, is a Direct Support Organization of the University of Florida (UF). The Association exists to advance UF's teaching, research and service missions through the intercollegiate athletics program.

The Association's goal is to be the nation's finest intercollegiate athletics program, where each coach has challenging and rewarding career opportunities and each student-athlete has every opportunity for athletic and academic success. The Association recognizes its responsibility to UF to operate the Association in an efficient manner using sound business principles within an ethical decision making process.

The tremendous success of the athletic program can be attributed to many factors: outstanding coaches and support staff, extremely talented student-athletes, a great academic institution, a strong recruiting base, university support and a commitment to each sport. The Association's financial strength is also a key component in its success and is a major factor in maintaining or surpassing its current level of achievement in all the Association's endeavors.

Overview of the Financial Statements and Financial Analysis

The Association is pleased to present its financial statements for the fiscal years ended June 30, 2006 and 2005. This Discussion and Analysis is a narrative explanation of the Association's financial condition and operating activities for these years. The overview presented below highlights the significant financial activities that occurred during the past two years and describes changes in financial activity from the prior year. Please read this overview in conjunction with the comparative summaries of net assets and revenues, expenses and changes in net assets and the Association's financial statements which begin on Page 13.

Using these Financial Statements

This report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments* and Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Colleges and Universities*.

There are three financial statements presented: the Statements of Net Assets; the Statements of Revenues, Expenses and Changes in Net Assets; and the Statements of Cash Flows.

The Association's net assets are one indicator of the improvement or erosion of its financial health when considered with non-financial facts such as the overall academic and athletic success of the intercollegiate athletic program and the condition of its facilities. This success is evidenced by:

- A men's basketball national title and a runner-up finish by the men's golf team paced the University of Florida athletics program to a fifth-place finish overall in the 2005-2006 Sports Academy Directors' Cup competition. The national all-sports competition award is presented annually by the National Association of Collegiate Directors of Athletics (NACDA), United Sports Academy and USA Today. The finish marks Florida's 23rd consecutive position among the nation's top-10 programs. Florida and UCLA are the only schools to finish in the top 10 in national all-sports rankings every year since 1983-1984.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006 AND 2005
(Continued)

- Florida's fifth place finish in the Director's Cup standings was the highest by any school in the Southeastern Conference (SEC) and the first top-five finish by the Gators since 2001-2002.
- The University of Florida men's basketball team set a school record with 33 wins in route to capturing its first national title. The Gators opened the season with a 17-0 mark, the best start in school history and when it was all said and done, the 2005-06 team tied or set 40 Florida, SEC and NCAA individual and team records.
- A total of ten Gator athletic teams finished in top 10 of their respective sports, including six finishes in the top five. Florida won two SEC Championships in 2005-2006, to raise its total to 45 since the 1996-1997 academic year, the most by any conference school during the 10-year span. The Gators won the SEC title in volleyball and women's tennis.
- Florida was also successful away from the athletic arena in 2005-2006, as the Gators had 186 SEC Academic Honor Roll accolades. The total ranks as the second-highest in school history.
- In an era when the NCAA estimates that 70 percent of Division I schools are losing money on intercollegiate athletics, the Association has contributed more than \$35.7 million since 1990 to help fund University of Florida academic endeavors.
- In June 2006, University of Florida Athletic Director Jeremy Foley was named the 2006 Street & Smith's SportsBusiness Journal's National Athletic Director of the Year.
- Over 979,000 fans attended 162 home events in 2005-2006. Four UF teams ranked among the nation's top 10 in attendance.
- UF student-athletes, partnering with 35 schools, 24 civic groups and 18 non-profit organizations, participating in Goodwill Gator activities by volunteering more than 2,900 hours of community service.

Summary of Net Assets

The Statements of Net Assets present the assets, liabilities and net assets of the Association as of the end of the last two fiscal years. A Statement of Net Assets is a point-in-time financial statement. Its purpose is to present to the readers of the financial statements a fiscal snapshot of the Association. The Statements of Net Assets present end-of-the-year data concerning Assets (what the Association owns and how much is owed to the Association by others), Liabilities (what the Association owes to others and has collected from others before the service has been provided), and Net Assets (Assets minus Liabilities). The statements are prepared using the economic resources measurement focus and the accrual basis of accounting, where revenues are recorded when they are earned and expenses are recognized when they are incurred.

From the data presented, readers of the Statements of Net Assets are able to determine the assets available to continue the operations of the Association. They are able to determine how much the Association owes to vendors and lending institutions. Finally, the Statements of Net Assets provide a picture of the net assets and their availability for expenditure by the Association.

Net Assets are divided into three major categories. The first category, "invested in capital assets, net of related debt", presents the Association's equity in property, plant and equipment. The next net asset category is "restricted" net assets. The Association's restricted net assets have constraints placed upon their use by independent donors. The final category is "unrestricted" net assets. Unrestricted assets are available to the Association for any legal use.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006 AND 2005
(Continued)

Condensed Summary of Net Assets (thousands of dollars)							
		2005-2006			2005-2004		
	2006	2005	Increase (decrease)	Percent change	2004	Increase (decrease)	Percent change
Assets:							
Current assets	\$ 53,337	\$ 43,582	9,755	22.38%	\$ 40,148	3,434	8.55%
Capital assets, net of depreciation	130,169	125,358	4,811	3.84%	124,002	1,356	1.09%
Other assets	34,763	31,781	2,982	9.38%	30,007	1,774	5.91%
Total assets	218,269	200,721	17,548	8.74%	194,157	6,564	3.38%
Liabilities:							
Long-term debt outstanding	84,915	76,410	8,505	11.13%	77,935	(1,525)	(1.96)%
Other liabilities	54,827	49,996	4,831	9.66%	45,781	4,215	9.21%
Total liabilities	139,742	126,406	13,336	10.55%	123,716	2,690	2.17%
Net assets:							
Invested in capital assets, net of related debt	46,628	49,464	(2,836)	(5.73)%	46,572	2,892	6.21%
Restricted	984	15	969	6,460.00%	354	(339)	(95.76)%
Unrestricted	30,915	24,836	6,079	24.48%	23,515	1,321	5.62%
Total net assets	\$ 78,527	\$ 74,315	4,212	5.67%	\$ 70,441	3,874	5.50%

Highlights

- Total assets of the Association increased by \$17.5 million in 2006 and by \$6.6 million in 2005.
- In 2006, current assets increased \$9.8 million due to a \$10.7 million increase in short term investments, a \$2.0 million decrease in accounts receivable from home football game opponents and a \$1.1 million increase in restricted assets. In 2005, cash and cash equivalents and short term investments decreased by \$2.1 million and accounts receivable from Gator Boosters and home football game opponents increased by \$5.6 million, for a net increase of nearly \$3.5 million.
- The \$4.8 million increase in capital assets in 2006 is primarily due to construction in progress on the baseball project. In 2005, capital assets increased \$1.4 million primarily due to the purchase of a 2002 Beech King Air B200 airplane and the completion of the football stadium expansion.
- Other assets increased by \$3.0 million in 2006 due to an increase in long term investments. In 2005, other assets increased by \$1.8 million, due to an increase of \$2.3 million in long term investments and a \$0.5 million reduction in assets held by the University of Florida Foundation.
- Long term debt outstanding increased by \$8.5 million in 2006 due to the issuance of \$10.0 million in tax-exempt revenue bonds in September and loan repayments totaling \$1.5 million. In 2005, long term debt outstanding decreased by \$1.5 million due to loan repayments.
- Other liabilities increased by \$4.8 million in 2006 due to a \$1.7 million increase in deferred Gator Booster contributions related to the 2006 football season, a \$2.5 million increase in accounts payable and accrued expenses and a \$0.6 million increase in compensated absences and employee longevity incentives payable. In 2005, other liabilities increased by \$4.2 million in 2006 due to an

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006 AND 2005
(Continued)

increase in deferred Gator Booster contributions related to the 2005 football season and an increase in accounts payable and accrued expenses.

- Total net assets increased by \$4.2 million in 2006 and by \$3.9 million in 2005. Unrestricted net assets increased by \$6.1 million and \$1.3 million in 2006 and 2005, respectively.
- In 2006, net assets invested in capital assets, net of related debt decreased by \$2.9 million due to the issuance of \$10.0 million in additional long term debt, payments of \$1.5 million on long term debt, purchases of \$11.4 million in fixed assets and the expensing of \$5.8 million in depreciation. Net assets invested in capital assets, net of related debt increased by \$2.9 million in 2005 due to payments of \$1.5 million on long term debt, purchases of \$7.2 million in fixed assets, including the purchase of a 2002 Beech King Air B200 airplane and the completion of the football stadium expansion and expensing \$5.8 million in depreciation.
- Restricted net assets increased by \$969 thousand in 2006 due to the monthly funding of a debt service interest sinking fund and the receipt of temporarily restricted contributions for future projects. In 2005, restricted net assets decreased by \$339 thousand due to the reduction of assets held by the University of Florida Foundation.

Summary of Revenues, Expenses and Changes in Net Assets

The Statements of Revenues, Expenses and Changes in Net Assets present the revenues and expenses incurred during each year. Revenues and expenses are reported as operating and nonoperating. In general, operating revenues are received for providing goods and services to the Association's various customers and constituencies. Operating expenses are those expenses paid to acquire or produce goods and services provided in return for the operating revenues, and to carry out the mission of the Association. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Nonoperating revenues are revenues received for which goods or services are not provided. The GASB requires that state appropriations, student athletic fees and other revenues which are not payment for services be classified as nonoperating revenues. Because these significant, recurring revenues are budgeted to fund operating expenses, classifying them as nonoperating can cause the reporting of an operating loss. For this reason, the Association believes that income before contributions (which includes nonoperating revenues and expenses) provides the most appropriate measure of its financial results. Nonoperating expenses include interest on capital asset-related debt.

Capital contributions are considered neither operating nor nonoperating and are reported after "Income before contributions". Contributions to the University of Florida include unrestricted gifts for the academic mission of the University, contributions for designated purposes, and costs contributed by the Association for UF projects.

Changes in Total Net Assets as presented on the Statements of Net Assets are based on the activity presented in the Statements of Revenues, Expenses and Changes in Net Assets. The purpose of the Statements of Revenues, Expenses and Changes in Net Assets is to present the operating and nonoperating revenues received by the Association and the operating and nonoperating expenses paid by the Association, and any other revenues, expenses, gains and losses received or spent by the Association.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006 AND 2005
(Continued)

**Condensed Summary of Revenues, Expenses and
Changes in Net Assets (thousands of dollars)**

	2006-2005				2005-2004		
	2006	2005	Increase (decrease)	Percent change	2004	Increase (decrease)	Percent change
Operating revenues:							
Football	\$ 44,414	\$ 41,487	2,927	7.06%	\$ 41,242	245	0.59%
Men's basketball	5,964	5,629	335	5.95%	5,213	416	7.98%
Other sports	655	703	(48)	(6.83)%	519	184	35.45%
Auxiliaries	11,609	9,765	1,844	18.88%	9,617	148	1.54%
Camps	2,176	1,964	212	10.79%	1,927	37	1.92%
Other operating revenues	7,329	8,156	(827)	(10.14)%	6,424	1,732	26.96%
Total operating revenues	72,147	67,704	4,443	6.56%	64,942	2,762	4.25%
Nonoperating revenues:							
Student fees	2,501	2,417	84	3.48%	2,454	(37)	(1.51)%
Investment income, net	2,642	3,260	(618)	(18.96)%	3,785	(525)	(13.87)%
Sales taxes retained	1,002	884	118	13.35%	812	72	8.87%
Other nonoperating revenues	452	452	0	0.00%	452	0	0.00%
Total nonoperating revenues	6,597	7,013	(416)	(5.93)%	7,503	(490)	(6.53)%
Total revenues	78,744	74,717	4,027	5.39%	72,445	2,272	3.14%
Operating expenses:							
Team expenses	26,969	27,471	(502)	(1.83)%	23,436	4,035	17.22%
Scholarships and support services	15,173	14,074	1,099	7.81%	12,856	1,218	9.47%
General and administrative	17,629	16,116	1,513	9.39%	14,711	1,405	9.55%
Auxiliaries	4,414	4,076	338	8.29%	3,900	176	4.51%
Camps	2,145	1,990	155	7.79%	1,893	97	5.12%
Depreciation and amortization	5,858	5,766	92	1.60%	5,234	532	10.16%
Total operating expenses	72,188	69,493	2,695	3.88%	62,030	7,463	12.03%
Nonoperating expenses	2,583	2,213	370	16.72%	2,055	158	7.69%
Total expenses	74,771	71,706	3,065	4.27%	64,085	7,621	11.89%
Capital contributions from Gator Boosters and others	3,646	2,638	1,008	38.21%	3,252	(614)	(18.88)%
Contribution to University of Florida	(3,407)	(1,775)	(1,632)	91.94%	(2,932)	1,157	(39.46)%
Increase in net assets	4,212	3,874	338	8.72%	8,680	(4,806)	(55.37)%
Net assets, end of year	\$ 78,527	\$ 74,315	4,212	5.67%	\$ 70,441	3,874	5.50%

Highlights

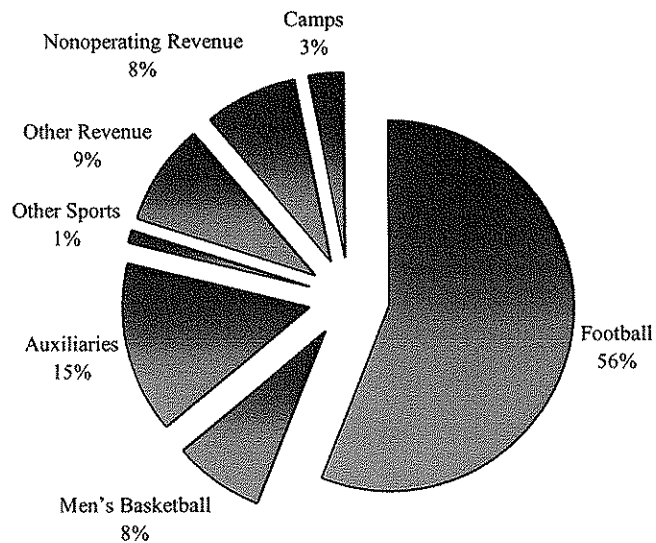
- The Condensed Statements of Revenues, Expenses and Changes in Net Asset present three consecutive years with an increase in Net Assets at the end of each year.
- Football revenues increased by \$2.9 million in 2006 due to a ticket price increase and a contribution increase for the existing luxury seating areas.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006 AND 2005
(Continued)

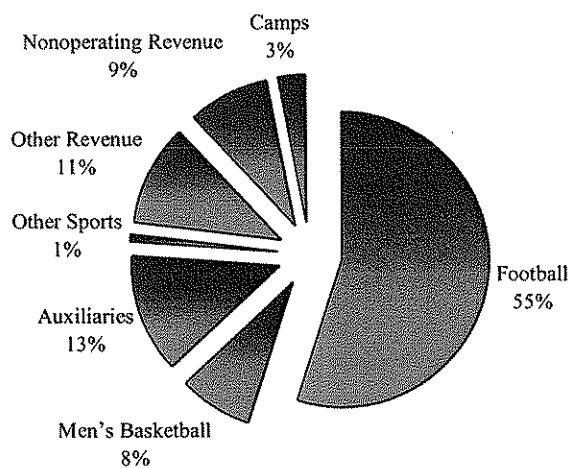
- Men's basketball revenue increased in 2005 due to a ticket price increase.
- Other sports revenue increased in 2005 due to hosting the NCAA Men's Baseball Regionals & Super Regionals.
- Auxiliaries revenue increased in 2006 by \$1.9 million due to increases in licensing, sportshop, golf course, TV and radio rights revenues.
- In 2005, other operating revenues increased by \$1.7 million as result of increased sponsorship revenue and the sale of aircraft.
- Investment income decreased in 2006 and 2005 by \$618 thousand and \$525 thousand, respectively, due to investment performance fluctuations.
- In both 2006 and 2005, sales taxes retained increased due to increases in home game ticket revenue and the local tax rate.
- Operating expenses increased by \$2.7 million in 2006. Scholarship expenses increased primarily due to in-state and out-of-state tuition increases. Administrative and support expenses increased due to increases in utility costs and budgeted salary increases and the related pension and payroll taxes.
- In 2005, operating expenses increased by \$7.5 million. The \$4.0 million increase in team expenses was primarily attributable to the costs associated with the football staff transition. Scholarship increases were the result of increased costs for preseason, postseason and training table meals and in-state and out-of-state tuition. Administrative and support expenses increased due to national and local market salary adjustments, the payment of a one-time bonus for all employees as approved by the State legislature and the related pension and payroll taxes. Additionally, maintenance costs increased due to hurricanes, expiration of new construction warranties in football stadium expansion areas and continued repairs to the concrete structure of the football stadium bowl.
- Capital contributions are major gifts designated by the donors for facility construction, renovations and equipment purchases. In 2006, capital contributions of \$3.6 million included \$1.4 million for the naming of the football stadium Champions club, \$402 thousand designated for the baseball project, \$369 thousand for a future team locker room at the golf course, \$299 thousand for a naming of the football support facility at the practice field, \$275 thousand designated for the football practice field turf project, \$205 thousand for the future football entrance project, \$200 thousand for the naming of the golf course, \$168 thousand for the basketball practice facility, \$158 thousand for the athletic office renovation and \$150 thousand for the naming of the basketball practice courts. Capital contributions in 2005 totaled \$2.6 million and included \$460 thousand for the basketball practice facility, \$230 thousand for the football stadium expansion, \$130 thousand for the athletic office renovation, \$480 thousand for the naming of the track and soccer stadium, \$300 thousand for the football practice field turf project and \$1.0 million for the purchase of a Beech King Air airplane.
- Contributions to the University of Florida (UF) include unrestricted gifts for the academic mission of the University, contributions for designated purposes, and costs incurred by the Association for UF projects. Total contributions were \$3.7 million in 2006 and \$1.8 million in 2005. See Note 9 in the Notes to the Financial Statements for further details on contributions to UF.

**THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006 AND 2005
(Continued)**

REVENUE 2005-2006

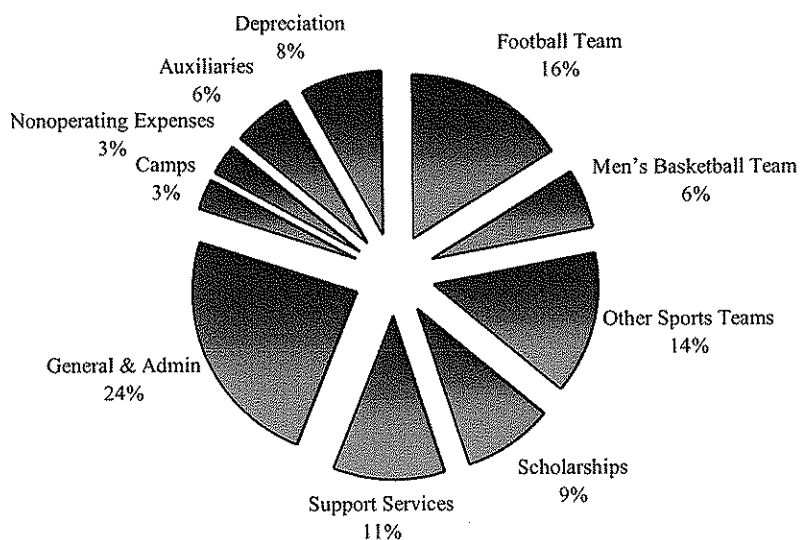


REVENUE 2004-2005

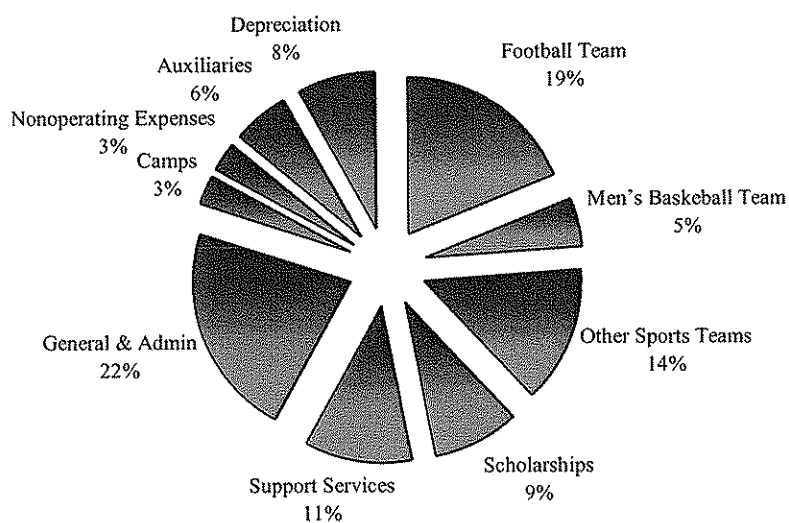


**THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006 AND 2005
(Continued)**

EXPENSES 2005-2006



EXPENSES 2004-2005



THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006 AND 2005
(Continued)

Statement of Cash Flows

The final statements presented include Statements of Cash Flows. The primary purpose of the Statements of Cash Flows is to provide relevant information about the cash receipts and cash payments of the Association during the years shown. The statements classify cash receipts and cash payments as they result from operating, noncapital financing, capital and related financing, or investing activities. The first section, cash flows from operating activities, presents the cash effects of transactions and other events that enter into the determination of the Association's operating income. The second section, cash flows from noncapital financing activities, shows the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes and includes contributions to and from UF and the State of Florida. The next section, cash flows from capital and related financing activities, provides information about cash used for the acquisition and construction of capital and related items and cash received from contributions specifically designated for capital purposes. The fourth section, cash flows from investing activities, details the purchases, proceeds and interest received from investing activities. The final section reconciles the net cash provided (used) by operating activities to the operating income reflected on the Statements of Revenues, Expenses, and Changes in Net Assets.

Condensed Summary of Cash Flows (thousands of dollars)							
		2006-2005		2005-2004			
	2006	2005	Increase (decrease)	Percent change	2004	Increase (decrease)	Percent change
Cash flows from:							
Operating activities	\$ 11,095	\$ 1,877	9,218	491.10%	\$ 6,408	(4,531)	(70.71)%
Noncapital financing activities	1,949	2,031	(82)	(4.04)%	817	1,214	148.59%
Capital & related financing activities	(1,839)	(6,938)	5,099	(73.49)%	(10,603)	3,665	(34.57)%
Investing activities	(11,552)	(5,593)	(5,959)	106.54%	(2,111)	(3,482)	164.95%
Net change in cash and cash equiv	(347)	(8,623)	8,276	(95.98)%	(5,489)	(3,134)	57.10%
Cash and cash equivalents, end of year	\$ 4,033	\$ 4,380	(347)	(7.92)%	\$ 13,003	(8,623)	(66.32)%

Highlights

- Cash flows from operating activities increased by \$9.2 million in 2006 due to increase cash contributions from Gator Boosters and cash receipts from ticket holders. In 2005, cash flows from operating activities decreased by \$4.5 million due to increased cash payments for scholarships and increased cash payments to suppliers and employees.
- Cash provided by noncapital financing activities decreased by \$82 thousand in 2006 and increased by \$1.2 million in 2005 due to fluctuations in cash contributed to the University of Florida.
- Cash used in capital and related financing activities increased by \$5.1 million in 2006 due to the issuance of additional capital debt and the purchase of capital assets. In 2005, cash used in capital and related financing activities decreased by \$3.7 million due to the completion of the football stadium expansion project.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006 AND 2005
(Continued)

- Cash used in investing activities decreased by \$6 million in 2006 due to increased cash payments for the purchases of investment securities. In 2005, cash used in investing activities decreased by \$3.5 million due to a reduction in cash received from the sales and maturities of investment securities.

Capital Asset and Debt Administration

A major renovation and expansion of the west side of Ben Hill Griffin Stadium was completed in August, 2003. The project was started in May, 2001. The expansion included a new club level, the Champions Club, and additional suites as well as expanded and renovated Bull Gator, Press and President's decks. The total cost of the football stadium expansion was approximately \$55.0 million of which \$5.0 million is being funded from private contributions and \$50.0 million from the 2001 bond issue.

In October, 2001, the Association issued \$57.4 million in tax-exempt revenue bonds. Proceeds of the bond issue were used to retire the outstanding 1994 Capital Improvement Revenue bonds and to pay costs associated with bond issuance and to fund a portion of the new basketball facility. The remaining proceeds were used for the football stadium expansion. Revenue from the Champions Club level and additional suites, which had already been sold, was \$5.5 million per year which exceeds the estimated debt service on the 2001 bonds. A total of \$55.3 million and \$56.0 million was outstanding at June 30, 2006 and 2005, respectively.

In September, 2005, the Association issued \$10.0 million in tax-exempt revenue bonds. Proceeds were used to finance the construction of improvements and the expansion of McKethan Stadium at Perry Field, the construction of a new football equipment storage facility/restroom/training room and renovation and improvements to the Lemerand Athletic Center. The total issue of \$10.0 million was outstanding at June 30, 2006.

The 1990 tax-exempt revenue bonds remain outstanding (\$19.6 million at June 30, 2006 and \$20.4 million at June 30, 2005). The Association's total long term debt as of June 30, 2006 and 2005, was \$84.9 million and \$76.4 million, respectively.

All bonds are secured by the gross revenues of the Association and backed by an irrevocable letter of credit as collateral for their payment. The bond covenants include minimum requirements for net revenues and liquidity. These requirements were met in 2006 and 2005.

For additional information on Capital Assets and Long Term Obligations, see Notes 5 and 6 in the Notes to the Financial Statements.

Economic Outlook

Operating revenues are expected to increase in fiscal year 2006-2007 due to ticket price increases in football and men's basketball, the addition of a Gator Booster club level system in men's basketball and the addition of a twelfth football game to be played at home. The twelfth game will also increase operating expenses. The net revenue from the twelfth game has been reserved to cover the costs of adding an additional women's sport. The remaining revenue increases will allow the Association to continue to operate its programs at the highest level, focusing on student athletes, teams, coaches and staff and maintaining facilities of the highest quality.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006 AND 2005
(Continued)

New Women's Sport

The Association's Board of Directors approved the addition of women's lacrosse at their June 14, 2006 meeting. The lacrosse timeline includes the hiring of a coaching staff in the 2007-2008 fiscal year, the completion of facilities in the 2008-2009 fiscal year and competition in the 2009-2010 fiscal year.

Contacting Management

This financial narrative is designed to provide the reader with a general overview of the University Athletic Association, Inc.'s finances and to show the Association's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Association's Business Office at Ben Hill Griffin Stadium, Gainesville, Florida:

The University Athletic Association, Inc.
Attn: Assistant Athletics Director/Controller
PO Box 14485
Gainesville, FL 32604-2485
(352) 375-4683

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
STATEMENTS OF NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Current assets		
Cash and cash equivalents	\$ 3,638,674	\$ 4,379,899
Short-term investments	37,901,470	27,183,725
Accounts receivable, net	6,767,880	8,763,790
Inventories	1,011,343	676,004
Prepaid expenses and other current assets	2,911,871	2,578,217
Restricted assets (including \$394,394 of cash and cash equivalents)	1,105,473	-
Total current assets	<u>53,336,711</u>	<u>43,581,635</u>
Noncurrent assets		
Assets held by the University of Florida Foundation, Inc.	21,221	21,221
Investments	34,056,060	31,136,549
Unamortized bond costs	595,951	473,619
Other assets	90,000	150,000
Capital assets, net of accumulated depreciation	130,168,768	125,358,075
Total noncurrent assets	<u>164,932,000</u>	<u>157,139,464</u>
 Total assets	 <u>218,268,711</u>	 <u>200,721,099</u>
 <u>LIABILITIES</u>		
Current liabilities		
Accounts payable and accrued expenses	10,110,840	7,601,920
Accrued compensated absences	1,947,089	1,685,683
Long-term debt – current portion	765,000	1,495,000
Deferred revenues – current portion	41,865,680	39,072,457
Agency funds payable	119,168	-
Total current liabilities	<u>54,807,777</u>	<u>49,855,060</u>
Noncurrent liabilities		
Longevity incentive payable	596,903	363,694
Deferred revenues	187,340	1,272,693
Long-term debt	84,150,000	74,915,000
Total noncurrent liabilities	<u>84,934,243</u>	<u>76,551,387</u>
 Total liabilities	 <u>139,742,020</u>	 <u>126,406,447</u>
 <u>NET ASSETS</u>		
Net assets		
Invested in capital assets, net of related debt	<u>46,627,945</u>	<u>49,463,561</u>
Restricted for:		
Capital projects	574,536	-
Debt service	394,394	-
Other purposes	14,727	14,727
	<u>983,657</u>	<u>14,727</u>
Unrestricted	30,915,089	24,836,364
Total net assets	<u>\$ 78,526,691</u>	<u>\$ 74,314,652</u>

The accompanying notes to financial statements
are an integral part of these statements.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Operating revenues		
Football	\$ 44,414,059	\$ 41,487,149
Men's basketball	5,963,584	5,628,720
Other sports	655,146	703,345
Auxiliaries	11,609,096	9,764,891
Camps	2,176,014	1,964,175
Sponsorships and other	7,328,726	8,155,431
Total operating revenues	<u>72,146,625</u>	<u>67,703,711</u>
Operating expenses		
Football team expenses	12,037,217	13,800,055
Men's basketball team expenses	4,787,528	3,564,438
Other sports team expenses	10,144,190	10,107,134
Scholarships	6,913,881	6,522,916
Support services	8,259,190	7,550,647
General and administrative	17,629,280	16,115,853
Auxiliaries	4,413,983	4,075,361
Camps	2,144,743	1,990,275
Depreciation and amortization	5,858,002	5,765,843
Total operating expenses	<u>72,188,014</u>	<u>69,492,522</u>
Operating loss	<u>(41,389)</u>	<u>(1,788,811)</u>
Nonoperating revenues (expenses)		
Student fees	2,501,292	2,417,063
Investment income, net	2,641,710	3,259,608
Sales taxes retained	1,002,261	884,459
Interest on capital asset related debt	(2,583,111)	(2,213,360)
Other nonoperating revenues	451,805	451,805
Net nonoperating revenues (expenses)	<u>4,013,957</u>	<u>4,799,575</u>
Income before contributions	<u>3,972,568</u>	<u>3,010,764</u>
Capital contributions from Gator Boosters, Inc. and others	3,646,120	2,637,838
Contributions to the University of Florida	(3,406,649)	(1,774,872)
Increase in net assets	<u>4,212,039</u>	<u>3,873,730</u>
Net assets, beginning of year	74,314,652	70,440,922
Net assets, end of year	<u><u>\$ 78,526,691</u></u>	<u><u>\$ 74,314,652</u></u>

The accompanying notes to financial statements
are an integral part of these statements.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities		
Contributions from Gator Boosters, Inc.	\$ 25,766,590	\$ 19,995,128
Receipts from ticket holders and others	25,578,994	20,948,800
Receipts from the Southeastern Conference	11,429,574	10,911,671
Receipts from rights, royalties, and sponsors	11,071,974	9,920,732
Other receipts	174,617	699,374
Payments to suppliers and others	(31,435,419)	(29,058,050)
Payments to employees	(24,653,175)	(25,059,504)
Payments for scholarships	(6,837,714)	(6,481,711)
Net cash provided by operating activities	<u>11,095,441</u>	<u>1,876,440</u>
Cash flows from noncapital financing activities		
Statutory distributions from the University of Florida and the State of Florida	3,955,358	3,753,327
Contributions to the University of Florida	(2,006,345)	(1,722,003)
Net cash provided by noncapital financing activities	<u>1,949,013</u>	<u>2,031,324</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	(11,254,428)	(7,211,319)
Proceeds from capital debt	10,000,000	-
Capital contributions from Gator Boosters, Inc.	3,706,120	1,676,894
Capital contributions from others	-	1,065,000
Principal paid on bonds	(1,495,000)	(1,525,000)
Interest paid on bonds	(2,604,236)	(2,150,405)
Prepaid bond remarketing fee	(73,500)	(49,962)
Bond cost of issuance	(137,045)	-
Proceeds from sale of capital assets	18,764	1,256,627
Net cash used in capital and related financing activities	<u>(1,839,325)</u>	<u>(6,938,165)</u>
Cash flows from investing activities		
Purchases of investment securities	(60,416,158)	(46,708,867)
Proceeds from sale and maturities of investment securities	46,896,638	39,616,862
Interest and dividends received	1,967,560	1,499,248
Net cash used in investing activities	<u>(11,551,960)</u>	<u>(5,592,757)</u>
Net decrease in cash and cash equivalents	<u>(346,831)</u>	<u>(8,623,158)</u>
Cash and cash equivalents, beginning of year	4,379,899	13,003,057
Cash and cash equivalents, end of year	<u>\$ 4,033,068</u>	<u>\$ 4,379,899</u>

The accompanying notes to financial statements
are an integral part of these statements.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005
(Continued)

	<u>2006</u>	<u>2005</u>
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (41,389)	\$ (1,788,811)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	5,858,002	5,765,843
Forgiveness of notes receivable	-	42,560
Loss (gain) on disposal of capital assets	704,927	(1,167,408)
Changes in assets and liabilities:		
Accounts receivable	2,015,319	(5,519,677)
Inventories	(335,339)	(163,444)
Prepaid expenses and other current assets	(308,375)	80,500
Agency funds	-	129,460
Assets held by the University of Florida Foundation, Inc.	-	441,016
Accounts payable and accrued expenses	781,852	2,070,720
Accrued compensated absences	261,406	187,705
Deferred revenues	1,707,870	2,851,169
Agency funds payable	119,168	(129,460)
Longevity incentive payable	332,000	(923,733)
Net cash provided by operating activities	<u>\$ 11,095,441</u>	<u>\$ 1,876,440</u>
Supplemental disclosure of noncash activity		
Decrease in investments and longevity incentive payable to reflect earnings on employee directed incentive balances	<u>\$ 16,209</u>	<u>\$ (45,080)</u>

The accompanying notes to financial statements
are an integral part of these statements.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

(1) Summary of Significant Accounting Policies:

The following is a summary of the more significant accounting policies of the University Athletic Association, Inc. (the Association), which affect significant elements of the accompanying basic financial statements.

(a) **Reporting Entity**—The Association is a not-for-profit entity organized in 1929 for the purpose of conducting various intercollegiate athletic programs for and on behalf of the University of Florida. The Association operates for the service and convenience of the University of Florida and is a direct support organization and component unit (for accounting purposes only) of the University of Florida.

(b) **Measurement focus, basis of accounting, and financial statement presentation**—The financial statements of the Association have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred.

The Association follows all pronouncements of the Governmental Accounting Standards Board, and has elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

The Association distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses for the Association are those that result from the operation of the University of Florida's intercollegiate athletic programs. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. As required by GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, contributions to permanent endowments are not considered operating revenues and are reported after nonoperating revenues and expenses in the accompanying statements of revenues, expenses, and changes in net assets.

(c) **Cash and Cash Equivalents**—Cash and cash equivalents include cash in banks and money market funds available for immediate use.

(d) **Accounts receivable**—Accounts receivable are stated at the amount management expects to collect from balances at year-end. Based on management's assessment of the credit history with organizations and individuals having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial. The Association has no policy requiring collateral or other security to support its accounts receivable.

(e) **Inventories**—Inventories consist of items held for sale at the Gator Sportshop, golf course pro shop and snack bar. Inventory items at the Gator Sportshop and the golf pro shop are recorded at the lower of cost or market using the average cost method. All other inventory items are recorded at the lower of cost or market, as determined by using the first-in, first-out (FIFO) method.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

(1) **Summary of Significant Accounting Policies:** (Continued)

(f) **Capital Assets**—Capital assets purchased with an original cost of \$500 or more are recorded at cost and depreciated utilizing the straight-line method over the estimated useful lives of assets (generally 5 years for permanent equipment and 10 to 15 years for capital improvements, except for improvements to buildings which range from 50 to 60 years). Costs to maintain or repair these assets are expensed as incurred.

(g) **Assets Held by the University of Florida Foundation, Inc.**—Assets held by the University of Florida Foundation, Inc. (the Foundation) consist of pooled investments and real estate. Substantially all investments are stated at fair value.

(h) **Agency Funds**—The Association acts as an agent for the control and distribution of cash from the sale of Gator Growl tickets for the University of Florida. Such amounts are not included in the statements of revenues, expenses and changes in net assets.

(i) **Unamortized Bond Costs**—Unamortized bond costs consist of prepaid bond issuance and remarketing costs. These costs are being amortized utilizing the straight-line method over the term of the bonds or the length of the remarketing period.

(j) **Accrued Compensated Absences**—Eligible employees are entitled to vacation and sick leave with pay. Employees are not limited in the amount of annual and sick leave accrued during the fiscal year. For annual leave, however, only a maximum of 352 hours can be carried forward from one fiscal year to the next or paid upon termination provided the employee has completed six months of continuous service. Any amounts accrued over the maximums convert to sick leave at the end of the year on an hour for hour basis. Additionally, sick leave amounts paid upon termination are limited to the lesser of 480 hours or 1/4 of the employee's sick leave balances for those employees who have completed ten years of continuous service. Vacation pay and sick leave payments are expensed as earned by the employee.

(k) **Deferred Revenues**—Current deferred revenues consist of advance sales of football tickets, related scholarship contributions, and miscellaneous other unearned fees received. The deferred items are recognized as revenue when the related football games are played, when the related scholarship expenses are incurred, and when the service is performed or event occurs for which miscellaneous fees were received.

Additionally, deferred revenues included in other liabilities consist of booster prepayments and advance royalty and sponsorship payments. The royalty and sponsorship amounts are recognized over the life of the agreements, while the booster prepayments will be recognized in the applicable sports season.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

(1) **Summary of Significant Accounting Policies:** (Continued)

(l) **Longevity Incentive Payable**—These balances represent amounts due to various coaches and employees as specified in their employment contracts. Such amounts are accrued based upon schedules included in the respective employment contracts. In some circumstances, the coach or employee's employment contract may require the Association to make specified deposits into an employee directed investment account until such time as the coach or employee has reached the stay period specified in their contract. These investment balances would transfer to the coach or employee at the end of the stay period and are included in investments in the accompanying statements of net assets. In other circumstances, the Association is obligated to pay certain amounts to the coach or employee which are not paid until the end of the stay period. The Association accrues for these amounts ratably over the contract period. No payments are made to the coach or employee until they have reached the stay period specified in their contract.

(m) **Net assets**—Net assets are classified and displayed in three components:

- Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to those assets.
- Restricted – consists of assets that have constraints placed upon their use either by external donors or creditors or through laws, regulations or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets.
- Unrestricted – consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted net assets are available for use, it is the Association's policy to use restricted resources first, then unrestricted resources as they are needed.

(n) **Restricted Net Assets**—Restricted net assets consist of capital contributions received for specific future capital projects, funds held by the bond trustee for payment of bond interest and funds held by the Foundation which have been restricted as to their use by donors.

(o) **Functional Allocation of Expenses**—The costs of providing various programs and other activities have been summarized by program in the accompanying statements of revenues, expenses, and changes in net assets. However, certain costs categorized as Support Services and General and Administrative are not specifically identifiable with men's and women's programs and are not allocated. As a result, no distinction between men's and women's programs has been made within these expense classifications.

(p) **Income Taxes**—The Association is generally exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

(q) **In-Kind Contributions**—Donations of materials and services are recorded at their fair market value at the date of donation.

(r) **Reclassifications**—In order to facilitate the comparison of financial data, certain June 30, 2005 account balances have been reclassified to conform to the current year reporting format. These reclassifications had no effect on net assets.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

(2) Cash and Investments:

A. Cash and Cash Equivalents:

The amounts reported as cash and cash equivalents include cash on hand, cash in bank demand accounts, cash held at the University of Florida and money market funds. Cash and cash equivalents at June 30, 2006 and 2005, were as follows:

	<u>2006</u>	<u>2005</u>
Money market funds	\$ 3,469,048	\$ 2,766,315
Cash in bank demand accounts	(2,751,643)	(1,742,223)
Cash held at the University of Florida	2,870,869	3,285,657
Cash on hand	50,400	70,150
Restricted cash in bank demand accounts	394,394	-
Cash and cash equivalents	<u>\$ 4,033,068</u>	<u>\$ 4,379,899</u>

Cash in bank demand accounts is held in a regional and a national bank. Bank account balances for these bank demand accounts as of June 30, 2006 and 2005, were \$679,029 and \$1,234,408, respectively. Deposits are uncollateralized and are insured up to \$100,000 by the Federal Deposit Insurance Corporation. Money market funds are uninsured and collateralized by securities held by the institution, not in the Association's name. For deposits, custodial credit risk is the risk that in the event of a bank failure, the Association's deposits may not be returned to it. The Association does not have a policy for custodial credit risk.

B. Investments:

The Association follows the provisions of GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This statement requires that government entities report investments at fair value, except that money market investments that have a remaining maturity at the time of purchase of one year or less, may be reported at amortized cost provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. For purposes of GASB Statement No. 31, money market investments are defined as short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations.

Short-term investments are comprised of mutual funds and an investment account with the State of Florida Division of Treasury and are reported at fair value. Other investments include equity securities and open-end mutual fund investments that are reported at fair value as determined by quoted market prices or the mutual fund's current share price. The classification of investments between short-term and long-term is based on management's anticipated cash flow needs. However, the needs of the organization may require the sale or retention of investment balances which differ from the classifications reflected in the accompanying statements of net assets.

The Association's corporate investment policy divides the Association's assets into two portfolios, the long-term portfolio and the short-term portfolio. The policy states that the short-term portfolio invests in cash and equivalents and the long-term portfolio invests in a diversified portfolio of commingled and/or mutual funds in the following classes: Domestic Large Cap Equity, Domestic Small Cap Equity, International Equity and Fixed Income.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

(2) Cash and Investments: (Continued)

As of June 30, 2006 and 2005, the Association had the following investments:

	<u>2006</u>	<u>2005</u>
Short term investments:		
Investment account held with the State of Florida Division of Treasury	\$ 37,901,470	\$ 27,183,725
Restricted short term investments:		
Investment account held with the State of Florida Division of Treasury	711,079	-
Investments:		
Domestic equity mutual funds	18,073,000	16,852,456
International equity mutual funds	7,221,762	4,867,260
Debt securities mutual fund	8,326,395	9,148,139
Employee directed investments	434,903	268,694
Subtotal	<u>34,056,060</u>	<u>31,136,549</u>
Total investments	<u>\$ 72,668,609</u>	<u>\$ 58,320,274</u>

The Association's short term investments includes a pooled investment with the State of Florida Division of Treasury's Treasury Investment Pool. The Treasury Investment Pool is rated by Standard and Poors. The current rating at June 30, 2006 and 2005, was AA-f. The effective weighted average duration to maturity of the Treasury Investment Pool was 2.72 and 2.22 years at June 30, 2006 and 2005, respectively.

The Association's long term investments include an investment in a bond mutual fund, the PIMCO Total Return Fund Institutional Class. As of June 30, 2006 and 2005, this fund was unrated, however, the underlying investments in this fund had an average credit quality rating of AAA and a weighted average duration to maturity of 5.3 and 4.05 years, respectively. Long term investments also include employee directed investments. Several coaches have a longevity plan built into their employment contract, whereby a specified amount is deposited into an investment account of their choice.

The Association does not have a policy for credit risk or interest rate risk associated with its investment.

C. Restricted Assets:

The Association's restricted assets include cash and cash equivalents for the accrued interest on the 1990, 2001 and 2005 series bonds due October 2006, as well as a construction trust fund held in a short term investment account with the State of Florida Division of Treasury. They are included in both the cash and cash equivalents and short term investments schedules.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

(3) Accounts Receivable:

Accounts receivable at June 30, 2006 and 2005, consist of the following:

	<u>2006</u>	<u>2005</u>
Ticket accounts receivable	\$ 220,482	\$ 2,159,359
Due from Gator Boosters, Inc.	5,096,832	5,763,805
Due from SEC and NCAA	57,592	177,187
Royalties and sponsorships	1,258,460	144,183
Other receivables	200,226	592,612
Total accounts receivable	6,833,592	8,837,146
Less allowance for doubtful accounts	(65,712)	(73,356)
Total accounts receivable, net	<u>\$ 6,767,880</u>	<u>\$ 8,763,790</u>

(4) Accounts Payable and Accrued Expenses:

Accounts payable and accrued expenses consist of the following at June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Vendors	\$ 5,610,313	\$ 4,152,984
Salaries and benefits	3,527,417	2,804,123
Accrued interest	683,157	469,348
Gator Boosters, Inc.	256,913	112,900
Other	33,040	62,565
Total accounts payable and accrued expenses	<u>\$ 10,110,840</u>	<u>\$ 7,601,920</u>

(5) Capital Assets:

Capital asset activity for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 567,039	\$ -	\$ -	\$ 567,039
Construction in progress	1,536,640	10,228,670	(1,222,435)	10,542,875
Total capital assets not being depreciated	<u>2,103,679</u>	<u>10,228,670</u>	<u>(1,222,435)</u>	<u>11,109,914</u>
Capital assets being depreciated:				
Buildings and improvements	5,843,381	-	-	5,843,381
Furniture and equipment	21,075,394	1,066,312	(3,119,094)	19,022,612
Leasehold improvements	137,224,703	1,340,073	(1,598,170)	136,966,606
Total capital assets being depreciated	<u>164,143,478</u>	<u>2,406,385</u>	<u>(4,717,264)</u>	<u>161,832,599</u>

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

(5) **Capital Assets:** (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Buildings and improvements	1,623,051	233,616	-	1,856,667
Furniture and equipment	11,631,766	1,580,394	(3,094,192)	10,117,968
Leasehold improvements	27,634,265	4,043,992	(879,147)	30,799,110
Total accumulated depreciation	<u>40,889,082</u>	<u>5,858,002</u>	<u>(3,973,339)</u>	<u>42,773,745</u>
 Total capital assets being depreciated, net	123,254,396	(3,451,617)	(743,925)	119,058,854
 Capital assets, net	<u>\$125,358,075</u>	<u>\$ 6,777,053</u>	<u>\$ (1,966,360)</u>	<u>\$130,168,768</u>

Capital asset activity for the year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 567,039	\$ -	\$ -	\$ 567,039
Construction in progress	1,899,668	1,981,864	(2,344,892)	1,536,640
Total capital assets not being depreciated	<u>2,466,707</u>	<u>1,981,864</u>	<u>(2,344,892)</u>	<u>2,103,679</u>
 Capital assets being depreciated:				
Buildings and improvements	5,843,381	-	-	5,843,381
Furniture and equipment	17,959,541	4,251,010	(1,135,157)	21,075,394
Leasehold improvements	133,901,366	3,323,337	-	137,224,703
Total capital assets being depreciated	<u>157,704,288</u>	<u>7,574,347</u>	<u>(1,135,157)</u>	<u>164,143,478</u>

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

(5) **Capital Assets:** (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Buildings and improvements	1,389,435	233,616	-	1,623,051
Furniture and equipment	11,128,027	1,549,677	(1,045,938)	11,631,766
Leasehold improvements	23,651,715	3,982,550	-	27,634,265
Total accumulated depreciation	<u>36,169,177</u>	<u>5,765,843</u>	<u>(1,045,938)</u>	<u>40,889,082</u>
Total capital assets being depreciated, net	<u>121,535,111</u>	<u>1,808,504</u>	<u>(89,219)</u>	<u>123,254,396</u>
Capital assets, net	<u>\$124,001,818</u>	<u>\$ 3,790,368</u>	<u>\$ (2,434,111)</u>	<u>\$125,358,075</u>

At June 30, 2006, the Association has commitments to provide for additional capital improvement projects approximating \$5,885,000.

(6) **Long-Term Obligations:**

Changes in long-term obligations for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Accrued compensated absences	\$ 1,685,683	\$ 433,731	\$ (172,325)	\$ 1,947,089	\$ 1,947,089
Longevity incentive payable	373,694	521,209	(173,000)	721,903	125,000
Deferred revenues	40,345,150	41,865,680	(40,157,810)	42,053,020	41,865,680
Long-term debt	76,410,000	10,000,000	(1,495,000)	84,915,000	765,000
Total long-term liabilities	<u>\$118,814,527</u>	<u>\$52,820,620</u>	<u>\$ (41,998,135)</u>	<u>\$129,637,012</u>	<u>\$ 44,702,769</u>

Change in long-term obligations for the year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Accrued compensated absences	\$ 1,497,978	\$ 422,659	\$ (234,954)	\$ 1,685,683	\$ 1,685,683
Longevity incentive payable	1,252,347	1,033,355	(1,912,008)	373,694	10,000
Deferred revenues	37,454,925	39,414,150	(36,523,925)	40,345,150	39,072,457
Long-term debt	77,935,000	-	(1,525,000)	76,410,000	1,495,000
Total long-term liabilities	<u>\$118,140,250</u>	<u>\$40,870,164</u>	<u>\$ (40,195,887)</u>	<u>\$118,814,527</u>	<u>\$ 42,263,140</u>

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

(6) Long-Term Obligations: (Continued)

A. Long-term Debt

In February 1990, the Association issued \$10,715,000 in tax-exempt revenue bonds. Proceeds of \$10,559,000 were used to retire the outstanding 1982 and 1985 Stadium Revenue Bonds and pay accrued interest and costs associated with issuance. In December 1990, the Association issued an additional \$17,300,000 in tax-exempt revenue bonds. Proceeds of the December 1990 issue were used to finance the construction cost of the North End Zone, and pay accrued interest and costs associated with issuance. Initially, the 1990 Bonds bore an interest at the Daily Rate.

In August 1994, an additional \$5,000,000 in tax-exempt revenue bonds was issued by the Association. Proceeds of the 1994 issuance were used to finance the construction of a volleyball practice gymnasium and to renovate the athletic field house. Both the 1990 and 1994 Series bonds were scheduled to mature in the year 2020 and were secured by the gross revenues of the Association.

In October 2001, the Association issued \$57,400,000 in tax-exempt revenue bonds. Proceeds of \$4,688,193 were used to retire the outstanding 1994 Capital Improvement Revenue Bonds and pay costs associated with issuance. The remaining proceeds are being used to finance the construction cost of the Basketball Practice Facility and the expansion of Ben Hill Griffin, Jr. Stadium. Construction of the Basketball Practice Facility was completed in 2002 and construction on the stadium was completed in 2004. The 2001 Series Athletic Program Revenue Bonds mature in the year 2031 and initially bore an interest at the Multiannual Rate.

In September 2005, the Association issued \$10,000,000 in tax-exempt revenue bonds. Proceeds were used to finance the construction of improvements and the expansion of McKethan Stadium at Perry Field, the construction of a new football equipment storage facility/restroom/training room and the renovation and improvements to the Lemerand Athletic Center (collectively, the "2005 Project"). Construction on the 2005 Project was in process at June 30, 2006 and scheduled for completion in November, 2006. Initially, the 2005 Bonds bear interest at the Multiannual Rate. The initial Multiannual Rate Period was 9/1/05 through 10/1/08 and the initial Multiannual Rate is 3.30%.

Also in September 2005, the Association redeemed \$800,000 of the Series 1990 Capital Improvement Revenue Bonds and converted all the remaining, outstanding 1990 Bonds (\$19,600,000) to bear interest at the Multiannual Rate.

In October 2005, the Association converted a portion (\$11,705,000) of the 2001 Bonds to the Daily Rate (as specified by the remarketing agent).

At June 30, 2006 and 2005, the 1990 Bonds bear interest based upon the following schedule:

June 30, 2006			June 30, 2005		
Outstanding Amount	Term	Interest Rate	Outstanding Amount	Term	Interest Rate
\$ 9,600,000	9/1/05 – 10/1/09	3.40%	\$ 20,400,000	Daily Rate	Variable
10,000,000	9/1/05 – 10/1/10	3.50%	-		
<u>\$ 19,600,000</u>			<u>\$ 20,400,000</u>		

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

(6) Long-Term Obligations: (Continued)

At June 30, 2006 and 2005, the 2001 Bonds bear interest based upon the following schedule:

June 30, 2006			June 30, 2005		
Outstanding Amount	Term	Interest Rate	Outstanding Amount	Term	Interest Rate
\$ 11,705,000	Daily Rate	Variable	\$ 12,400,000	10/1/02 – 10/1/05	2.20%
14,335,000	10/1/03 – 10/1/08	2.80%	14,335,000	10/1/03 – 10/1/08	2.80%
14,275,000	10/1/04 – 10/1/09	3.00%	14,275,000	10/1/04 – 10/1/09	3.00%
15,000,000	10/1/01 – 10/1/06	3.50%	15,000,000	10/1/01 – 10/1/06	3.50%
<u>\$ 55,315,000</u>			<u>\$ 56,010,000</u>		

The Daily Rate at June 30, 2006 and 2005 was 4.05% and 2.53%, respectively.

Debt service requirements at June 30, 2006, were as follows:

Year Ended June 30,	2005 Bonds		2001 Bonds		1990 Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ -	\$ 330,000	\$ 765,000	\$1,592,970	\$ -	\$ 676,200
2008	-	330,000	735,000	1,571,364	-	676,200
2009	2,400,000	270,600	710,000	1,550,521	-	676,200
2010	600,000	235,950	790,000	1,528,114	4,000,000	572,700
2011	600,000	216,150	770,000	1,505,561	1,200,000	507,150
2012 – 2016	3,000,000	783,750	3,895,000	7,183,300	7,000,000	1,854,376
2017 – 2021	3,400,000	278,850	3,775,000	6,634,618	7,400,000	464,026
2022 – 2026	-	-	17,485,000	5,027,062	-	-
2027 – 2031	-	-	21,520,000	2,169,696	-	-
2032	-	-	4,870,000	35,429	-	-
	<u>\$ 10,000</u>	<u>\$ 2,445,300</u>	<u>\$55,315,000</u>	<u>\$28,798,635</u>	<u>\$19,600,000</u>	<u>\$ 5,426,852</u>

The Association is subject to certain general and financial covenants related to the Bond agreements (the Agreements). The original financial covenants in the 1990 & 1994 bonds required the Association to generate net revenues, as defined in the Agreements, equal to at least the three year rolling average of the Bonds' principal and interest requirements.

The covenants changed for all issues with the issuance of the 2001 Bonds and the subsequent issuance of the 2005 Bonds. The first financial covenant requires the Association to maintain a Net Revenues to Debt Service ratio, as defined in the Agreements, of greater than 1.1:1, tested annually at the end of each fiscal year. The Association's ratio of net revenues to required principal and interest was 2.19 and 2.61 in 2006 and 2005, respectively. The second financial covenant requires the Association to maintain unrestricted cash, marketable securities and investments in an amount greater than twenty-five percent (25%) of its total indebtedness measured at the end of the fiscal year. At June 30, 2006, the required amount of liquidity was \$21,228,750 and the actual amount was in excess of \$75,500,000. At June 30, 2005, the required amount of liquidity was \$19,102,500 and the actual amount was in excess of \$62,700,000.

In conjunction with the Agreements, the Association entered into an irrevocable letter of credit agreement with the insurer of the bonds as collateral for their payment. The irrevocable letter of credit has been

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

(6) Long-Term Obligations: (Continued)

amended and restated with each bond issue. The current letter of credit agreement was dated September 1, 2005 and was issued in an initial amount not to exceed \$86,722,930 ("Stated Amount"), of which an amount not to exceed \$85,610,000 ("Principal Component") may be drawn upon with respect to the payment of the unpaid principal and an amount not to exceed \$1,112,930 ("Interest Component") may be drawn upon with respect to the payment of interest. The Interest Component is an amount equal to 39 days of interest on the bonds' outstanding principal at a rate of 12%, computed on the basis of a 360-day year. The balance on the letter of credit at June 30, 2006, was \$86,018,895. The current letter of credit expires on October 15, 2010. The Association pays a fee in order to retain the letter of credit equal to 0.18% of the outstanding letter of credit balance. The fee is paid in arrears on the first day of each quarterly period.

B. Deferred Revenues

Changes in current deferred revenues for June 30, 2006 and 2005, are as follows:

	<u>2006</u>	<u>2005</u>
Balance, beginning of year	\$ 39,072,457	\$ 35,290,288
Additions:		
Advance football ticket sales	14,865,005	14,313,673
Unearned booster contributions	25,454,136	23,706,201
Unearned other income	1,546,539	1,052,583
Total additions	<u>41,865,680</u>	<u>39,072,457</u>
Deductions:		
Earned football revenue	(14,313,673)	(11,701,931)
Earned booster contributions	(23,706,201)	(21,929,342)
Earned other income	(1,052,583)	(1,659,015)
Total deductions	<u>(39,072,457)</u>	<u>(35,290,288)</u>
Balance, end of year	<u>\$ 41,865,680</u>	<u>\$ 39,072,457</u>

Changes in long term deferred revenues for June 30, 2006 and 2005, are as follows:

	<u>2006</u>	<u>2005</u>
Balance, beginning of year	\$ 1,272,693	\$ 2,164,637
Additions:		
Unearned booster contributions	-	341,693
Total additions	-	<u>341,693</u>
Deductions:		
Booster contributions reclassified to current	(154,353)	(302,637)
Sponsorships recognized	(160,000)	(160,000)
Royalties recognized	(771,000)	(771,000)
Total deductions	<u>(1,085,353)</u>	<u>(1,233,637)</u>
Balance, end of year	<u>\$ 187,340</u>	<u>\$ 1,272,693</u>

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

(7) Pension Plan:

In 1979, the Association established The University Athletic Association, Inc. Employees' Money Purchase Pension Plan and Trust, a defined contribution pension plan covering substantially all full-time employees. Total pension expense for the plan was \$1,604,177 and \$1,653,977 (net of forfeitures of \$200,175 and \$211,264, respectively) for the years ended June 30, 2006 and 2005, respectively. Contributions are made by the Association to the pension plan based on 12% of an eligible employee's earnings. During the years ended June 30, 2006 and 2005, total payroll for employees covered under the plan was \$15,078,930 and \$15,594,106, which represented approximately 72% and 69% of total payroll for the years ended June 30, 2006 and 2005, respectively.

(8) Related-Party Transactions:

Gator Boosters, Inc. receives contributions from the general public and remits the majority of these funds (less their operating expenses) to the Association. Contributions of \$27,116,732 and \$23,277,639 were recognized from Gator Boosters, Inc., for the years ended June 30, 2006 and 2005, respectively, and have been included in the accompanying statements of revenues, expenses, and changes in net assets. Additionally, in 2004, the Association contracted to provide accounting and other support services to Gator Boosters. The Association recognized contract revenue in the amount of \$53,000 and \$50,000 for the year ended June 30, 2006 and 2005, respectively.

Gator Boosters, Inc. recognizes contribution expense for amounts remitted to the Association in the year in which such amounts are remitted. The Association, however, does not recognize these amounts as revenue until the year in which the related athletic event is held or the year when the related scholarship expenses are incurred. A reconciliation of contribution revenues from Gator Boosters, Inc. as recognized in the accompanying statements of revenues, expenses, and changes in net assets to contributions expense as reflected in the financial statements of Gator Boosters, Inc. for the years ended June 30, 2006 and 2005, is as follows:

	<u>2006</u>	<u>2005</u>
Contributions to the Association, as reported in the financial statements of Gator Boosters, Inc.	\$ 28,473,414	\$ 25,036,177
Recognition of prior year amounts received from Gator Boosters, Inc. that were previously deferred	23,327,742	21,569,204
Deferral of amounts received from Gator Boosters, Inc. in the current year	(24,684,424)	(23,327,742)
Contributions from Gator Boosters, Inc., as recognized in the accompanying statements of revenues, expenses, and changes in net assets	<u>\$ 27,116,732</u>	<u>\$ 23,277,639</u>

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

(9) Contributions to the University of Florida:

Contributions to the University of Florida for the years ended June 30, 2006 and 2005, consisted of gifts for the following purposes:

	<u>2006</u>	<u>2005</u>
Opportunity scholarship program	\$ 1,100,000	\$ -
Logo profits	1,326,665	1,026,361
Parking facilities	200,000	200,000
Broward teaching center (strategic plan support)	200,000	200,000
Registrar and financial aid positions	158,856	127,686
Salaries	134,628	63,325
AIM scholarship program grant	200,000	-
Library	50,000	75,000
General scholarships	3,166	11,166
Council for Economic Outreach	33,334	33,334
Band trip	-	38,000
Costs incurred on behalf of University of Florida projects	-	-
	<u>\$ 3,406,649</u>	<u>\$ 1,774,872</u>
Total contributions to University of the Florida		

The Association has committed to contribute \$250,000 for 2007 and 2008, for parking facilities usage for athletic events. In 2001, the Association agreed to contribute \$33,334 per year for five years for the Council for Economic Outreach. In 2006, the Association agreed to continue to contribute \$33,334 per year for an additional five years for the Council for Economic Outreach. The final contribution will be made during fiscal year 2010.

(10) Operating Leases:

The Association leases various equipment and facilities under operating leases. Total rent expense for the years ended June 30, 2006 and 2005, was \$605,649 and \$576,953, respectively. Included in rent expense for the years ended June 30, 2006 and 2005, was \$546,884 and \$519,733, respectively, in rent paid to the University of Florida for rental of the O'Connell Center and recreational sports fields. In addition, the Association has a long-term lease between the Association and the University of Florida Board of Trustees for the lease of various other athletic facilities on the University campus. There are no rental payments due under the lease.

Future minimum lease payments under noncancelable operating lease agreements for the next five years are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2007	\$ 280,917
2008	224,299
2009	-
2010	-
2011	-
	<u>\$ 505,216</u>

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

(11) Commitments Under Employment Contracts:

The Association has entered into employment contracts with certain employees expiring in years through 2014 that provide for a minimum annual salary. At June 30, 2006, the total commitment for all contracts for each of the next five years and in the aggregate is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2007	\$ 7,175,709
2008	6,021,806
2009	5,032,768
2010	2,919,865
2011	2,905,178
2012 – 2014	2,842,301
	<u>\$ 26,897,627</u>

(12) Contingency:

The Association is the only remaining defendant in a wrongful death lawsuit filed by the parents of a former University of Florida football student athlete. The case has been mediated and the Association was unsuccessful in resolving the case with the family. The case is set for trial in December 2006. Outside counsel for the Association has advised that at this stage in the proceedings, they cannot offer an opinion as to the probable outcome. The Association believes the suit is without merit and is vigorously defending its position.

(13) Risk Management:

The Association purchased conventional commercial insurance coverage for potential exposures in the areas of property, workers' compensation, automobile liability and physical damage, and other general liability exposures. This insurance was purchased from various independent carriers and is designed to insure against such risks and minimize the Association's financial exposure. The Association also participates with the employees in the purchase of group health, dental and life insurance for its employees and their families.

The Association has also purchased commercial insurance to cover injuries to student athletes received during practice or play. This policy requires a \$10,000 deductible per athlete per incident. Any amounts paid by the athletes' private insurance carriers can be applied to the Association's deductible. Total athlete medical expenses were \$462,600 and \$512,666 for the years ended June 30, 2006 and 2005, respectively. Estimated liabilities relating to unpaid and incurred but not reported claims were considered immaterial, and therefore have not been reported in the accompanying financial statements.

The Association is not involved in any risk pools with other governmental entities.

JAMES MOORE & CO., P.L.

CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors,
The University Athletic Association, Inc.:

We have audited the financial statements of the The University Athletic Association, Inc. (the Association) as of and for the year ended June 30, 2006, and have issued our report thereon, dated August 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information and use of the board of directors and management of the Association, and the board of trustees and management of the University of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Gainesville, Florida
August 30, 2006



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APPENDIX C
THE TRUST INDENTURE

**AMENDED AND RESTATED
TRUST INDENTURE**

between

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.

and

COMMERCE BANK, NATIONAL ASSOCIATION

Dated as of October 1, 2007

Securing:

\$28,015,000 Capital Improvement Revenue Bonds, Series 1990
\$57,400,000 Athletic Program Revenue Bonds, Series 2001
\$10,000,000 Athletic Program Revenue Bonds, Series 2005
\$10,000,000 Athletic Program Revenue Bonds, Series 2007

This Amended and Restated Trust Indenture is a restatement of the Amended and Restated Trust Indenture dated as of September 1, 2005, between The University Athletic Association, Inc. (“UAA”) and The Bank of New York Trust Company, N.A., successor to JPMorgan Chase Bank, National Association (formerly known as The Chase Manhattan Bank) (the “Trustee”) (the “Original Indenture”). This Amended and Restated Trust Indenture contains the provisions of the Original Indenture as amended and supplemented hereby.

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AMENDED AND RESTATED TRUST INDENTURE dated as of October 1, 2007, between **THE UNIVERSITY ATHLETIC ASSOCIATION, INC.** ("UAA"), and **COMMERCE BANK, NATIONAL ASSOCIATION**, a national banking association organized and existing under the laws of the United States of America and duly authorized to accept and execute trusts, with its designated place of business located in Jacksonville, Florida, as trustee (the "Trustee"), successor trustee to **THE BANK OF NEW YORK TRUST COMPANY, N.A.**, successor to **JP MORGAN CHASE BANK, NATIONAL ASSOCIATION** (formerly known as The Chase Manhattan Bank).

UAA and the Trustee for the benefit of the other and for the benefit of the holders of UAA's Bonds issued pursuant to this Indenture agree as follows:

ARTICLE 1

Section 1.01. Representations of UAA:

1. UAA provides direct support to the University of Florida (the "University") and has been designated as a "University Direct Support Organization" by The University of Florida Board of Trustees (the "University Board") pursuant to §1004.28, Florida Statutes (2007).

2. UAA has previously issued its (i) \$28,015,000 Capital Improvement Revenue Bonds, Series 1990, in two installments (the "Series 1990 Bonds") in the original principal amounts of \$10,715,000 and \$17,300,000, respectively, (ii) \$57,400,000 Athletic Program Revenue Bonds, Series 2001 (the "Series 2001 Bonds"), and (iii) \$10,000,000 Athletic Program Revenue Bonds, Series 2005 (the "Series 2005 Bonds") (the Series 1990 Bonds, the Series 2001 Bonds, and the Series 2005 Bonds are collectively referred to herein as the "Additional Outstanding Bonds"), all pursuant to the Original Indenture, and, as amended hereby, referred to herein as the "Indenture."

3. The Indenture provides for the authorization and issuance of Additional Bonds that shall be entitled to the benefit, protection and security of the Indenture on a parity with the Additional Outstanding Bonds and the Series 2007 Bonds (defined below).

4. UAA has determined to issue its Athletic Program Revenue Bonds, Series 2007, on behalf of the University Board, in the principal amount of \$10,000,000 (the "Series 2007 Bonds") to finance (i) the acquisition, construction and equipping of improvements to the Ben Hill Griffin Stadium located on the campus of the University (the "2007 Project") and (ii) certain costs relating to the Series 2007 Bonds. The Additional Outstanding Bonds and the Series 2007 Bonds (together with any Additional Bonds to be issued in the future, the "Bonds") will be secured hereunder.

5. The proceeds of the Series 2007 Bonds, together with other available funds, if necessary, will be used for the specific corporate purposes described above.

6. Concurrently with the issuance of the Series 2007 Bonds, UAA will deliver to the Trustee an irrevocable, direct-pay letter of credit (the "Credit Facility") for the account of UAA in favor of the Trustee, dated the date of the issuance of the Series 2007 Bonds in an amount sufficient to secure the principal of or purchase price corresponding to the principal of and up to thirty-nine (39) days' interest (calculated using the Maximum Rate) on the Series 1990 Bonds, the Series 2001 Bonds, the Series 2005 Bonds, and the Series 2007 Bonds, all pursuant to a Third Amended and Restated Letter of Credit and Reimbursement Agreement, dated as of

October 1, 2007 (the "Credit Facility Agreement") between UAA and SunTrust Bank (the "Bank").

7. UAA leases athletic facilities from the University Board on which it conducts its athletic program activities pursuant to the Lease and Operating Agreement, dated as of November 1, 1990, as amended by that certain First Lease Modification Agreement, dated as of February 21, 1994, that certain Amendment to Lease and Operating Agreement between the University and UAA dated on or about October 27, 1997 and by that certain Second Amendment to Lease and Operating Agreement, dated as of October 10, 2001, between the University and UAA (collectively, the "Operating Lease").

8. The Board of Directors of UAA, hereinafter called the "Governing Board," pursuant to the resolution adopted on June 4, 2007 has duly authorized the execution and delivery of this Indenture, the creation, execution and issuance hereunder of the Series 2007 Bonds and the execution and delivery of other documents related thereto.

9. The Bank of New York Trust Company, N.A. has resigned and UAA, with the consent of the Credit Facility Provider, has appointed Commerce Bank, National Association, as successor trustee, all in accordance with Section 9.07 hereof.

10. The provisions of the Indenture relating to the requirements for the issuance of the Series 2007 Bonds shall be satisfied prior to the date of delivery hereof.

11. UAA has the full power and authority to issue and sell the Series 2007 Bonds, to acquire, construct and equip the 2007 Project as herein provided, and the Governing Board has taken all action required by law to authorize its officers to execute, acknowledge and deliver this Indenture and to issue the Series 2007 Bonds.

12. All things have been done and performed that are necessary to make the Series 2007 Bonds, when authenticated by the Trustee and issued as provided in this Indenture, the valid, binding and legal obligations of UAA according to the import thereof, and to make this Indenture a valid agreement of UAA payable from the Trust Estate on a parity with the Additional Outstanding Bonds, in accordance with their terms.

Section 1.02. Granting Clause and Acceptance by Trustee:

To secure the payment of the Bonds and, as herein provided, payment of all obligations to the Credit Facility Provider or the Bond Insurer (each hereinafter defined), UAA assigns to the Trustee and grants to the Trustee a security interest in all right, title and interest of UAA in and to (a) except as specifically provided herein, all moneys and securities held from time to time by the Trustee under this Indenture, except those moneys and securities held from time to time in the hereinafter defined Rebate Account, (b) the Credit Facility (hereinafter defined), if any, (c) any proceeds from a Bond Insurance Policy, if any, and (d) to the extent not included in the foregoing, the products and proceeds of any and all of the foregoing described collateral (collectively, the "Trust Estate"), in each case, for the equal and proportionate benefit of all holders of the Bonds without priority or distinction as to lien or otherwise of any Bonds over any other Bonds and for the benefit of the Credit Facility Provider and the Bond Insurer, if any, except as otherwise provided in this Indenture. The Trustee shall hold (i) all funds drawn under the Credit Facility solely for the benefit of the holders of the Bonds secured by such Credit Facility and (ii) any proceeds from a Bond Insurance Policy for the benefit of the holders of the Bonds insured by such Bond Insurance Policy. If moneys are provided under the Credit Facility to make payments required hereunder, the Credit Facility Provider shall be subrogated to the rights of UAA and the holders of the Bonds secured by such Credit Facility, and the Trustee shall apply the interests granted hereunder, except any proceeds from a Bond Insurance Policy,

to secure payment of all obligations of UAA under the Credit Facility Agreement (hereinafter defined) until the same have been satisfied as provided in Section 7.04 hereof.

THE BONDS AND ALL PAYMENTS BY UAA THEREUNDER ARE GENERAL OBLIGATIONS OF UAA, EXCEPT FOR ATHLETIC FEE REVENUES, AS DEFINED IN SECTION 1009.24(12), FLORIDA STATUTES (2007), AND ARE ADDITIONALLY PAYABLE FROM AND SECURED BY THE PLEDGE OF AND LIEN UPON THE TRUST ESTATE ON A PARITY WITH THE ADDITIONAL OUTSTANDING BONDS. NO COVENANT OR AGREEMENT IN THE BONDS, THE INDENTURE OR THE OTHER BOND DOCUMENTS AND NO OBLIGATION HEREIN OR THEREIN IMPOSED UPON UAA SHALL CONSTITUTE A DEBT, LIABILITY, OR OBLIGATION OF THE UNIVERSITY, THE UNIVERSITY BOARD, THE BOARD OF GOVERNORS, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF, OR A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER UAA NOR THE UNIVERSITY BOARD HAS ANY TAXING POWER.

The Trustee hereby duly accepts the trusts created by this Indenture and as evidence of such has joined in the execution hereof.

Section 1.03. Definitions:

For all purposes of this Indenture, unless the context requires otherwise, the following terms shall have the following meanings:

“Accrued Interest Account” shall mean the special account created and designated in the Sinking Fund by the provisions of Section 5.02 hereof.

“Act of Bankruptcy” shall mean the filing of a petition in bankruptcy (or the other commencement of a bankruptcy or similar proceeding) under any applicable bankruptcy, insolvency, reorganization or similar law now or hereafter in effect. If any such petition has been dismissed and the dismissal is final and not subject to appeal at the relevant time, the filing will not be considered to have occurred.

“Additional Bonds” shall mean any Bonds issued under Section 2.07 hereof.

“Alternate Credit Facility” shall mean any letter of credit, bond insurance policy and standby bond purchase agreement, guaranty, line of credit, surety bond or similar credit facility meeting the requirements of, and delivered to the Trustee in accordance with, Article V hereof.

“Amortization Requirements” for the Bonds shall mean the amount established with respect to payment of Term Bonds, which is required to be paid into the Redemption Account in each Bond Year. The aggregate amount of such Amortization Requirements (including the amount payable at maturity) for the Term Bonds of each Series of Bonds shall be equal to the principal amount of such Term Bonds and the due dates for Amortization Requirements for any Term Bonds shall begin in the Bond Year and shall end with the Bond Year in which such Bonds mature.

“Available Moneys” shall mean (i) moneys drawn under the Credit Facility; (ii) moneys deposited directly by UAA with the Trustee which moneys have been on deposit in the Sinking Fund or an Eligible Account and held by the Trustee for at least 123 days during which no Act of

Bankruptcy with respect to UAA, the University or the University Board shall have occurred; (iii) the proceeds of the sale of refunding obligations or other moneys, if, delivered with a written opinion of an attorney or firm of attorneys nationally recognized as experienced in bankruptcy matters acceptable to UAA, the Credit Facility Provider, and the Trustee, and the form of which is acceptable to the Rating Agency, stating that the application of such proceeds or other moneys will not constitute a voidable preference in the event of the occurrence of an Act of Bankruptcy with respect to UAA, the University or the University Board; or (iv) the proceeds from investment of moneys qualifying as Available Moneys under clause (i), (ii) or (iii) above. Notwithstanding the foregoing, when used with respect to the payment of the Pledged Bonds or Bank Owned Bonds, the term “Available Moneys” shall not include moneys drawn under the Credit Facility.

“Balloon Indebtedness” shall mean indebtedness which has principal due in any fiscal year in an amount exceeding 125% of the average amount of principal due on such indebtedness over the term of such indebtedness.

“Bank” shall mean SunTrust Bank, a Georgia banking corporation, its successors and assigns.

“Bank Owned Bonds” shall mean Bonds owned by the Credit Facility Provider.

“Bank Rate” shall mean the Prime Rate less twenty-five hundredths of one percent (0.25%).

“Bankruptcy Law” shall mean Title 11 of the United States Code or any similar federal, state or foreign law for the relief of debtors.

“Bond Documents” shall mean the Bonds, the Credit Facility, the Credit Facility Agreement and this Indenture.

“Bond Insurer” shall mean a bond insurer, its successors and assigns acting as such under a Bond Insurance Policy issued to insure the payment when due of the principal of and interest on a series of Bonds.

“Bond Insurer Default” shall mean any one or more of the following events:

(a) the Bond Insurer shall fail to pay a claim properly made under the terms of the Bond Insurance Policy; or

(b) the Bond Insurer shall declare that it is not obligated to honor future claims on the Bond Insurance Policy; or

(c) an Act of Bankruptcy shall occur with respect to the Bond Insurer, or the Bond Insurer or a receiver (or other similar person with authority to control the disposition of the Bond Insurer’s assets) shall declare that the Bond Insurer will not be able to pay in full, on a timely basis, future claims on the Bond Insurance Policy.

A Bond Insurer Default shall “exist” if a Bond Insurer Default shall have occurred and be continuing.

“Bond Insurance Policy” shall mean the financial guaranty insurance policy issued by the Bond Insurer insuring the payment when due of the principal of and interest on a series of Bonds, or any Additional Bonds as provided therein.

"Bond Service Account" shall mean the special account created and designated in the Sinking Fund by the provisions of Section 5.02 hereof.

"Bond Year" shall mean so long as the Bonds are Outstanding, each year (i) commencing February 1 and ending January 31 with respect to the Series 1990 Bonds, (ii) commencing October 12 and ending October 11 with respect to the Series 2001 Bonds, (iii) commencing September 1 and ending August 31 with respect to the Series 2005 Bonds, and (iv) commencing October 31 and ending October 30 with respect to the Series 2007 Bonds.

"Bonds" shall mean each series of Bonds issued pursuant to this Indenture, including the Series 1990 Bonds, the Series 2001 Bonds, the Series 2005 Bonds, the Series 2007 Bonds and any Additional Bonds. The term "Bonds" shall refer to the interests therein as shown on the records of the Depository. The references to the Bonds set forth in Article III and Article IV of the Indenture shall be applied with recognition that the Bonds of each series of the Bonds are not interchangeable with the Bonds of any other series and references to the Bonds (or the owners thereof) in such Articles shall generally be applied to refer to the Bonds of the applicable series only (or the owners thereof, as applicable).

"Book-Entry Form" or "Book-Entry System" shall mean the system maintained by the Depository described in Section 2.02 hereof.

"Business Day" shall mean any day except (a) a Saturday or Sunday, (b) a day on which the New York Stock Exchange is closed or (c) a day on which the designated corporate trust office of the Trustee, or the office of the Bond Insurer, or the office of the Remarketing Agent, or the office of the Credit Facility Provider at which demands may be made for payment on the Credit Facility are closed.

"Certificate of Completion" shall mean the certificate setting forth the date of completion of the Project given by UAA to the Trustee pursuant to Section 5.01 hereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the Treasury regulations under it and its predecessors.

"Commercial Paper Rate" shall mean, when used with respect to any particular Bond, the interest rate determined for each Commercial Paper Rate Period applicable thereto pursuant to Section 3.09 hereof.

"Commercial Paper Rate Conversion Date" shall mean the date on which the Bonds are converted to bear interest at Commercial Paper Rates pursuant to Section 3.10 hereof.

"Commercial Paper Rate Period" shall mean each period during which a Bond bears interest at a Commercial Paper Rate established in accordance with Section 3.09 hereof.

"Completion Date" shall mean the date of the completion of the Project as set forth in the Certificate of Completion.

"Conversion Date" shall mean (a) when used with respect to Bonds bearing interest at the Fixed Rate, the date on which the Bonds are converted to bear interest at Fixed Rates pursuant to Section 3.11 hereof; (b) when used with respect to Bonds bearing interest at a Variable Rate Period, the date on which the Bonds are converted to bear interest such Variable Rate pursuant to Sections 3.03 and 3.04 hereof; (c) when used with respect to Bonds bearing interest at an Auction Rate, the date on which the Bonds are converted to bear interest at such Auction Rate, and (d) the Commercial Paper Rate Conversion Date.

"Cost," when used in connection with a project, shall be deemed to include, (a) expenditures or obligations of UAA incurred for the acquisition of real property, for the acquisition and installation of equipment, and for labor, materials, supplies and other expenses paid or payable to contractors, builders and materialmen in connection with the acquisition, construction and erection of such project and all other expenses incidental thereto; (b) interest on the Bonds prior to and during construction; (c) the cost of contract bonds and of insurance of all kinds that may be required or necessary during the course of construction which is not paid by the contractor or contractors or otherwise provided for; (d) the expenses of test borings, surveys, test and pilot operations, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction, as well as for the performance of all other duties required by or consequent upon the proper erection, construction or installation of such project; (e) compensation and expenses of UAA, the Trustee, the Paying Agent, the Remarketing Agent, the Bond Insurer, if any, and the Credit Facility Provider, legal, accounting, financial and printing expenses, fees and all other expenses incurred in connection with the issuance of the Bonds or the transactions financed thereby; (f) all other costs which UAA shall be required to pay under the terms of any contract or contracts for the acquisition, construction and equipping of the Project; (g) payment of the taxes, documentary stamp taxes, intangible taxes, assessments and other charges, if any, to the extent such taxes, assessments and charges may be properly chargeable to such project's capital account or reimbursement thereof if paid by UAA; (h) payment of expenses incurred in enforcing any remedy against any contractor or subcontractor in respect of any default under a contract relating to such project; and (i) any sums required to reimburse UAA for advances made for any of the above items, or for any other costs incurred and for work done by any of them, which are properly chargeable to the Project.

"Credit Facility" shall mean an irrevocable, direct-pay letter of credit issued by a Credit Facility Provider to the Trustee that satisfies the requirements of Section 5.07 hereof. The term Credit Facility includes any Alternate Credit Facility that satisfies the requirements of Section 5.07 hereof, any extension, amendment, or renewal of a Credit Facility and may include, in combination with a letter of credit or liquidity facility, a municipal bond insurance policy or surety bond.

"Credit Facility Account" shall mean the special account created and designated in the Sinking Fund by the provisions of Section 5.02 hereof.

"Credit Facility Agreement" shall mean (a) the Amended and Restated Letter of Credit and Reimbursement Agreement of even date herewith between UAA and the Bank, as may be amended from time to time in accordance with its terms, and (b) any other agreement between UAA and a Credit Facility Provider pursuant to which a Credit Facility is issued.

"Credit Facility Provider" for the Bonds shall mean (a) the Bank, and (b) with respect to any Additional Bonds, Credit Facility Provider shall be as defined in the Supplemental Indenture authorizing such Additional Bonds.

"Credit Facility Provider Account" shall mean the special account created and established in Section 4.01(d)(iii) hereof.

"CUSIP" shall mean the Committee on Uniform Security Identification Procedures, established to develop a uniform method of identifying securities.

"Daily Rate" shall mean the interest rate to be determined for the Bonds on each Business Day pursuant to Section 3.02(c) hereof.

"Daily Rate Conversion Date" shall mean the day on which the Bonds are converted to bear interest at a Daily Rate pursuant to Section 3.03 hereof.

"Daily Rate Period" shall mean the period during which the Bonds bear interest at a Daily Rate pursuant to Section 3.02(c) hereof, commencing on a Business Day and extending to but not including the next Business Day.

"Delivery Office of Trustee" shall mean the office designated in Section 11.01 hereof or such other office as may be designated in writing by the Trustee to UAA, the Bond Insurer, the Credit Facility Provider and the Remarketing Agent.

"Depository" shall mean any Depository that is 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, operating and maintaining, with its Participants or otherwise, a Book-Entry System to record ownership of interests in the Bonds, and to effect transfers of the Bonds, in Book-Entry Form, and includes and means initially The Depository Trust Company (a limited purpose trust company), New York, New York.

"Determination of Taxability" shall mean a determination that the interest income on any of the Bonds is not excluded from gross income under Section 103 of the Code, which determination shall be deemed to have been made upon the first to occur of the following:

A. the date on which in any change in law or regulation becomes effective, or on which the Internal Revenue Service issues any private ruling, technical advice or any other written communication, with or to the effect that the interest income on any of the Bonds is not excluded from gross income; or

B. the date on which UAA shall receive notice from the Trustee in writing that the Trustee has been advised by any person acting on behalf of a present or former Owner that the Internal Revenue Service has issued a thirty (30) day letter or other notice to such Owner which asserts that the interest on the Bonds is not excluded from gross income.

"Eligible Account" shall mean an eligible account that is either (a) maintained with a federal or state-chartered depository institution or trust company that has a Standard & Poor's short-term debt rating of at least "A-2" (or, if no short-term debt rating, a long-term debt rating of "BBB+"); or (b) maintained with the corporate trust department of a federal depository institution or state-chartered depository institution subject to regulations regarding fiduciary funds on deposit similar to Title 12 of the U.S. Code of Federal Regulation Section 9.10(b), which, in either case, has corporate trust powers and is acting in its fiduciary capacity.

"Event of Default" is defined in Section 8.01 hereof.

"Facilities" shall mean the athletic facilities located on the campus of the University described in Exhibit A to the Operating Lease (except those portions set forth in Exhibit B), including the Improvements, and all personal property now or hereafter used in connection therewith.

"FAST" shall mean the DTC Fast Automated Securities Transfer system for the delivery and deposit of securities through electronic computerized balancing between the Trustee, as transfer agent, and DTC.

"Fitch" shall mean Fitch, Inc. d/b/a Fitch Ratings and its successors and assigns.

"Fixed Rate" shall mean the rate at which the Bonds shall bear interest from and including the conversion to a Fixed Rate to the maturity date pursuant to Section 3.11 hereof.

"Fixed Rate Conversion Date" shall mean the date on which the Bonds are converted to bear interest at the Fixed Rate pursuant to Section 3.11 hereof.

"Fixed Rate Period" shall mean the period during which the Bonds bear interest at the Fixed Rate.

"Improvements" initially shall mean the acquisition, construction and equipping of improvements to the Ben Hill Griffin Stadium located on the campus of the University as described in the Plans, all prior improvements financed with proceeds of Bonds and such other improvements as are approved in writing by the Credit Facility Provider or Bond Insurer, as applicable. Without limiting the foregoing, the term "Improvements" shall include all buildings, components of buildings, storm drainage, water systems, sewer systems, electrical systems, gas systems and other utilities, equipment and landscaping, located within or without the boundaries of the campus of the University and serving such athletic facilities.

"Indenture" shall mean the Original Indenture as modified by this Amended and Restated Trust Indenture, as amended or supplemented from time to time in accordance with its terms.

"Insider" shall mean any (i) director of UAA; (ii) officer of UAA, the University or the University Board; (iii) person in control of UAA, the University or the University Board; (iv) partnership in which UAA, the University or the University Board is a general partner; or (v) relative of a general partner, director, officer or person in control of UAA, the University or the University Board. This definition shall be interpreted to correspond with the definition of "Insider" as appears in 11 United States Code, Section 101(31) as may, from time to time, be amended, interpreted, or renumbered.

"Interest Payment Date" shall mean (a) when used with respect to Bonds bearing interest at the Daily or Weekly Rate, the first Business Day of each calendar month for interest accrued up to but not including such date; (b) when used with respect to Bonds bearing interest at the Multiannual Rate, the first day of the sixth calendar month or of a calendar month, designated by UAA, following inception of the Multiannual Rate Period and thereafter on the first day of each sixth month to which interest at such rate has accrued and each Multiannual Rate Adjustment Date; (c) when used with respect to any particular Bond bearing interest at a Commercial Paper Rate, the first Business Day following each Commercial Paper Rate Period applicable thereto; (d) when used with respect to Bonds bearing an Auction Rate, as described in Exhibit B, (e) when used with respect to Bonds bearing interest at the Fixed Rate, each April 1 and October 1; and (f) when used with respect to Pledged Bonds, the date such Pledged Bonds are remarketed.

"Management Consultant" shall mean a consultant or consulting firm designated by UAA and not unacceptable to the Bond Insurer or Credit Facility Provider.

"Maximum Rate" shall mean the lower of (a) the maximum rate permitted by Florida law, or (b) when a Credit Facility secures the Bonds, such maximum rate as may be specified in the Credit Facility.

"Moody's" shall mean Moody's Investors Service and its successors and assigns.

"Multiannual Rate" shall mean the interest rate to be determined for the Bonds for a term of one or more years pursuant to Section 3.02(e) hereof.

"Multiannual Rate Adjustment Date" shall mean, as to Bonds that bear interest at a Multiannual Rate, the Business Day immediately succeeding the last day of such Rate Period.

“Multiannual Rate Conversion Date” shall mean the day on which the Bonds are converted to bear interest at a Multiannual Rate pursuant to Section 3.02 hereof.

“Multiannual Rate Period” shall mean each period during which the Bonds bear interest at a Multiannual Rate.

“Net Revenues” for any particular period shall mean the Increase in Net Assets (in accordance with GASB) plus interest expense, depreciation and amortization on the Bonds minus capital contributions.

“Operating Lease” shall mean the Lease and Operating Agreement, dated as of November 1, 1990, as amended by that certain First Lease Modification Agreement, dated as of February 21, 1994, that certain Amendment to Lease and Operating Agreement between the University and UAA dated on or about October 27, 1997 and by that certain Second Amendment to Lease and Operating Agreement, dated as of October 10, 2001, between the University and UAA.

“Opinion of Counsel” shall mean a written opinion of counsel who is acceptable to the Trustee, UAA, the Bond Insurer, if any, and the Credit Facility Provider, if any. “Opinion of Tax Counsel” shall mean an Opinion of Counsel by counsel nationally recognized as being experienced in matters relating to the exclusion from gross income for federal income tax purposes of interest on obligations issued by states and their political subdivisions.

“Outstanding,” when used with reference to Bonds, or “Bonds Outstanding” shall mean all Bonds that have been authenticated and delivered by the Trustee under this Indenture, except the following:

(a) Bonds, or portions thereof, canceled or purchased by the Trustee for cancellation. Bonds purchased by UAA in lieu of redemption under Article IV will continue to be Outstanding until UAA directs the Trustee to cancel them.

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

(c) Bonds deemed paid pursuant to Section 7.01 hereof.

(d) Bonds deemed purchased pursuant to Section 4.01 hereof, regardless of whether such Bonds have been delivered, for which sufficient moneys, including interest accrued to the due date, are held by the Trustee.

“Owner” or “Owners” shall mean the Depository and not the owners of beneficial interests in the Bonds.

“Participant” shall mean one of the entities, which is a member of the Depository and deposits securities, directly or indirectly, in the Book-Entry System.

“Paying Agent” shall mean the Trustee or any successor Paying Agent under this Indenture.

“Person” shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization, a governmental body or a political subdivision, a municipal corporation, public corporation or any other group or organization of individuals.

“Plans” shall mean the final plans, drawings, specifications, construction budget, schedule of values, trade and materials breakdown and other cost allocations for construction of the Improvements now or hereafter prepared and certified by UAA or UAA’s contractor.

“Pledge Agreement” shall mean any Pledge Agreement between UAA and a Credit Facility Provider regarding any Bonds held for the benefit of such Credit Facility Provider.

“Pledged Bonds” shall mean the principal portion of the Bonds held by the Depository for the account of the Credit Facility Provider pursuant to the Pledge Agreement.

“Prime Rate” shall mean the rate of interest per annum announced from time to time by the Bank as the prime rate (which rate is only a benchmark, is purely discretionary and not necessarily the best or lowest rate charged borrowing customers of any subsidiary bank of the Bank).

“Principal and Interest Requirements” for any Bond Year, as applied to the Bonds, shall mean the sum of the following less any amounts paid from the proceeds of any Bonds or other funds held by the Trustee for such purpose:

(a) the amount required to pay the interest on all Bonds which is payable in such Bond Year,

(b) the amount required to pay the principal of the Bonds in such Bond Year, and

(c) the amount required to redeem a principal amount of the Bonds in such Bond Year equal to the Amortization Requirement therefor.

“Program” or “Athletic Program” shall mean the athletic program activities conducted by UAA at athletic facilities on the campus of the University (which shall include the Facilities, together with all projects now or hereafter in existence, similar in nature to that of the Facilities).

“Project” shall mean the financing of the Improvements, including reimbursement of the capital expenditures advanced by UAA. The Project may be modified from time to time; provided, that no modification shall be made which significantly alters the nature thereof absent the written consent of the Credit Facility Provider which consent may be withheld at the sole discretion of the Credit Facility Provider, and an Opinion of Tax Counsel that such modification will not adversely affect the exclusion from gross income, for federal income tax purposes, of interest on the Bonds.

“Project Fund” shall mean the trust fund established pursuant to subparagraph (a)(2) of Section 5.01 hereof.

“Put Date” shall mean any date upon which the holder of Put Indebtedness is authorized by the terms of such indebtedness to receive payment before its stated maturity.

“Put Indebtedness” shall mean an indebtedness which is payable at the option of the holder thereof before its stated maturity.

“Qualified Investments” shall mean the following obligations and any other obligations previously approved in writing by the Credit Facility Provider and the Bond Insurer:

(a) U.S. Government Obligations;

(b) the following debt securities of the following agencies or instrumentalities of the United States of America if at all times the full faith and credit of the United States of America is pledged to the full and timely payment of all interest and principal thereof:

- (i) all direct or fully guaranteed obligations of the United States Treasury;
- (ii) certificates of ownership of the Farmers Home Administration;
- (iii) participation certificates of the General Services Administration;
- (iv) obligations of the United States Maritime Administration guaranteed under Title XI of the United States Code;
- (v) guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration;
- (vi) mortgaged-backed securities and participation certificates guaranteed by the Government National Mortgage Association;
- (vii) local authority bonds guaranteed by the United States Department of Housing and Urban Development; and
- (viii) guaranteed transit bonds of the Washington Metropolitan Transit Authority;
- (c) the following obligations of the following agencies or instrumentalities of the United States of America:
 - (i) participation certificates and debt obligations of the Federal Home Loan Mortgage Corporation;
 - (ii) consolidated debt obligations, and obligations secured by a letter of credit, of the Federal Home Loan Banks; and
 - (iii) debt obligations and mortgaged-backed securities of the Federal National Mortgage Association which have not had the interest portion thereof severed therefrom;
 - (d) debentures of the Federal Housing Administration;
 - (e) obligations of any corporation organized under the laws of any state of the United States of America or under the laws of any other nation, payable in the United States of America, expressed to mature not later than ninety-two (92) days following the date of issuance thereof and rated in the highest investment rating category by Moody's;
 - (f) interest bearing demand, trust deposits or time deposits issued by state banks or trust companies, savings and loan associations, federal savings banks or national banking associations, in each case the deposits of which are insured by the Bank Insurance Fund ("BIF") or the Savings Association Insurance Fund ("SAIF") of the Federal Deposit Insurance Corporation ("FDIC") or any successors thereto and which deposits either:
 - (i) are at all time fully insured by BIF or SAIF; or

(ii) mature no later than 366 days from the date of investment therein and are obligations of banks whose short term debt obligations are rated not less than "P-1" by Moody's;

- (g) repurchase agreements;
- (h) pre-refunded municipal obligations;
- (i) shares of mutual funds which invest in obligations described in paragraphs (a) through (h) above, the shares of which mutual funds are at all times rated "Aaa" by Moody's, including, without limitation, any mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (a) the Trustee or an affiliate of the Trustee receives fees from such funds for services rendered, (b) the Trustee charges and collects fees for services rendered pursuant to the Indenture, which fees are, separate from the fees received from such funds, and (c) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or its affiliates; and
- (j) State Special Purpose Investment Account.

Obligations listed in paragraphs (a), (b) and (c) above which are in book-entry form must be held in a trust account with the Federal Reserve Bank or with a clearing corporation or chain of clearing corporations which has an account with the Federal Reserve Bank.

In the event any moneys held by the Trustee under the Indenture are invested in shares of a mutual fund described in paragraph (i) above, UAA shall provide to the Credit Facility Provider on the first Business Day of each April, a certification that such mutual fund is then rated "Aaa" by Moody's. Upon receipt of notice that such mutual fund is no longer rated "Aaa" by Moody's and written direction of UAA, the Trustee shall immediately withdraw all funds invested therein and invest such funds in other Qualified Investments.

"Rate Period" shall mean the period during which a particular rate of interest determined for the Bonds is to remain in effect pursuant to Article III hereof.

"Rating Agency" shall mean Moody's, S&P or Fitch, whichever one[s] then rates the Bonds, and their respective successors and assigns, provided such corporation is maintaining a rating on the Bonds. If any of such corporation cease to act as a securities rating agency, UAA may, with the approval of the Remarketing Agent and Trustee, appoint any nationally recognized securities rating agency as a replacement.

"Rebate Account" shall mean the trust fund created and established pursuant to Section 5.05 hereof.

"Record Date" shall mean the close of business on (a) the day (whether or not a Business Day) immediately preceding the Interest Payment Date in the case of Bonds bearing interest at Commercial Paper, Weekly or Daily Rates; (b) the fifteenth (15th) day (whether or not a Business Day) of the month immediately preceding the Interest Payment Date in the case of Bonds bearing interest at a Multiannual Rate or at the Fixed Rate; or (c) the Business Day immediately preceding each Conversion Date.

"Redemption Account" shall mean the special account created and designated in the Sinking Fund by the provisions of Section 5.02 hereof.

“Remarketing Agent” shall mean the remarketing agent acting as such under the Remarketing Agreement. The Remarketing Agent must be a Participant in the Book-Entry System with respect to the Bonds.

“Remarketing Agreement” shall mean any Remarketing Agreement, by and between UAA and the Remarketing Agent regarding the Bonds, including any amendments thereof or supplements thereto.

“Required Purchase Date” shall mean (a) each Variable or Fixed Rate Conversion Date and Multiannual Rate Adjustment Date, as more fully described in Sections 3.13 and 3.14 hereof, (b) on the first Business Day following the last day of each Commercial Paper Rate Period, as more fully described in Section 3.12 hereof, (c) on the 5th Business Day prior to the expiration of the Credit Facility, as more fully described in Section 3.15 hereof, (d) the effective date of a substitute Credit Facility, as more fully described in Section 3.15, and (e) any mandatory tender date.

“Responsible Officer” shall mean any officer or assistant officer or authorized signor of the Trustee assigned by the Trustee to administer its corporate trust matters.

“Rule” shall mean Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities and Exchange Act of 1934, as amended.

“S&P” shall mean Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a New York corporation and its successors and assigns.

“Series 1990 Bonds” shall mean the Capital Improvement Revenue Bonds, Series 1990 described in Section 1.01 hereof.

“Series 2001 Bonds” shall mean the Athletic Program Revenue Bonds, Series 2001 described in Section 1.01 hereof.

“Series 2005 Bonds” shall mean the Athletic Program Revenue Bonds, Series 2005 described in Sections 1.01 hereof.

“Series 2007 Bonds” shall mean the Athletic Program Revenue Bonds, Series 2007 described in Sections 1.01 and 2.01 hereof.

“Sinking Fund” shall mean the trust fund created and established pursuant to Section 5.02 hereof.

“Special Tender Option” shall mean the right of an Owner of Bonds bearing interest at a Commercial Paper or Multiannual Rate to tender the Bonds upon substitution of a Credit Facility with an Alternate Credit Facility as described in Section 3.15 hereof.

“State” shall mean the State of Florida.

“Supplemental Indenture” shall mean any amendment or supplement to this Indenture becoming effective in accordance with the terms of Article II hereof.

“Term Bonds” shall mean the Bonds of a series all of which are stated to mature on one date and which are subject to mandatory redemption from Amortization Requirements deposited in the Redemption Account.

“Trust Estate” shall mean all revenues and assets granted to the Trustee hereunder or hereafter granted for the benefit of the Bondholders and/or the Credit Facility Provider and the Bond Insurer.

“Trustee” shall mean the entity named as such in the heading of this Indenture until a successor replaces it; and after that means the successor.

“UAA” shall mean the entity identified as such in the heading of this Indenture and any successor to its functions.

“UAA Representative” shall mean a person at the time designated to act on behalf of UAA by a written certificate furnished to the Trustee, the Bond Insurer or Credit Facility Provider containing the person’s specimen signature and signed on behalf of UAA by any of its officers. The certificate may designate an alternate or alternates.

“U.S. Government Obligations” shall mean (a) direct obligations of the United States for which its full faith and credit are pledged, (b) obligations of a person controlled or supervised by and acting as an agency or instrumentality of the United States, the payment of which is unconditionally guaranteed as to full and timely payment as a full faith and credit obligation of the United States, or (c) specified portions (such as principal or interest) of obligations described in (a) which have been stripped by an agency of the United States of America. Mutual funds shall qualify as U.S. Government Obligations so long as such mutual funds are rated in the highest rating category of the Rating Agency.

“University” shall mean the University of Florida.

“Variable Rate” shall mean, as the context requires, the Daily, Weekly or Multiannual Rate applicable to Bonds.

“Variable Rate Conversion Date” shall mean the day on which the Bonds are converted to bear interest at a Variable Rate pursuant to Section 3.03 hereof.

“Variable Rate Period” shall mean each period during which the Bonds bear interest at a specific Variable Rate.

“Weekly Rate” shall mean the interest rate to be determined for the Bonds for each Weekly Rate Period pursuant to Section 3.02(d) hereof.

“Weekly Rate Conversion Date” shall mean the day on which the Bonds are converted to bear interest at a Weekly Rate pursuant to Section 3.03 hereof.

“Weekly Rate Period” shall mean each period during which the Bonds bear interest at a Weekly Rate.

Except where indicated, references to Articles and Sections are to the Articles and Sections of this Indenture.

Section 1.04. Use of Words and Phrases. “Herein,” “hereby,” “hereunder,” “hereof,” “hereinafter,” “hereinbefore,” “hereinafter” and other equivalent words refer to this Indenture as a whole and not solely to the particular portion thereof in which any such word is used. Unless the context dictates otherwise, all definitions set forth in Section 1.03 hereof are meant to include both singular and plural usages. Whenever used herein, any pronoun shall be deemed to include both singular and plural and to cover all genders.

Section 1.05. Date of Indenture. The date of this Indenture is intended as and for a date for the convenient identification of this Indenture and is not intended to indicate that the Bonds were executed, delivered or issued on said date or that this instrument was executed and delivered on said date.

ARTICLE II

THE BONDS

Section 2.01. Issuance of Series 2007 Bonds; Form; Dating; Cusip Numbers. This Indenture secures an issue of Bonds of UAA to be issued as hereinafter provided and creates a continuing pledge as provided by this Indenture to secure the full and final payment of the principal of, redemption premium, if any, and interest on all of the Bonds as the same shall become due and payable. The Bonds may have notations, legends or endorsements required by law or usage. All Bonds bearing interest at Daily, Weekly, Multiannual or Commercial Paper Rates shall initially be issued in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. All Bonds bearing interest at the Fixed Rate shall be in denominations of \$5,000 or integral multiples thereof. All Bonds bearing interest at an Auction Rate shall initially be in denominations of \$25,000 or integral multiples thereof.

Upon the execution and delivery of this Indenture and, upon receipt by the Trustee of a Credit Facility satisfying the requirements of Article V, UAA will issue the Series 2007 Bonds in the form of a single Bond for each series thereof (and for each maturity of a series (and for each interest rate within a maturity) during a Multiannual Rate or Fixed Rate Period) executed in its name and delivered to the Trustee as the transfer agent of the Depository pursuant to the FAST method of delivery and deposit. Upon receipt of payment for the Series 2007 Bonds, the Trustee shall authorize the Depository to credit the account of the purchasing Participant with an interest in the Bonds as more fully described in Section 2.02 hereof.

CUSIP numbers (if then generally in use), may be used to identify a specific series of Bonds. In such event, the Trustee shall use CUSIP numbers to further identify such Bonds in notices to Owners provided that the effectiveness thereof shall not be affected by any errors in identification.

Additional Bonds shall be secured by a separate Credit Facility unless the particular Credit Facility securing the then Outstanding Bonds is amended to provide for payment of such Additional Bonds; failing such, the Owners of a series of Bonds shall have no interest in funds drawn under the Credit Facility or proceeds of a Bond Insurance Policy securing any other series of Bonds. Upon the issuance of any series of Additional Bonds, the Trustee shall establish separate accounts or subaccounts for such Additional Bonds in each of the funds and accounts created under this Indenture and the Trustee shall not commingle moneys deposited on account of such Additional Bonds with moneys held on account of the Series 2007 Bonds or any other series of Additional Bonds.

THE BONDS AND ALL PAYMENTS BY UAA THEREUNDER ARE GENERAL OBLIGATIONS OF UAA, EXCEPT FOR ATHLETIC FEE REVENUES, AS DEFINED IN SECTION 1009.24(12), FLORIDA STATUTES (2007) AND ARE ADDITIONALLY PAYABLE FROM AND SECURED BY THE PLEDGE OF AND LIEN UPON THE TRUST ESTATE ON A PARITY WITH THE ADDITIONAL OUTSTANDING BONDS. NO COVENANT OR AGREEMENT IN THE BONDS, THE INDENTURE OR THE OTHER BOND DOCUMENTS AND NO OBLIGATION HEREIN OR THEREIN IMPOSED UPON UAA SHALL CONSTITUTE A DEBT, LIABILITY, OR OBLIGATION OF THE UNIVERSITY, THE UNIVERSITY BOARD, THE BOARD OF GOVERNORS, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF, OR A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF

THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER UAA NOR THE UNIVERSITY BOARD HAS ANY TAXING POWER.

(b) Simultaneously with the execution and delivery of this Indenture, a series of Bonds designated as "Athletic Program Revenue Bonds, Series 2007" shall be issued to finance the 2007 Project. The Series 2007 Bonds shall be issued in an aggregate principal amount of \$10,000,000, shall be dated the date of their initial delivery, shall mature on October 1, 2027 and shall be substantially in the form of Exhibit A, which is part of this Indenture.

Section 2.02. Book Entry System. The Bonds, initially in printed or typewritten form, shall be made payable to Cede & Co., as nominee of The Depository Trust Company ("DTC"), which shall be considered to be the Owner for all purposes of this Indenture, including, without limitation, payment by UAA of principal of, premium, if any, and interest on the Bonds, and receipt of notices and exercise of rights of an Owner.

There shall be a single Bond for each series thereof (and for each maturity of a series (and for each interest rate within such maturity) during a Multiannual Rate or Fixed Rate Period) that shall be immobilized in the custody of DTC with the Owners having no right to receive the Bonds in the form of physical securities or Bonds. Ownership of interests in the Bonds shall be shown by book-entry on the system maintained and operated by DTC and its Participants, and transfers of ownership of interests shall be made only by DTC and its Participants, by book-entry, UAA having no responsibility therefor. DTC is expected to maintain records of the positions of Participants in the Bonds, and the Participants and persons acting through Participants are expected to maintain records of the purchasers of interests in the Bonds. The Bonds as such shall not be transferable or exchangeable, except for transfer to another Depository or to another nominee of a Depository, without further action by UAA.

If DTC or any successor entity determines not to continue to act as a Depository for the Bonds for use in a book-entry system, UAA may, with the consent of the owners of the interest of a majority in aggregate principal amount of affected Bonds then Outstanding, attempt to have established a Depository/book-entry system relationship with another qualified Depository under this Indenture. If UAA does not or is unable to do so, UAA and the Trustee, after the Trustee has made provision for notification of the owners by the then Depository, shall permit withdrawal of the Bonds from the Depository, and authenticate and deliver the Bonds in fully registered form to the assigns of the Depository or its nominee, all at the cost and expense (including costs of printing definitive Bonds) of UAA. Upon the written request of 100% of the Owners of the affected Bonds then Outstanding, the Trustee shall withdraw the Bonds from the Depository and authenticate and deliver the Bonds fully registered in the name of the assigns of the Depository or its nominee.

NEITHER UAA, THE CREDIT FACILITY PROVIDER, THE BOND INSURER, IF ANY, NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO THE DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICES (INCLUDING NOTICES OF REDEMPTION) TO THE DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR OWNERS.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE OWNER OF RECORD, REFERENCE HEREIN TO THE OWNER OR OWNER OF RECORD OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE OWNERS OF THE BONDS.

In order to induce DTC to act as Depository for the Bonds, UAA and the Trustee shall execute and deliver a Blanket Issuer Letter of Representations and Operational Arrangements Letter, respectively, each in standard form approved by DTC (collectively, the "Letter of

Representations"). The Trustee shall take all action necessary to comply with the terms of the Letter of Representations. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of DTC or its nominee, all payments with respect to principal or premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Letter of Representations.

Section 2.03. Execution and Authentication. The Bonds shall be executed with the manual or facsimile signature of UAA Representative and attested by the manual or facsimile signature of the Secretary or other UAA Representative. UAA's seal (or a facsimile thereof), if any, will be reproduced on the Bonds. In case any officer of UAA whose signature or facsimile of whose signature shall appear on any Bonds shall cease to be such officer before the delivery of such Bonds, such signature or facsimile shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery. Any Bond signed by an officer of UAA on the date of execution shall be deemed validly signed even though such signatory may not have been an officer of UAA on the dated date of such Bonds.

A Bond will not be valid until a Responsible Officer of the Trustee manually signs the certificate of authentication on the Bond. Only such authenticated Bonds shall be entitled to any right or benefit under this Indenture. Such signature shall be conclusive evidence that the Bond has been duly issued and is secured by the provisions hereof.

Section 2.04. Payments of Purchase Price, Principal, Redemption Price and Interest; Persons Entitled Thereto.

(a) The purchase price, interest on and the principal or redemption price of the Bonds shall be payable in lawful money of the United States of America, in immediately available funds delivered or transmitted to the Depository or nominee thereof that was the holder of the Bond at the close of business on the Record Date applicable to that Interest Payment Date.

(b) Subject to the further provisions of Article III hereof, each Bond shall bear interest and be payable as follows:

(i) Each Bond shall bear interest (at the applicable rate determined pursuant to Article III hereof) (A) from the date of authentication, if such date is the date of original issuance of the Bonds, (B) from the date of authentication, if authenticated on an Interest Payment Date to which interest has been paid, or (C) from the last preceding Interest Payment Date to which interest has been paid in all other cases.

(ii) The amount of interest so payable on any Interest Payment Date shall be computed (A) on the basis of a 365/366 day year for the number of days actually elapsed during Commercial Paper, Daily and Weekly Rate Periods, (B) on the basis of a 360-day year of twelve (12) thirty (30) day months during Multiannual and Fixed Rate Periods, (C) a 360-day year or twelve (12) thirty (30) day months during an Auction Rate Period of more than 183 days, and (D) a 360-day year for the number of days actually elapsed during an Auction Rate Period of 183 days or less.

Section 2.05. Depository Treated as Bond Owner. When a Book-Entry System is in effect, the Depository and not the Owners shall be deemed the absolute owner of the Bond for all purposes, and payment of principal, interest or purchase price will be made only to or upon the written order of the Depository.

Section 2.06. Acts of Owners. Any action to be taken by Owners may be evidenced by one or more concurrent written instruments of similar tenor signed or executed by such Owners

in person or by their agents appointed in writing. The fact and date of the execution by any Person of any such instrument may be proved by acknowledgments or by an affidavit of a witness to such execution. Any action by the Owners shall bind all future Owners in respect of anything done or suffered by UAA or the Trustee in pursuance thereof.

Section 2.07. Additional Bonds. Additional Bonds may be issued from time to time under this Indenture on a party with and with the same benefit and security of this Indenture as all other Bonds issued hereunder. Except as set forth in Section 2.08 hereof, such Additional Bonds shall not be secured by, and the Owners of such Additional Bonds shall have no interest in funds drawn under, the Credit Facility securing another series of the Bonds, or, unless specifically provided by Supplemental Indenture, any Credit Facility securing any other series of Additional Bonds. Unless specifically provided by Supplemental Indenture, the Trustee shall establish separate subaccounts, designated by year of delivery, plus an alphabetical sequence, if any, for such Additional Bonds in each of the funds created under this Indenture and the Trustee shall not commingle moneys deposited on account of such Additional Bonds with moneys held on account of previously issued Bonds.

Additional Bonds shall be dated such date, shall bear interest at a rate or rates not in excess of the maximum rate then permitted by applicable law, shall be payable and shall mature by their terms at such time or times, as may be determined by UAA and expressed from time to time in one or more Supplemental Indentures, as provided in a resolution of UAA approving such Additional Bonds. Such resolution shall describe in brief and general terms the purpose of such Additional Bonds including any Improvements to be acquired or constructed and estimating the Cost thereof.

Before Additional Bonds shall be authenticated and delivered by the Trustee, there shall additionally be filed with the Trustee the following:

(1) a copy, certified by the Secretary of UAA, of each resolution adopted by the Governing Board of UAA authorizing the execution and delivery of any amendments of supplements or amendments to this Indenture and the issuance of such Additional Bonds in the amount specified therein;

(2) an opinion of counsel to UAA addressed to the Trustee stating that the signer is of the opinion that the issuance, execution and delivery of such Additional Bonds and the execution and delivery of any amendments and supplements to this Indenture have been duly and validly authorized by UAA and does not violate the terms of this Indenture, that such Additional Bonds and any amendments or supplements to this Indenture are in the form so authorized and have been duly executed by UAA and that, assuming proper authorization and execution by the other parties thereto, any such modifications or amendments are valid and binding in accordance with their terms, as so modified or amended;

(3) executed counterparts of any supplements modifying or amending this Indenture;

(4) an Opinion of Tax Counsel to UAA, addressed to UAA and to the Trustee, to the effect that such Additional Bonds are legal and valid and that under existing law, regulations, rulings and court decisions, the issuance and sale of such Additional Bonds will not result in interest on any Outstanding Bonds becoming includable in the gross income of the holders thereof for federal income tax purposes;

(5) if the Additional Bonds are to be secured by a Credit Facility, an opinion of counsel to the Credit Facility Provider addressed to the Trustee that the Credit Facility has

been duly authorized, executed and delivered and is a valid and binding obligation of the Credit Facility Provider enforceable in accordance with its terms.

(6) if the Additional Bonds will be secured under the same Credit Facility as any Outstanding Bonds, a letter from the Rating Agency confirming that the rating on the Outstanding Bonds will not be reduced or withdrawn.

When the documents mentioned above in this Section 2.07 shall have been filed with the Trustee and the requirements of this Section have been met and when the Additional Bonds described in the resolution shall have been executed and authenticated as required by this Indenture, the Trustee shall instruct the Depository to release the Bonds to the order of the purchasers, but only upon payment to the Trustee of the purchase price of such Additional Bonds. The Trustee shall be entitled to rely upon such resolution as to the names of the purchasers, the interest rate of each of such Additional Bonds and the amount of such purchase price.

Prior to issuance of any Additional Bonds, UAA shall furnish the Trustee written consent of each Credit Facility Provider of any Credit Facilities then in effect, which consent may be conditioned on the execution and delivery of an intercreditor agreement satisfactory in all respects to each of such Credit Facility Providers.

Section 2.08. Additional Bonds Secured by Same Credit Facility. If the Credit Facility securing the Bonds is increased in an amount to accommodate payment of the Additional Bonds to be issued, the Supplemental Indenture may provide for a commingling of funds for purposes of payment and security of each series. In such event no conversion to a Fixed Rate shall be allowed unless all Bonds so secured shall be so converted.

ARTICLE III

INTEREST RATE PERIODS; CONVERSIONS TO DIFFERENT PERIODS; REQUIRED PURCHASE EVENTS

Section 3.01. Initial Interest Rates; Subsequent Rates; Continuing Disclosure.

(a) The Series 1990 Bonds currently bear interest at the Multiannual Rate consisting of two tranches. A portion of the Series 2001 Bonds currently bear interest at the Daily Rate and a portion of the Series 2001 Bonds currently bear interest at the Multiannual Rate consisting of three tranches. The Series 2005 Bonds currently bear interest at the Multiannual Rate.

(b) The Series 2007 Bonds shall initially bear interest at the Multiannual Rate.

(c) The Rate Period applicable to all or a portion of the Bonds of any series (other than Bonds bearing interest at the Fixed Rate) may, at the option of UAA and with the consent of the Credit Facility Provider and the Bond Insurer, if any, (subject to Section 3.03(e) hereof), be converted to or from a Daily, Weekly, or Multiannual Rate Period (with one or more Multiannual Rate Periods), Auction Rate Period or Commercial Paper Rate Period, or to a Fixed Rate Period, pursuant to the following Sections 3.02 through 3.11.

(d) No conversion of a portion of a series of Bonds shall be permitted if the converted portion or the remaining balance of such series has a principal amount of less than \$1 million and no conversion to a Daily, Weekly or Commercial Paper Rate Period shall be permitted unless a Credit Facility has been delivered to the Trustee in a maximum stated amount not less than (i) the principal amount of the then Outstanding Bonds in such modes plus (ii) thirty-nine (39) days interest thereon computed at the Maximum Rate.

(e) UAA may cancel, at any time prior to conversion, the exercise of an option to convert the Rate Periods applicable to the Bonds pursuant Sections 3.02 through 3.11. UAA shall give written notice of cancellation of any such conversion to the Remarketing Agent, the Trustee, the Rating Agency, the Bond Insurer, if any, and the Credit Facility Provider as soon as possible but not later than 12:00 noon on the Business Day prior to the proposed Conversion Date. Upon notice of such cancellation of conversion, the Trustee shall immediately send (by registered or certified mail, confirmed fax or e-mail, or overnight delivery) a written notice of cancellation of the conversion (in the form provided by UAA) to the Credit Facility Provider, the Bond Insurer, if any, and the Depository.

Section 3.02. Rate Periods; Daily Rates; Weekly Rates; Multiannual Rates.

(a) Rate Periods in General. The following describes in general terms the various interest Rate Periods. Reference is made to subsequent paragraphs for language specific to each mode.

The Bonds bear interest that is payable on each **Interest Payment Date** to the **Depository** which then electronically transfers payments to the Participants' accounts in the Book-Entry system as of the **Record Date** for the relevant Interest Payment Date. The frequency of interest rate adjustments, referred to herein as the **Rate Periods**, may be determined by election of UAA. The actual interest rate borne by the Bonds is determined and announced by the Remarketing Agent in the manner described in this Article. The effective date of any change in **Rate Periods** is called a **Conversion Date**.

The **Rate Periods** are classed into four subgroups, **Variable Rate**, **Auction Rate**, **Commercial Paper Rate** and **Fixed Rate**, as follows:

(i) Variable Rate Periods:

- (1) **Daily** – A new interest rate is announced daily.
- (2) **Weekly** – A new interest rate is announced weekly.
- (3) **Multiannual** – A new interest rate is announced for a set multiple of years.

(ii) **Auction Rate Period** – A new interest rate is determined for each Auction Rate Period.

(iii) **Commercial Paper Rate Period** – An interest rate is established for a set amount of Bonds that are sold for par value at the beginning of each Commercial Paper Rate Period established for the particular Bonds and repurchased at the end of the Commercial Paper Rate Period for par plus accrued interest. The duration of each Rate Period and the interest rate are established by the Remarketing Agent at the time of sale. Unlike other Rate Periods, repayment terms and interest rates for any given principal amount of Bonds may differ from that set for any other Bonds. This sometimes is also referred to as a commercial paper mode.

(iv) **Fixed Rate Period** – The interest is fixed and remains in effect until payment or redemption. Once the Bonds are converted to a Fixed Rate, no further conversion of the Rate Period may occur.

(b) **Announcement by Remarketing Agent.** Subject to the further provisions of this Article III with respect to particular Variable Rates or conversions between Rate Periods, the Variable Rate to be applicable to Bonds during any Variable Rate Period shall be announced by the Remarketing Agent:

(i) In each case, the Variable Rate for the Variable Rate Period in question shall be determined by the Remarketing Agent on the date or dates and at the time or times required pursuant to subsection (c), (d) or (e) below, whichever is applicable.

(ii) The Variable Rate shall be the lowest rate of interest that, in the judgment of the Remarketing Agent, would cause the Bonds to have a market value equal to the principal amount thereof, plus accrued interest, under prevailing market conditions as of the date of announcement; provided that, (A) if the Remarketing Agent fails for any reason to announce or notify the Trustee of the Variable Rate for any Variable Rate Period when required hereunder, the Variable Rate for such period shall be deemed to be the Variable Rate then in effect; and (B) in no event shall the Variable Rate for any Variable Rate Period exceed the Maximum Rate.

(iii) All announcements, communications and determinations of Variable Rates pursuant to this Section shall be conclusive and binding upon UAA, the Trustee, the Credit Facility Provider, the Bond Insurer, if any, and the Owners of the Bonds to which such rates are applicable. UAA, the Trustee, the Paying Agent, the Credit Facility Provider, the Bond Insurer, if any, and the Remarketing Agent shall not be liable to any Owner for failure to give any notice required above or for failure of any Owner to receive any such notice.

(c) **Daily Rates.** A Daily Rate shall be established for each Daily Rate Period as follows:

(i) Daily Rate Periods shall commence on each Business Day and shall extend to, but not include, the next succeeding Business Day.

(ii) The Daily Rate for each Daily Rate Period shall be effective from and including the commencement date thereof and shall remain in effect to, but not including, the next succeeding Business Day. Each such Daily Rate shall be announced by the Remarketing Agent no later than 9:30 a.m., on each Business Day, and by the close of business on Friday of each calendar week, or next succeeding Business Day if Friday is not a Business Day, the Remarketing Agent shall communicate to the Trustee the Daily Rates announced for the week ending on such Friday; provided further that, not later than 12:30 p.m. on the last Business Day of each month, the Remarketing Agent shall communicate to the Trustee the Daily Rates announced since the immediately succeeding Friday.

(d) Weekly Rates. A Weekly Rate shall be determined for each Weekly Rate Period as follows:

(i) Weekly Rate Periods shall commence initially on the date of issuance and thereafter on Thursday of each week and shall end on the following Wednesday, whether or not such day is a Business Day; except that in the case of a conversion to a Weekly Rate Period from a different Variable Rate Period or from a Commercial Paper Rate Period, the initial Weekly Rate Period for Bonds shall commence on a Weekly Rate Conversion Date from such other Variable Rate Period and end on the Wednesday immediately following such Conversion Date. All conversions from a Weekly Rate Period shall occur on the Business Day following the termination of a Weekly Rate Period.

(ii) The Weekly Rate for each Weekly Rate Period shall be effective from and including the commencement date of such period and shall remain in effect through and including the last day thereof. Each Weekly Rate shall be announced by the Remarketing Agent before 5:00 p.m., on Wednesday of each calendar week, or the immediately preceding Business Day, if such Wednesday is not a Business Day, and communicated to the Trustee by the Remarketing Agent by the close of business on the day such rate is announced.

(c) Multianual Rates. A Multianual Rate shall be determined for each Multianual Rate Period as follows:

(i) Multianual Rate Periods shall (A) commence initially on the date of issuance and thereafter on the Multianual Rate Conversion Date, and (B) end on the last day preceding either (a) the commencement date of the following Multianual Rate Period or (b) the Conversion Date or Multianual Rate Adjustment Date on which a different Rate Period shall become effective.

(ii) The Multianual Rate for each Multianual Rate Period shall be effective from and including the commencement date of such period and remain in effect through and including the last day thereof. On a Business Day not later than the second Business Day preceding the commencement date of such period the Remarketing Agent shall determine the tentative Multianual Rate and notify the Trustee by telephone (promptly confirmed in writing), telegram, telex, telecopy or other similar communication. The Trustee shall notify the Credit Facility Provider and UAA of such tentative rate not later than the Business Day preceding the commencement date of the Multianual Rate Period.

(iii) Not later than the Business Day immediately preceding the commencement date of such Multianual Rate Period, the Remarketing Agent shall determine the Multianual Rate and shall inform the Trustee of the actual Multianual Rate that will be

applicable to each Bond as of the commencement date of such period; provided that in no event may the Multianual Rate so established exceed the Maximum Rate.

(iv) At the time of conversion of any Bonds to a Multianual Rate, the Bonds shall be assigned a specific CUSIP number for each respective mandatory tender date that, for purposes of this Indenture, may be deemed a maturity date.

Section 3.03. Conversions Between Variable Rate Periods. UAA may cause all or a portion of the Bonds to be converted from one Variable Rate Period to another as follows:

(a) Conversion Date. The Conversion Date to a different Variable Rate Period shall be an Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; provided, however, that if the conversion is from a Multianual Rate Period to a different Variable Rate Period, the Conversion Date shall be limited to an Interest Payment Date on which a new Multianual Rate Period would otherwise have commenced pursuant to subsection 3.02(c) above.

(b) Notices.

(i) UAA shall give written notice of any such conversion to the Remarketing Agent, the Trustee, the Rating Agency, the Bond Insurer, if any, and the Credit Facility Provider not later than twenty (20) days prior to the proposed Conversion Date. Such notice shall specify the proposed Conversion Date and the Variable Rate Period to which the conversion will be made, and in the case of conversion to a Multianual Rate Period, the number of years to be included within such Multianual Rate Period. Such notice shall also state whether the Bonds will be secured by a Credit Facility following such conversion and whether the credit rating thereon will be reduced or withdrawn following such conversion.

(ii) Not less than fifteen (15) days prior to the Conversion Date, the Trustee shall send (by registered or certified mail, confirmed fax or e-mail, or overnight delivery) a written notice (in the form provided by UAA) of the conversion to the Credit Facility Provider and the Depository. Such notice shall:

(A) contain the information set forth in the notice from UAA pursuant to subparagraph 3.03(b)(i) above,

(B) set forth the dates by which the Remarketing Agent will announce and the Trustee will notify the Owners of the Variable Rate for the Variable Rate Period commencing on the Conversion Date pursuant to subsection 3.03(c) below, and

(C) the matters required to be stated pursuant to Section 3.13 with respect to purchases of Bonds on the Required Purchase Date.

(c) Variable Rate Determination. The Variable Rate for the Variable Rate Period commencing on the Conversion Date shall be determined by the Remarketing Agent in the manner and on the date provided in subsection 3.02 (c), (d) or (e) above, whichever is applicable to the Variable Rate Period to which the conversion shall be made.

(d) Opinion of Tax Counsel. Any conversion to a Multianual Rate pursuant to this Section 3.03 shall be subject to the condition that on the Conversion Date, UAA shall have delivered to the Trustee, the Bond Insurer, if any, the Credit Facility Provider and the Remarketing Agent an Opinion of Tax Counsel satisfactory to the Credit Facility Provider to the effect that the conversion is authorized hereunder and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation. If such

opinion is not delivered for any reason, the conversion shall not be effective and the Bonds shall continue to bear interest for the last effective Variable Rate Period at the Variable Rate determined by the Remarketing Agent as of the date on which the conversion was to occur. The Trustee shall promptly notify the Depository of such fact.

(e) Consent of Credit Facility Provider and Bond Insurer. Except for conversions between Weekly and Daily Rates, consent of the Credit Facility Provider and Bond Insurer, if any, shall be obtained prior to such conversion becoming effective.

(f) Multiple Variable Rates. If less than all of the Bonds of a single series are to bear interest at the same Variable Rate the following provisions shall apply:

A. The Remarketing Agent shall obtain a separate CUSIP number for each Rate Period and furnish the same to the Trustee.

B. Not less than \$1,000,000 in principal amount of Bonds may be converted to bear interest at a separate Rate Period.

C. The Trustee shall calculate the interest due with respect to each Rate Period in effect, pursuant to Section 2.04 hereof, and draw for interest on a monthly basis for Bonds bearing interest at a Multiannual Rate, as provided in Section 5.08 hereof.

Section 3.04. Conversions from Commercial Paper Rate Periods. At the option of UAA, the Bonds may be converted from Commercial Paper Rate Periods to a Variable Rate Period as follows:

(a) Conversion Date. The Conversion Date shall be the Interest Payment Date on which interest is payable for any Commercial Paper Rate Periods theretofore established for the Bonds to be converted pursuant to Section 3.10.

(b) Notices. UAA shall give written notice of any such conversion to the Remarketing Agent, the Trustee, the Rating Agency, the Bond Insurer, if any, and the Credit Facility Provider not later than the thirtieth (30th) day prior to the proposed Conversion Date. Such notice shall specify the proposed Conversion Date and the type of Rate Period to which the conversion will be made, and in the case of conversion to a Multiannual Rate Period, the number of years to be included within such Multiannual Rate Period. The Trustee shall give notice of conversion (in the form provided by UAA) to the Depository prior to the Conversion Date in the manner prescribed by subsection 3.03(b)(ii) above. Notwithstanding the foregoing, however, no conversion shall be effected unless, prior to the date on which such notice is required to be given, the Trustee shall have received written confirmation from the Remarketing Agent to the effect that it has not established and will not establish any Commercial Paper Rate Periods extending beyond the Conversion Date and the opinion required by Section 3.03(d) above shall be delivered on the Conversion Date. If such opinion is not delivered for any reason, the conversion shall not be effective and the Bonds shall continue to bear interest at the Commercial Paper Rates determined by the Remarketing Agent as of the date on which the conversion was to occur. The Trustee shall promptly notify the Depository of such fact.

The Variable Rate for the Variable Rate Period commencing on the Conversion Date shall be announced and notice thereof shall be given in the same manner as if provided for conversions from one Variable Rate Period to another pursuant to subsection 3.03(b)(i) above.

Section 3.05. Auction Rate Period. Immediately following the Initial Period, Bonds bearing interest at the Auction Rate (and any Bonds subsequently converted to the Auction Rate) shall bear interest at Auction Rates established for 7-day Auction Periods unless, prior to the end

of the Initial Period, UAA changes the length of the Auction Period immediately succeeding the Initial Auction Period in accordance with Section 2.09 of Exhibit B attached hereto and incorporated by this reference. Thereafter, the Auction Rate to be applicable to the Auction Rate Bonds during each Auction Period shall be determined by the Auction Agent and notice thereof shall be given, all as provided in Exhibit B hereto. The initial Auction Rate and subsequent Auction Rates determined in accordance with the Auction Procedures shall be conclusive and binding upon UAA, the Trustee, the Auction Agent, the Broker-Dealer, and the Owners. No Credit Facility shall be required for Bonds bearing interest at the Auction Rate.

Section 3.06. Conversions to Auction Rate Period. At the option of UAA, with the consent of the Credit Facility Provider or the Bond Insurer, if any, (which consent shall not be unreasonably withheld), all or a portion of the Bonds may be converted to the Auction Rate Period. If the Bonds are converted to the Auction Rate Period at the option of UAA, all or a portion of the Bonds may be converted from a Variable Rate or Commercial Paper Rate into an Auction Rate Period; provided that, after any conversion of a portion of the Bonds from a Variable Rate or Commercial Paper Rate to an Auction Rate Period, there shall be not less than \$1,000,000 in aggregate principal amount of Bonds bearing interest at an Auction Rate unless otherwise consented to by the Broker-Dealer. All Bonds converted to bear interest at the Auction Rate shall be in denominations of \$25,000 or integral multiples thereof. Any such conversion shall be made as follows:

(i) In any such conversion from a Variable Rate or Commercial Paper Rate, the Conversion Date shall be a regularly scheduled Interest Payment Date on which interest is payable for the Interest Period from which the conversion is to be made; provided, however, that if the conversion is from a Multiannual Rate, the Conversion Date shall be a regularly scheduled Interest Payment Date on which a new Multiannual Rate would otherwise have commenced, and in any such conversion from a Commercial Paper Rate, the Conversion Date shall be the last regularly scheduled Interest Payment Date on which interest is payable for any Interest Period theretofore established for the Bonds to be converted.

(ii) UAA shall give written notice of any such conversion to the Remarketing Agent, the Trustee, the Bond Insurer and the Credit Facility Provider, if any, not less than seven (7) Business Days prior to the date on which the Trustee is required to notify the Owners of the conversion pursuant to subparagraph (iii) below. Such notice shall specify the Conversion Date and the length of the initial Auction Period. Together with such notice, UAA shall file with the Bond Insurer and the Trustee an Opinion of Tax Counsel to the effect that the conversion of any of the Bonds to an Auction Rate Period shall not adversely affect the validity of any such Bonds or any exclusion from gross income for federal income tax purposes to which interest on the Bonds would otherwise be entitled. No such change to an Auction Rate Period shall become effective unless UAA shall also file with the Bond Insurer, the Credit Facility Provider, if any, and the Trustee, an Opinion of Tax Counsel to the same effect dated the Conversion Date.

(iii) Not less than fifteen (15) days prior to the Conversion Date, the Trustee shall mail a written notice of the conversion (in the form provided by UAA) to the Owners of all Bonds to be converted; provided, however, that the Trustee shall not mail such written notice if converting from a Commercial Paper Rate Period until it has received a written confirmation from the Remarketing Agent that no Interest Period for the Bonds extends beyond the Conversion Date.

Upon a conversion to the Auction Rate, UAA shall appoint an Auction Agent and one or more Broker-Dealers, with the consent of the Bond Insurer (which consent shall not be unreasonably withheld), with respect to such converted Bonds and shall enter into an Auction Agent Agreement with the Auction Agent and one or more Broker-Dealer Agreements with the Broker-Dealers, with the consent of the Bond Insurer (which consent shall not be unreasonably

withheld). The Auction Rate for the Auction Period commencing on the Conversion Date shall be the lowest rate that, in the judgment of the Broker-Dealer, is necessary to enable the Bonds to be converted to be remarketed at a price equal to the principal amount thereof, plus accrued interest, if any, on the Conversion Date. Such determination shall be conclusive and binding upon UAA, the Trustee, the Paying Agent, the Credit Facility Provider, if any, the Bond Insurer, the Auction Agent and the Owners of the Bonds to which such rate will be applicable.

Not later than 5:00 P.M. on the date of determination of the Auction Rate, the Broker-Dealer shall notify the Trustee, UAA and the Auction Agent of the Auction Rate by telephone, promptly confirmed in writing.

UAA may revoke its election to effect a conversion of the interest rate on any Bonds to an Auction Rate by giving written notice of such revocation to the Trustee, UAA, the Remarketing Agent, the Rating Agency, the Bond Insurer, the Credit Facility Provider, if any, the Auction Agent and the Broker-Dealer at any time prior to the setting of the Auction Rate by the Broker-Dealer.

No Bonds may be converted to the Auction Rate Period when the Bonds are not held by a depository in book-entry form.

Section 3.07 Conversion from an Auction Rate Period to Variable Rate Periods or Commercial Paper Rate Period. At the option of UAA and with the consent of the Credit Facility Provider or the Bond Insurer, if any, (which consent shall not be unreasonably withheld), all or a portion of the Bonds may be converted from an Auction Rate Period to one or more Variable Rate Periods or Commercial Paper Rate Period; provided that after any conversion of a portion of the Bonds from an Auction Rate Period to a Variable Rate Period or Commercial Paper Rate Period, there shall remain not less than \$1,000,000 in aggregate principal amount of the Bonds bearing interest at an Auction Rate unless otherwise consented to by the Broker-Dealer. Any such conversion shall be made as follows:

(i) If the Bonds are in an Auction Period other than the daily Auction Period, the Conversion Date shall be the second regularly scheduled Interest Payment Date following the final Auction Date. If the Bonds are in a daily Auction Period, the Conversion Date shall be the next regularly scheduled Interest Payment Date.

(ii) On or prior to the Conversion Date, a Credit Facility or other liquidity facility approved by the Bond Insurer (which approval shall not be unreasonably withheld) must be delivered to the Trustee; provided that no Credit Facility or other liquidity facility need be provided upon conversion to a Multiannual Rate Period if Bonds are to be cancelled upon any mandatory tender date. Additionally on or prior to the Conversion Date, UAA must enter into a Remarketing Agreement meeting the requirements of this Indenture and approved by the Bond Insurer (which approval shall not be unreasonably withheld).

(iii) UAA shall give written notice of any such conversion to the Trustee, the Remarketing Agent, if any, the Bond Insurer, the Credit Facility Provider, if any, the Auction Agent and the Broker-Dealer not less than seven (7) Business Days prior to the date on which the Trustee is required to notify the Owners of the conversion pursuant to subparagraph (iv) below. Such notice shall specify the Conversion Date and the Rate Period to which the conversion will be made. Together with such notice, UAA shall file with the Bond Insurer, the Credit Facility Provider, if any, and the Trustee an Opinion of Tax Counsel to the effect that the conversion of the Bonds to be converted will not adversely affect the validity of the Bonds or any exclusion from gross income for federal income tax purposes to which interest on the Bonds would otherwise be entitled. While a Credit Facility is in effect, the Trustee shall have received written confirmation from each Rating Agency then rating the Bonds that the ratings or ratings

assigned will not be lowered or withdrawn by such Rating Agency. No change to the Rate Period shall become effective unless UAA shall also file, with the Bond Insurer, the Credit Facility Provider, if any, and the Trustee, an Opinion of Tax Counsel to the same effect dated the Conversion Date.

(iv) Not less than twenty (20) days prior to the Conversion Date, the Trustee shall mail a written notice (in the form provided by UAA) of the conversion to the Owners of all Bonds to be converted, specifying the Conversion Date.

(v) If on the Conversion Date any condition precedent to such conversion required under the Indenture is not satisfied, the Trustee shall give written notice by first class mail postage prepaid as soon as practicable in the form provided by UAA and in any event not later than the next succeeding Business Day to the Owners whose Bonds have been converted, UAA, the Credit Facility Provider, if any, and the Bond Insurer that such conversion has not occurred, that Bonds will not be purchased on the failed Conversion Date, that the Auction Agent will continue to implement the Auction Procedures on the Auction Dates with respect to such Bonds that otherwise would have been converted excluding however, the Auction Date falling on the Business Day next preceding the failed Conversion Date, and that the interest rate will continue to be the Auction Rate; provided, however, that the interest rate borne by such Bonds during the Auction Period commencing on such failed Conversion Date shall be the Maximum Rate, and the Auction Period shall be the seven-day Auction Period.

(vi) On the conversion date applicable to the Bonds to be converted, the Bonds to be converted shall be subject to mandatory tender at a purchase price equal to 100% of the principal amount thereof, plus accrued interest. The purchase price of such Bonds so tendered shall be payable solely from the proceeds of the remarketing of such Bonds. In the event that the conditions of a conversion are not satisfied, including the failure to remarket all applicable Bonds on a mandatory tender date, the Bonds to have been converted shall not be subject to mandatory tender, shall be returned to their owners, shall automatically convert to a seven-day Auction Period and shall bear interest at the Maximum Rate.

Section 3.08 Conversion from Auction Rate Period to Fixed Rate Period. At the option of UAA and with the consent of the Credit Facility Provider or the Bond Insurer, if any (which consent shall not be unreasonably withheld), all or a portion of the Bonds in an Auction Rate Period may be converted to bear interest at the Fixed Rate as follows:

(i) The Conversion Date shall be, in the case of a conversion from an Auction Rate Period in other than a daily Auction Period, the second regularly scheduled Interest Payment Date following the final Auction Date and in the case of a conversion from a daily Auction Period, the first Business Day of any calendar month.

(ii) Not less than thirty-five (35) days prior to the date on which the Trustee is required to notify the Owners of the conversion pursuant to subparagraph (iii) below, UAA shall give written notice of the conversion to the Trustee, the Bond Insurer, the Credit Facility Provider, if any, the Auction Agent, and the Broker-Dealer, setting forth the Conversion Date. Together with such notice, UAA shall file with the Bond Insurer, the Credit Facility Provider, if any, and the Trustee an Opinion of Tax Counsel to the effect that the conversion of the Bonds to the Fixed Rate Period will not adversely affect the validity of the Bonds or any exclusion from gross income for federal income tax purposes to which interest on the Bonds would otherwise be entitled. No conversion to the Fixed Interest Rate shall occur unless UAA shall also file with the Credit Facility Provider, if any, the Bond Insurer and the Trustee an Opinion of Tax Counsel to the same effect dated the Conversion Date.

(iii) The Trustee shall mail a notice (in the form provided by UAA) of the proposed conversion to the Owners of all Bonds to be converted not less than twenty (20) days prior to the Conversion Date.

(iv) Not later than 12:00 noon on the Business Day prior to the Conversion Date, the Remarketing Agent shall determine the Fixed Rate for the Bonds to be converted.

(v) Such determination shall be conclusive and binding upon UAA, the Trustee, the Paying Agent, the Bond Insurer, the Credit Facility Provider, if any, the Broker-Dealer, the Auction Agent, and the Owners of the Bonds to which such rate will be applicable. Not later than 5:00 P.M. on the date of determination of the Fixed Rate, the Remarketing Agent shall notify the Trustee, the Credit Facility Provider, if any, UAA and the Bond Insurer of such rate by telephone.

(vi) UAA may revoke its election to effect a conversion of the interest rate on the Bonds to the Fixed Rate by giving written notice of such revocation to the Trustee, the Bond Insurer, the Remarketing Agent, if any, the Credit Facility Provider, if any, the Auction Agent, and the Broker-Dealer, at any time prior to the determination of the Fixed Rate by the Remarketing Agent.

(vii) Mandatory redemption of the Bonds converted to the Fixed Rate by operation of the Redemption Account in the Sinking Fund shall be without premium. The Bonds converted to the Fixed Rate shall be redeemed by the Trustee pursuant to the provisions of this Section and Article IV without any notice from or direction by UAA.

(viii) Subject to Section 3.11(f) herein, no Credit Facility shall be required with respect to Bonds bearing interest at a Fixed Rate.

Section 3.09. Commercial Paper Rates. A Commercial Paper Rate for each Commercial Paper Rate Period shall be determined by the Remarketing Agent in the manner described in Section 3.12.

The Commercial Paper Rate Period for each Bond shall be of such duration, not exceeding two hundred seventy (270) days, as may be offered by the Remarketing Agent and specified by the purchaser pursuant to Section 3.12 and any Bond may bear interest at a Commercial Paper Rate for a Commercial Paper Rate Period different from any other Bond; provided that each such Commercial Paper Rate Period shall commence and terminate on a Business Day (the first rate period commencing on the Commercial Paper Rate Conversion Date). The Bonds shall always be registered in Book-Entry Form while bearing interest at the Commercial Paper Rate.

The Commercial Paper Rate for each Commercial Paper Rate Period shall be effective from and including the commencement date of such period and shall remain in effect through and including the last day thereof. Each such Commercial Paper Rate shall be determined by the Remarketing Agent in connection with a sale of the Bond or Bonds to which it relates pursuant to Sections 3.12 and 3.13 hereof. Commercial Paper Rates shall be determined for Bonds at the commencement of each Commercial Paper Rate Period with respect to such Bond by the Remarketing Agent in connection with the remarketing of Bonds, by the offer and acceptance of purchase commitments for such Bonds.

Each such Commercial Paper Rate and Commercial Paper Rate Period shall be announced by the Remarketing Agent to the Trustee no later than 3:00 p.m. on the date of remarketing of such Bond and in no event shall the Commercial Paper Rate for any Commercial Paper Rate Period exceed the Maximum Rate.

Section 3.10. Conversions to Commercial Paper Rate Periods. At the option of UAA a series of Bonds may be converted from a Variable Rate Period to Commercial Paper Rate Periods as follows:

(a) Conversion Date. In the case of a conversion from a Multiannual Rate Period, the Conversion Date shall be limited to the Multiannual Rate Adjustment Date on which a new Multiannual Rate Period would otherwise have commenced pursuant to Section 3.02(c), otherwise conversion shall occur on an Interest Payment Date.

(b) Notices. UAA shall give written notice of any such conversion to the Trustee, the Remarketing Agent, the Rating Agency, the Bond Insurer and the Credit Facility Provider in the manner and at the time prescribed by Section 3.03(b)(i) above.

(c) Depository Notice. On a Business Day not later than fifteen (15) days prior to the Conversion Date, the Trustee shall send (by registered or certified mail, confirmed fax, email, or overnight delivery) a written notice of the conversion in the form provided by UAA to the Depository specifying the Conversion Date and setting forth the matters required to be stated pursuant to Section 3.03(b)(i) with respect to a Credit Facility and credit ratings and Section 3.13 with respect to purchases of Bonds governed by such Section. Notwithstanding the foregoing, however, no conversion shall be effected unless the opinion required by Section 3.03(d) above shall be delivered on the Conversion Date. If such Opinion of Tax Counsel is not delivered for any reason, the conversion shall not be effective and the Bonds shall continue to bear interest for the last effective Variable Rate Period at the Variable Rate determined by the Remarketing Agent as of the date on which the conversion was to occur. The Trustee shall promptly notify the Depository of such fact.

Section 3.11. Fixed Rate Conversion at Option of UAA. At the option of UAA, a series of Bonds bearing interest at a Variable Rate or Commercial Paper Rates may be converted to bear interest at a Fixed Rate to their final maturity. Any such conversion shall be made as follows:

(a) Fixed Rate Conversion Date. The Fixed Rate Conversion Date shall be (i) if converted from a Daily Rate Period or a Weekly Rate Period, any Interest Payment Date, (ii) if converted from a Commercial Paper Rate Period, the last Interest Payment Date on which interest is payable at the Commercial Paper Rate for such Bonds, and (iii) if converted from a Multiannual Rate Period, any Interest Payment Date on which a new Multiannual Rate Period would begin.

(b) Fixed Rate Conversion Notice of UAA. (i) UAA shall give written notice of any such conversion to the Trustee, the Remarketing Agent, the Rating Agency, the Bond Insurer and the Credit Facility Provider not fewer than thirty-five (35) days prior to the proposed Conversion Date. Such notice shall specify the Fixed Rate Conversion Date and shall state whether the Credit Facility will remain in effect after the Fixed Rate Conversion Date and, if it is to remain in effect, the amount available under such Credit Facility. Such notice shall also state whether those Bonds not converted will be secured by a Credit Facility following such conversion and whether the credit rating thereon will be reduced or withdrawn following such conversion.

(ii) On a Business Day not fewer than thirty (30) days prior to the Fixed Rate Conversion Date, the Trustee shall send (by first class mail, confirmed fax or email, or overnight delivery) a written notice (in the form provided by UAA) of the conversion to the Depository specifying the Conversion Date and setting forth the matters required to be stated pursuant to the following subparagraph (c).

(c) Notice to Depository. Notice of conversion shall be given by first-class mail, confirmed fax or email, or overnight delivery, by the Trustee to the Depository. Such notice shall contain:

- (i) the proposed Fixed Rate Conversion Date;
- (ii) the dates by which the Remarketing Agent will determine and the Trustee will notify the Depository of the Fixed Rate pursuant to subsection (d) below; and
- (iii) the matters required to be stated pursuant to Section 3.13 with respect to purchases of Bonds on the Required Purchase Date.

(d) Announcement of Fixed Rate. Not later than 12:00 noon on the Business Day prior to the Fixed Rate Conversion Date the Remarketing Agent shall announce the Fixed Rate for the Bonds and notify the Trustee and UAA of the Fixed Rate by telephone (promptly confirmed in writing). The Fixed Rate so announced shall be the minimum rate of interest to be borne by the Bonds for the Fixed Rate Period, but which rate of interest shall not be greater than the lowest rate of interest which, in the judgment of the Remarketing Agent under prevailing market conditions, would cause the Bonds to have a market value equal to the principal amount thereof plus accrued interest thereon. The announcement of the Fixed Rate by the Remarketing Agent shall be conclusive and binding upon UAA, the Trustee and the Owners of the Bonds to which such rate will be applicable.

(e) Conditions to Fixed Rate Conversion. Any conversion to a Fixed Rate pursuant to this Section 3.11 shall be subject to the following conditions:

- (i) on the Fixed Rate Conversion Date, UAA shall have delivered to the Trustee, the Bond Insurer, the Credit Facility Provider and the Remarketing Agent an Opinion of Tax Counsel satisfactory to the Trustee to the effect that the conversion is authorized hereunder and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation; and
- (ii) as of the Fixed Rate Conversion Date, sufficient funds shall be available (whether by way of drawing on the Credit Facility or otherwise) to purchase Bonds that are then required to be purchased pursuant to Section 3.14.

(iii) no conversion shall occur without the prior written consent of the Credit Facility Provider and the Bond Insurer, if any, unless Available Moneys are available to purchase Bonds that are then required to be purchased pursuant to Section 3.14.

If the foregoing conditions are not met for any reason, the conversion shall not be effective and the Bonds shall continue to bear interest at the Variable Rate (if the conversion was to have been made from a Variable Rate Period), or at Commercial Paper Rates (if the conversion was to have been made from Commercial Paper Rate Periods), in each case determined by the Remarketing Agent as of the date on which the conversion was to occur.

(f) Credit Facility Requirements following Fixed Rate Conversion. No series of Bonds may be converted to a Fixed Rate unless (i) such series will continue to be secured by the existing Credit Facility (notwithstanding, Bonds may be converted to a Fixed Rate without being secured by the existing Credit Facility provided written evidence is provided to the Trustee from each Rating Agency then rating the Bonds stating that such conversion will not result in a reduction or withdrawal of the Rating on the remaining Outstanding series of

Bonds), or (ii) all series of Bonds are converted to a Fixed Rate and are no longer secured by a Credit Facility.

Section 3.12. Required Purchase During Commercial Paper Rate Periods.

(a) Purchase Dates. Each Bond bearing interest at a Commercial Paper Rate shall be subject to required purchase on the first Business Day succeeding the last day of the Commercial Paper Rate Period at a purchase price equal to 100% of the principal amount thereof. Each subsequent Commercial Paper Rate Period and Required Purchase Date for a Bond shall be established on the Required Purchase Date of such Bond as hereinafter provided. The purchase price for Bonds shall be wired to the Depository by 2:45 p.m. on the Required Purchase Date.

(b) Remarketing of Surrendered Bonds; Establishment of Commercial Paper Rate Periods. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all Bonds bearing interest at Commercial Paper Rates required to be surrendered for purchase. In remarketing the Bonds, the Remarketing Agent shall offer and accept purchase commitments for the Bonds for such Commercial Paper Rate Periods and at such Commercial Paper Rates as will effect, on behalf of UAA and in the judgment of the Remarketing Agent under prevailing market conditions, the lowest overall debt service cost for UAA over the terms of the Bonds; provided, however, that the Remarketing Agent may (i) in exercising its judgment, establish Commercial Paper Rate Periods that result in interest rates for the Bonds that are higher than those that would be borne by Bonds with shorter Commercial Paper Rate Periods in order to increase the likelihood of achieving the lowest overall debt service cost to UAA and (2) establish different Commercial Paper Rate Periods for the Bonds on the same Required Purchase Date in order to achieve an average of Commercial Paper Rate Periods that, in its judgment, is more likely to achieve the lowest overall debt service cost to UAA. No Commercial Paper Rate Period may be established that exceeds two hundred seventy (270) days or, if the Remarketing Agent has received notice of any conversion to a Variable or Fixed Rate Period, the remaining number of days prior to the conversion Date. The terms of any sale by the Remarketing Agent shall provide for sale of the Bonds at par plus accrued interest and the payment of the purchase price to the Trustee in immediately available funds, not later than 10:15 a.m. on the Required Purchase Date. In no event shall the Remarketing Agent remarket bonds to UAA, or to a Person or entity who is, to the Remarketing Agent's knowledge, an Insider. The provisions of Sections 4.01(c), (d), (e), (f) and (g) shall apply to the remarketing of Bonds purchased pursuant to this Section 3.12.

Section 3.13. Required Purchase Upon Conversion Dates and Multiannual Rate Adjustment Dates.

(a) Conversion to Different Rate Periods. Upon conversion of any Bonds to a different Rate Period and upon a Multiannual Rate Adjustment Date, such Bonds shall be subject to required purchase on the Conversion Date and the Multiannual Rate Adjustment Date at a purchase price equal to the principal amount thereof plus interest accrued thereon.

(b) Notice of Conversion. Any notice of a Conversion Date given to Owners pursuant to Sections 3.03, 3.04, 3.06, 3.07, 3.08, 3.10 or 3.11 shall, in addition to the requirements of such Sections, state that the Bonds to be converted will be subject to required purchase on the Required Purchase Date.

(c) Remarketing of Tendered Bonds. The Trustee shall notify the Remarketing Agent of the principal amount of Bonds to be surrendered for purchase on the Conversion Date. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for such Bonds. The terms of any sale by the Remarketing Agent shall provide for

sale of the Bonds at par plus accrued interest, if any, and the payment of the purchase price of remarketed Bonds to the Trustee in immediately available funds, at or before 10:15 a.m. on the Conversion Date or Multiannual Rate Adjustment Date. In no event shall the Remarketing Agent remarket Bonds to UAA or to a Person or entity who is, to the Remarketing Agent's knowledge, an Insider. The provisions of Sections 4.01(c), (d), (e), (f) and (g) shall apply to remarketing of Bonds purchased pursuant to this Section 3.13.

Section 3.14. Required Purchase upon Fixed Rate Conversion.

(a) Conversion to Fixed Rate. Any Bonds to be converted to bear interest at the Fixed Rate shall be subject to required purchase on the Fixed Rate Conversion Date at a price equal to 100% of the principal amount thereof plus accrued interest thereon, if any.

(b) Remarketing of Tendered Bonds. The Trustee shall notify the Remarketing Agent and the Bank, if the Credit Facility is in effect, by telephone, telex, telecopy, or other similar communication, of the principal amount of Bonds to be tendered for purchase on the Fixed Rate Conversion Date. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for such Bonds. The terms of any sale by the Remarketing Agent shall provide for sale of the Bonds at par plus accrued interest and the payment of the purchase price to the Trustee of the tendered Bonds in immediately available funds at or before 11:15 a.m. on the Conversion Date. While a Credit Facility is in effect, the Remarketing Agent shall not remarket bonds to UAA or to a Person or entity who is, to the Remarketing Agent's knowledge, an Insider. The provisions of Sections 4.01(c), (d), (e), (f) and (g) shall apply to remarketing of Bonds pursuant to this Section 3.14.

Section 3.15. Required Purchase or Special Tender Option upon Substitution or Expiration of Credit Facility.

(a) Required Purchase. If the Bonds are supported by a Credit Facility, such Bonds shall be subject to required purchase at 100% of the principal amount thereof plus accrued interest, if any, to the date of purchase to be made from the sources and in the priority set forth in Section 4.01(e):

(i) on the fifth (5th) Business Day prior to the expiration of a Credit Facility for such Bonds, provided that no such purchase shall be required if the Credit Facility in question is renewed prior to the date of notice, pursuant to subsection 3.15(c)(ii) below;

(ii) on the effective date of a substitute Credit Facility, provided that no such purchase shall be required if the new Credit Facility is delivered prior to the date of notice, pursuant to subsection 3.15(c)(ii) below, and the Trustee shall have received, on or prior to such date, written confirmation from each Rating Agency then rating the Bonds to the effect that the rating or ratings assigned by such Rating Agency to the Bonds will not be lowered or withdrawn solely as a result of the substitution of the current Credit Facility; and

(iii) on a Business Day specified by the Trustee in the notice referred to in subsection 3.15(c)(ii) below not later than ninety (90) days after the filing of a petition of bankruptcy (or commencement of a bankruptcy or similar proceeding) by or against the Credit Facility Provider if by the sixtieth (60th) day following such occurrence, an Alternate Credit Facility has not been issued to the Trustee as provided in Section 5.07 hereof in connection with which the Trustee has received written confirmation from each Rating Agency then rating the Bonds to the effect that the rating or ratings assigned by such Rating Agency to the Bonds will not be lowered or withdrawn solely by issuance of such Alternate Credit Facility.

(b) Special Tender Option. Owners of Bonds bearing interest at a Commercial Paper or Multiannual Rate shall have twenty (20) days from the date of a notice of substitution of the Credit Facility pursuant to Section 3.15(c)(iii) to require, through delivery of written notice of special tender, that such Bonds be repurchased at par plus accrued interest to the date of purchase. Such written notice of special tender shall be delivered in the manner set for in Section 4.01 hereof to the Trustee and the Remarketing Agent. The tendered Bonds shall be purchased not later than 5 p.m. on a Business Day specified by the Owner in such notice that is not more than ten (10) days following receipt by the Trustee and Remarketing Agent of such notice of tender.

(c) Notice of Required Purchase or Special Tender Option. (i) The Trustee shall immediately notify UAA, the Credit Facility Provider and the Remarketing Agent, in each case by telephone (promptly confirmed in writing), telegram, telecopy, telex or other similar communication, of any event actually known to the Trustee which would require a purchase pursuant to subsection 3.15(a) above.

(ii) Not later than thirty (30) days prior to the purchase date, the Trustee shall mail a written notice of the purchase to the Depository, which notice shall (a) specify the purchase date, (b) specify the event requiring the purchase pursuant to subsection 3.15(a) above, (c) specify the expiration date of the Credit Facility, if appropriate, and (d) state, if appropriate, that the expiration will result in reduction or withdrawal of the rating on the Bonds.

(iii) In the event that no purchase is required as a result of a renewal or substitution that does not result in a reduction of the ratings assigned to the Bonds, not later than thirty (30) days prior to the renewal or substitution, the Trustee shall mail a written notice to the Depository, which notice shall state the name of the new Credit Facility Provider and the anticipated date of substitution, and for Bonds that bear interest at a Commercial Paper and Multiannual Rate, that the Owners of such Bonds shall have twenty (20) days from such notice to exercise their Special Tender Option.

(d) Remarketing of Tendered Bonds. Upon any required purchase pursuant to subsection 3.15(a) above, the Trustee shall notify the Remarketing Agent and the Credit Facility Provider, if the Credit Facility is in effect, by telephone, telex, telecopy, telex or other similar communication, of the principal amount of Bonds to be tendered for purchase. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for such Bonds. The terms of any sale by the Remarketing Agent shall provide for sale of the Bonds at par plus accrued interest and the payment of the purchase price to the Trustee of the tendered Bonds in immediately available funds at or before 11:15 a.m. on the Required Purchase Date. Any Bonds remarketed after the occurrence of an event described in this Section shall be accompanied by a written notice setting forth the fact that either the Credit Facility has or will expire or the amount of the Credit Facility has not been fully reinstated, and that the credit rating on the Bonds has been reduced or withdrawn. While a Credit Facility is in effect, the Remarketing Agent shall not remarket Bonds to UAA or to a Person or entity who is to Remarketing Agent's knowledge an Insider. The provisions of Sections 4.01(c), (d), (e), (f) and (g) shall apply to remarketing of Bonds purchased pursuant to this Section 3.15.

Section 3.16. Sources of Payments of Bonds on a Required Purchase Date. Upon any Required Purchase Date, the Trustee shall make payments for the purchase price of Bonds surrendered for purchase to the Depository in immediately available funds at or before 2:45 p.m. from the following sources and in the following order: (A) moneys received as proceeds of the remarketing of such Bonds by the Remarketing Agent (except proceeds from the sale of Bonds to UAA or any Insider), (B) moneys drawn by the Trustee on the Credit Facility, (C) any Available Moneys and (D) other moneys made available by UAA. If sufficient funds are not available for the purchase of all surrendered Bonds, no purchase shall be consummated and the

procedures in Section 4.02 shall be followed. The Trustee shall not have any obligation to advance its own funds for payment of surrendered Bonds. When a Credit Facility is not in effect, the Trustee will make payments of the purchase price of Bonds first from the proceeds of any remarketing of Bonds and second from any other moneys available to the Trustee for such purchase.

ARTICLE IV

TENDER AND REMARKETING OF BONDS; REDEMPTION PROVISIONS

Section 4.01. Tender Option During Variable Rate Periods.

(a) Notice of Tender. A Participant desiring to tender its interest in the Bonds, acting through the Depository shall notify the Trustee and the Remarketing Agent of the date and amount of such tender. Such interests will be transferred upon payment on the tender date by means of a book-entry transfer of the Participant's interests in the Bonds to the account of the Trustee (or the Remarketing Agent) maintained by the Depository.

Subsequent to such tender, such Participant shall have no further rights with respect to such tendered Bonds, except for the right to receive the purchase price thereof plus accrued interest to the purchase date.

(b) Purchase Dates. The ownership interest of any Owner of a Bond or any portion thereof (in authorized denominations) bearing interest at Daily or Weekly Rates shall be purchased by either the Trustee or the Remarketing Agent, in each instance acting as an agent of UAA, at a purchase price equal to 100% of the principal amount of such ownership interest (or portions thereof as aforesaid), plus accrued interest, if any, on the following purchase dates and upon the giving of the following telephonic or written notices meeting the further requirements of this subsection (b) below:

(i) Bonds bearing interest at Daily Rates may be tendered for purchase at a price payable in immediately available funds on any Business Day during a Daily Rate Period upon written notice of tender given to the Trustee and Remarketing Agent not later than 9:30 a.m. on the purchase date.

(ii) Bonds bearing interest at Weekly Rates may be tendered for purchase at a price payable in immediately available funds on any Business Day during a Weekly Rate Period upon delivery of a written notice of tender given to the Trustee and Remarketing Agent not later than 5:00 p.m. on a Business Day not fewer than seven (7) days prior to the purchase date.

(iii) Bonds bearing interest at Commercial Paper and Multiannual Rates may be tendered as provided in Section 3.15 upon substitution of a Credit Facility.

(c) Remarketing of Tendered Bonds. Unless otherwise instructed by UAA, the Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all Bonds or portions thereof for which notice of tender has been received. The terms of any sale by the Remarketing Agent shall provide for the payment of the purchase price to the Trustee for remarketed Bonds in an amount equal to par plus accrued interest in immediately available funds at or before 10:15 a.m. to the Trustee for Bonds bearing interest at a Variable Rate or Commercial Paper Rate on the purchase date. Subject to the provisions of Section 4.01(d)(iii), all amounts received in payment of the purchase price of remarketed Bonds shall be applied to the purchase of the tendered Bonds. UAA shall not have any interest in such moneys. Notwithstanding the foregoing, the Remarketing Agent shall not, prior to the applicable Conversion Date or a redemption date, remarket any Bond as to which a notice of conversion from one type of Variable Rate Period to another, to Commercial Paper Rate Periods or to a Fixed Rate Period or as to which a notice of redemption has been given by the Trustee unless the

Remarketing Agent has advised and received acknowledgement from the Person to whom the sale is made of the forthcoming conversion or redemption. In no event shall the Remarketing Agent remarket Bonds to UAA or to a Person or entity that is, to the Remarketing Agent's knowledge, an Insider.

(d) Purchase of Unremarketed, Tendered Bonds or Bonds Surrendered or Purchased.

(i) Notice of Failed Remarketing. The Remarketing Agent shall give written notice to the Trustee at or before 10:30 a.m. on the Business Day fixed for purchase of tendered or surrendered Bonds bearing interest at Weekly Rates, Daily Rates, Commercial Paper Rates or Multiannual Rates, stating the principal amount of tendered or surrendered Bonds that have not been remarketed or for which remarketing proceeds have not been received.

(ii) Payment of Purchase Price from Credit Facility. The Trustee, at or before 11:30 a.m. on the date fixed for purchase, shall draw upon the Credit Facility in accordance with its terms an amount sufficient to pay the principal amount of, plus all accrued and unpaid interest on all tendered or surrendered Bonds for which remarketing proceeds have not been received.

(iii) Resale of Bonds Purchased with Draws Under the Credit Facility. The Remarketing Agent shall offer for sale and use its best efforts to sell such Bonds purchased with amounts drawn under the Credit Facility at a price equal to the principal amount thereof plus accrued interest. Interests of the Credit Facility Provider in Bonds purchased from moneys drawn under the Credit Facility shall be released only if prior to such release, the Trustee shall have received notice from the Credit Facility Provider that the Credit Facility has been reinstated in full or will be reinstated in full upon such release and the Trustee has received notice of the time of such release (thereby assuming that the release will not occur prior to such reinstatement). Proceeds from the remarketing of such Bonds shall be held in a separate account, hereby created and established (the "Credit Facility Provider Account"), maintained for the account of and paid at the direction of the Credit Facility Provider.

(e) Sources of Payments. The Trustee shall make payments for tendered or surrendered Bonds to the Depository in immediately available funds by or before 2:45 p.m. on the purchase date from the sources and in the following order: (A) moneys received by the Trustee as proceeds of the remarketing of such Bonds by the Remarketing Agent (except proceeds from the sale of Bonds to UAA or any Insider), (B) moneys drawn by the Trustee on the Credit Facility, (C) any Available Moneys and (D) other moneys made available by UAA. If sufficient funds are not available for the purchase of all tendered Bonds, no purchase shall be consummated and the procedures in Section 4.02 shall be followed. The Trustee shall not have any obligation to advance its own funds for payment of tendered Bonds. When a Credit Facility is not in effect, the Trustee will make payments of the purchase price of Bonds first from the proceeds of any remarketing of Bonds and second from any other moneys available to the Trustee for such purchase.

(f) Registration and Delivery of Tendered or Purchased Bonds. An ownership interests in the Bonds shall be transferred on the records maintained by the Depository to the account of the Trustee (or the Remarketing Agent), for settlement on the purchase date against receipt of funds; and if such ownership interests bear interest at a Multiannual or Commercial Paper Rate and are to be purchased prior to the next succeeding Interest Payment Date and after the Record Date in respect thereof, a due bill, payable to bearer, for interest due on such Interest Payment Date, shall be delivered to the Participant by the Owner giving notice of such tender. Transfer of the Owner's interests shall be made upon settlement as follows: (A) Bonds purchased or remarketed by the Remarketing Agent shall be registered in

accordance with the prior written instructions of the Remarketing Agent; (B) Bonds purchased with amounts drawn under the Credit Facility, if any, shall be registered in the name of the Credit Facility Provider or in the name of such other Person as the Credit Facility Provider may direct; and (C) Bonds purchased with amounts provided by UAA shall be cancelled.

(g) Delivery of Bonds. Anything to the contrary herein notwithstanding, so long as Bonds are registered in the name of a Depository, neither the Trustee nor any Participant shall hold or deliver physical Bonds and all such Bonds shall be held, delivered, registered and exchanged through the appropriate Book-Entry System.

Section 4.02. Inadequate Funds for Tenders. If the funds available for purchase of Bonds pursuant to Article III and this Article IV are inadequate for the purchase of all Bonds tendered on any purchase date, the Trustee shall return all moneys received for the purchase of such Bonds to the Persons providing such moneys; and notify UAA of the failure to make payment for tendered Bonds.

Section 4.03. Optional Redemption During a Variable, Commercial Paper or Auction Rate Period.

(a) When interest on the Bonds is payable at any Variable Rate (except a Multiannual Rate) the Bonds may be redeemed at par in whole, at the option of UAA, on any Business Day or in part on any Interest Payment Date.

(b) When interest on the Bonds is payable at a Commercial Paper or Multiannual Rate, such Bonds may be redeemed at par in whole or in part, at the option of UAA, on the Business Day succeeding the last day of any Commercial Paper or Multiannual Rate Period.

(c) When interest on the Bonds is payable at a Auction Rate, such Bonds may be redeemed at par in whole or in part, at the option of UAA, on any Business Day.

Section 4.04. Optional Redemption at a Premium During a Fixed Rate Period. When the interest on the Bonds is payable at a Fixed Rate, the Bonds may be redeemed at the option of UAA on any date in whole or in part as follows: If, on the date of commencement of a Fixed Rate Period, the length of such period falls within one of the entries in the Fixed Rate Period column, the Bonds will not be redeemable for the number of years after the Conversion Date shown in the No-call Period column. On and after the date on which the No-call Period ends, the Bonds may be redeemed at the percentage of their principal amount shown in the Initial Premium column. The premium will decline by 1% on each anniversary of the date on which the Bonds are first callable until the Bonds are redeemable without premium in the year indicated in the No Premium column and for any later years in the Fixed Rate Period.

Fixed Rate Period

Equal to or Greater Than	But Less Than	No-call Period	Initial Premium	No Premium
12 years	N/A	8 years	102%	10th year
9 years	12 years	7 years	102%	9th year
7 years	9 years	5 years	101%	7th year
5 years	7 years	3 years	101%	5th year

If the Fixed Rate Period is greater than two (2) years but less than five (5) years, the Bonds will be redeemable at 100% of their principal amount in the final year, 100-1/2% during the next-to-last year and nonredeemable before that. If the Fixed Rate Period is equal to or less

than two (2) years, the Bonds will be redeemable in the final year only at 100% of their principal amount.

If the Remarketing Agent determines that remarketing the Bonds with different premiums and a different no-call period from that set forth above would, in the judgment of the Remarketing Agent, based upon prevailing market conditions, (i) enable the Bonds to be sold at 100% of their principal amount bearing a lower rate of interest, or (ii) otherwise provide financial benefit to the Borrower, then the Remarketing Agent shall so notify the Borrower and the Trustee not fewer than forty (40) days prior to the proposed Conversion Date of such different premiums and no-call period that shall be applicable as of the date of commencement of the Fixed Rate Period. Notwithstanding the foregoing, such revised premiums and no-call period determined by the Remarketing Agent shall not be effective unless the Borrower shall deliver to the Remarketing Agent and the Trustee an Opinion of Tax Counsel to the effect that the revised premiums and no-call period are authorized hereunder and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation. If such opinion is not delivered for any reason, the announced premiums and no-call period shall not become effective, and redemption at the premiums and with the no-call period explicitly set forth above shall apply to the Bonds.

Section 4.05. Extraordinary Optional Redemption. When interest on the Bonds is payable at a Fixed Rate or the Multiannual Rate, the Bonds may be redeemed at a price equal to 100% of the principal amount of the Bonds being redeemed plus accrued interest thereon to the date of redemption in whole at the option of UAA at any time after the occurrence of any of the following:

(a) the Facilities or a substantial portion of the Facilities, financed with the Bonds, shall have been damaged or destroyed to such an extent that, in the opinion of UAA, (i) the required restoration and repair could not reasonably be expected to be completed within a period of six (6) months after commencement of restoration or repair, (ii) UAA is prevented or would likely be prevented from using such Facilities or a substantial portion thereof for its normal purposes for a period of six (6) months or more or (iii) the cost of restoration and repair would not be economically practical or desirable; or

(b) title to the whole or any part of the Facilities financed with the Bonds or the use or possession thereof shall have been taken or condemned by a competent authority to such an extent that, in the opinion of UAA, UAA is prevented or would likely be prevented from using such Facilities for its normal purposes for a period of not less than six (6) months.

Section 4.06. Optional Redemption Notices to Trustee.

(a) Bonds to be redeemed at the option of UAA shall be called for redemption by the Trustee upon receipt by the Trustee, at least forty-five (45) days prior to the redemption date, of written notice (or any required delivery of Bonds) from UAA of the applicable optional redemption provision, the redemption date, the principal amount of Bonds to be redeemed and other necessary particulars or other items requested by the Trustee.

(b) If UAA determines that any Bonds be credited against any mandatory sinking fund obligation for the Bonds, UAA will notify the Trustee and the Credit Facility Provider in writing of the applicable provisions, the Bonds to be credited and other necessary particulars or other items requested by the Trustee and will deliver to the Trustee any Bonds in respect of which it determines to receive a credit to the extent not already delivered.

Section 4.07. Mandatory Redemption from Periodic Redemption Requirements. While the Bonds bear interest at a Variable or Commercial Paper Rate, for so long as the Credit Facility is in effect, the Trustee shall redeem the Bonds in amounts and at such times as set forth in a periodic redemption schedule attached to the initial Credit Facility Agreement. The periodic redemption schedule contained in the initial Credit Facility Agreement may be revised as provided in such Credit Facility Agreement, may be revised upon the institution of an Alternate Credit Facility, and may be modified or amended without the consent of the Owners of the Bonds; notwithstanding, no such modification shall become effective unless an Opinion of Tax Counsel is furnished by the Borrower to the Trustee to the effect that such change will not adversely affect the exclusion of interest on the Bonds from the gross income, for federal income tax purposes, of an owner of the beneficial interest therein. Any mandatory redemption made pursuant to a periodic redemption schedule contained in a Credit Facility Agreement shall be without premium.

Section 4.08. Mandatory Redemption From Amortization Requirements. If a Fixed Rate is in effect, the Bonds shall, beginning on the Fixed Rate Conversion Date, be amortized, without premium, based upon the calculation of level debt service over the remaining life of the Bonds utilizing for such purpose the Fixed Rate determined by the Remarketing Agent. The Remarketing Agent shall, on the Fixed Rate Conversion Date, establish serial and term Bond maturities (and related amortization installments) in such a manner as to produce the lowest overall true interest cost. Notwithstanding, no such amortization shall occur unless an Opinion of Tax Counsel is furnished to the Trustee and the Remarketing Agent to the effect that such amortization requirements will not adversely affect the exclusion of interest on the Bonds from gross income, for federal income tax purposes of an owner of the beneficial interest therein. If a Credit Facility, other than a municipal bond insurance policy, is in effect with respect to the Fixed Rate Bonds, payments of principal of and interest on such Fixed Rate Bonds shall be made solely from Available Monies. If a Bond Insurance Policy is in effect with respect to the Fixed Rate Bonds, in the event of a bankruptcy of UAA, payments of principal and interest on such Fixed Rate Bonds shall be made solely from such Bond Insurance Policy.

Section 4.09. Mandatory Redemption Upon Determination of Taxability. In the event of a Determination of Taxability, the Bonds shall be redeemed on a date determined by the Trustee that is within one hundred twenty (120) days of such determination, as a whole, at a Redemption Price of equal to the principal amount thereof, plus accrued interest to the redemption date, provided that no such redemption is required to be made if and so long as such determination is being appealed or otherwise contested in good faith by UAA who shall notify the Trustee in writing; and provided, further, that such contest shall not have continued for longer than two (2) years after the occurrence of such Determination of Taxability.

Section 4.10. Selection of Bonds To Be Redeemed. If fewer than all the Bonds are to be redeemed, the Trustee will first select Pledged Bonds and then will select the remaining Bonds by lot or other method it deems fair and appropriate. The Trustee will make the selection from Bonds not previously called for redemption. For this purpose, the Trustee will consider each Bond in a denomination larger than the minimum denomination permitted by the Bonds at the time to be separate Bonds each in the minimum denomination. Provisions of this Indenture that apply to Bonds called for redemption also apply to portions of Bonds called for redemption.

Section 4.11. Notice of Redemption; Accrued Interest. The Trustee shall, upon written request and direction of UAA, give notice of any redemption of Bonds under the terms of this Article IV to the Depository. Provided, that no such notice shall be sent with respect to an optional redemption to be made with a draw on the Credit Facility unless the Trustee has received the written consent of the Credit Facility Provider to such optional redemption. The failure of the Trustee to give notice shall not affect the validity of the redemption.

All notices of redemption shall state:

- (1) the redemption date and the redemption price;
- (2) the identification, including complete designation of the series or subseries of which the Bond is a part and CUSIP number;
- (3) if less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) maturity dates and interest rates of the Bonds to be redeemed;
- (4) that on the redemption date the redemption price will become due and payable upon each such Bond, and that interest thereon shall cease to accrue from and after said date provided that sufficient moneys to pay the principal, premium, if any, and accrued interest on the Bonds to be redeemed is available to the Trustee on the redemption date or else such redemption shall not occur;

(5) the address where such Bonds are to be surrendered to the Trustee for payment of the redemption price and the name of a contact person and his or her telephone number;

(6) that the redemption shall not occur unless Available Moneys are on deposit with the Trustee (except after the Bonds are converted to a Fixed Rate and no longer secured by a Credit Facility) that, together with draws available under the Credit Facility, in an amount sufficient to pay the redemption price, including premium if any, on the redemption date.

Notice of redemption of Bonds to be redeemed at the election of UAA shall be given by the Trustee in the name of UAA and at the expense of UAA.

Prior to the redemption of any Bonds, UAA shall deposit into the Redemption Account with the Trustee an amount of money sufficient to pay the redemption price of all the Bonds that are to be redeemed on such date. So long as the Credit Facility is in effect, no notice of redemption for any optional redemption pursuant to the Indenture shall be given unless at or prior to such time either (i) Available Moneys are on deposit in the Redemption Account sufficient and available to pay the principal, interest and premium, if any, of all Bonds to be redeemed, or (ii) Available Moneys are on deposit in the Redemption Account in an amount sufficient and available to pay any redemption premiums required by the Indenture, or the Credit Facility provides for the payment of such premium, and the Credit Facility Provider has consented in writing to a draw on the Credit Facility for payment of the principal of and interest on the Bonds to be redeemed, and, if applicable, the premium.

Time and Manner of Notice. Notices described in this Section shall be given at least thirty (30) days, but not more than sixty (60) days, prior to the redemption date by (i) registered or certified mail, postage prepaid, (ii) telephonically confirmed facsimile transmission, (iii) electronically confirmed email or (iv) overnight delivery service, to:

The Depository Trust Company
711 Stewart Avenue
Garden City, New York 11530-4719
Attn: Supervisor, Call Notification Department
Facsimile transmission: (516) 227-4164 or (516) 227-4190

At least two (2) days before the date of the mailing required by the foregoing paragraph, such redemption notice shall be given by (i) registered or certified mail, postage prepaid, (ii)

overnight delivery service, or (iii) facsimile transmission to two (2) of the following services selected by UAA and at the address provided to the Trustee by UAA:

- (1) Financial Information, Inc.'s Financial Daily Called Bond Service;
 - (2) Interactive Data Corporation's Bond Service;
 - (3) Kenny Information Service's Called Bond Service;
 - (4) Standard & Poor's Called Bond Record;
- or any successor services.

Failure to give the notices to the securities depositories or the information services described in the preceding two paragraphs or any defect therein shall not in any manner affect the redemption of any Bond.

Section 4.12. Payment of Bonds Called for Redemption. Bonds called for redemption shall be paid at the redemption price, plus interest accrued to but not including the applicable redemption date. Bonds called for redemption and which are required to be purchased before the redemption date will not be redeemed but will be purchased as provided in Section 4.13 hereof.

Section 4.13. Sources of Payments for Variable and Commercial Paper Rate Bonds Other Than upon Required Purchases. (a) When a Credit Facility is in effect, the Trustee will make payments of redemption price and principal of and interest on Bonds first, from moneys drawn under the Credit Facility pursuant to Section 5.08, second from payments made from the proceeds from the initial sale of the Bonds and related investment earnings constituting Available Moneys upon the occurrence of an Event of Default, third from any other Available Moneys, and last from any other moneys available to the Trustee. However, payments of redemption price and principal and interest on Bonds held by UAA or by the Trustee for the account of UAA (for its own account or as pledgor) will be paid only from the last category of moneys. The proceeds of investments of any moneys in any of these categories may be used to the same extent as the moneys invested could be used had they not been invested. If a Credit Facility is no longer in effect, if UAA makes a line of credit or other credit facility available to the Trustee and delivers to the Trustee an Opinion of Counsel of nationally recognized counsel familiar with bankruptcy matters to the effect that payments in respect of the Bonds from moneys furnished under the line of credit or other credit facility will not be recoverable in the event of a Bankruptcy Filing to any greater extent than would moneys drawn under the Credit Facility, the Trustee may make payments of principal, interest and purchase price in respect of the Bonds from moneys made available under such line of credit or other facility.

(b) When a Credit Facility is not in effect, the Trustee will make payments of redemption price and principal of and interest on the Bonds first from the proceeds of the initial sale of the Bonds and related investment earnings to the extent such proceeds and earnings are available for the purpose, second from the remarketing proceeds of the sale of Bonds under this Article to the extent available for such payment and third from any other moneys available to the Trustee for the purpose.

Section 4.14. Cancellation of Certain Purchased Bonds. Bonds purchased pursuant to a required purchase after having been called for redemption, subject to the notice and acknowledgement requirement of Section 4.01(c), will be canceled and the amount of such Bonds shall be credited against the amount of Bonds called for redemption. This shall not apply

with respect to Bonds that have been remarketed pending redemption or that are being held as Pledged Bonds pending reimbursement of the Credit Facility Provider.

Section 4.15. Effect of Redemption. If sufficient funds are available to pay all principal, premium if any, and interest on Bonds called for redemption on any date and such funds have been set aside for the payment of such Bonds, such Bonds shall cease to bear interest on the redemption date. If sufficient funds are not available to pay all principal, premium if any, and interest due on Bonds called for optional redemption on any date, no optional redemption shall occur and such Bonds shall continue to bear interest. While a Credit Facility is in effect, if Available Moneys are not on deposit in amounts necessary to pay the entire principal of and interest and premium on any Bond called for optional redemption, no optional redemption shall occur and such Bonds shall continue to bear interest at the rates called for therein. While a Credit Facility is in effect, the Trustee shall make payments of redemption price and principal of and interest on the Bonds in the manner described in Sections 4.13 and 5.08.

ARTICLE V

APPLICATION OF PROCEEDS; CREATION OF FUNDS; LETTER OF CREDIT

Section 5.01. Application of Bond Proceeds.

(a) UAA will deposit the proceeds of each series of Bonds with the Trustee. The Trustee will deposit such proceeds and the investment earnings thereon in separate accounts for each series and will disburse the same for the following purposes:

1. Accrued interest received upon delivery of Bonds, if any, shall be deposited in the Accrued Interest Account contained in the Sinking Fund, created and established in Section 5.02 hereof, and used for the purpose of paying accrued interest on the ensuing Interest Payment Date.
2. The balance of the proceeds shall be deposited to the Project Fund, which is hereby created, established, and so designated (the "Project Fund"). The money in the Project Fund shall be held in trust by the Trustee, shall be applied by such Trustee to the payment of Costs of the Project and costs and expenses of the issuance of the Bonds and, pending such application, shall be subject to the lien of this Indenture in favor of holders of the Bonds and the Credit Facility Provider and for the further security of such holders until paid out or transferred as hereinafter provided.

(b) Money on deposit in each of said accounts in the Project Fund shall be paid out from time to time by the Trustee in order to pay, or as reimbursement for payment made for, the Costs of the Project upon receipt by the Trustee of a requisition signed by UAA Representative containing the following:

1. the amount requested to be paid;
2. the name and address of the person to whom such payment is to be made;
3. a description, in reasonable detail, of the particular cost, and what portion, if any, represents a cost of issuance;
4. a certification by UAA that each obligation, item of cost, or expense mentioned therein has been properly incurred, is in payment of a part of the Cost of the Project and is a proper charge against the Project Fund and has not been the basis of any previous withdrawal, or that each obligation, item of cost or expense mentioned therein has been paid by UAA, is a reimbursement of a part of the Cost of the Project and is a proper charge against the Project Fund, has not been theretofore reimbursed to UAA or otherwise been the basis of any previous withdrawal and UAA is entitled to reimbursement thereof;

The Trustee shall not be liable for any misapplication of money in the Project Fund if such money shall have been disbursed pursuant to the provisions of this Section and the Trustee is without actual knowledge that any disbursement constitutes a misapplication of funds. The Trustee may conclusively rely on the signatures of UAA Representative as evidence that the form of requisition is proper in all respects hereunder.

If after payment from the Project Fund by the Trustee of all requisitions previously tendered to the Trustee under the provisions of this Section, and after receipt by the Trustee of a

Certificate of Completion for the Project, there shall remain any balance of money in the Project Fund, such balance shall be applied as set forth in Section 5.01(c) hereof.

(c) If an Event of Default occurs and the maturity of the Bonds is accelerated before the Trustee has paid out all the proceeds of the sale of the Bonds and related investment earnings, the Trustee will use such proceeds and earnings to redeem or pay the Bonds or reimburse the Credit Facility Provider and will notify UAA, the Bond Insurer, if any, and the Credit Facility Provider of its use of such proceeds or earnings to pay the Bonds or reimburse the Credit Facility Provider. While a Credit Facility is in effect, the Trustee shall make payments of redemption price and principal of and interest on the Bonds in the manner described in Sections 4.13 and 5.08.

(d) While the Bonds are Outstanding and for three (3) years from the date that all of the Bonds are deemed paid pursuant to Article VII hereof and no longer Outstanding, the Trustee shall retain in its possession all documents relating to the Bonds including (all requisitions received by it) as required by this Indenture, subject to the inspection of UAA, its agents and representatives, and the beneficial owners and their representatives at all reasonable times at its designated corporate trust office.

The Trustee shall submit monthly accounts of the balances on deposit in the Project Fund to UAA, to the Bond Insurer, if any, and to the Credit Facility Provider.

(e) After the Trustee shall have set aside sufficient moneys for the payment of any remaining part of the Cost of the Project (after being so advised in writing by UAA), the balance on deposit in the Project Fund shall be transferred to the Redemption Account in the Sinking Fund and the Project Fund shall be closed (except to the extent of any moneys which have been so set aside) and such balance shall be credited to the next ensuing principal payment. Any balance remaining in the Redemption Account in the Sinking Fund in excess of such principal payment amount (1) may, with the consent of the Credit Facility Provider, be applied by UAA for any lawful capital improvements purpose, or (2) shall be promptly applied by the Trustee to effect the purchase or redemption of the Bonds, to the extent possible. The Trustee shall (1) purchase Bonds then Outstanding and available for purchase as designated in writing by UAA within ten (10) days after the Completion Date, at a price not exceeding the par value thereof and interest accrued thereon to the date of purchase, or (2) if no Bonds then Outstanding shall be so designated in writing by UAA within ten (10) days after the Completion Date, call Bonds for redemption at the earliest possible date, the aggregate principal amount of which, together with the applicable redemption premium and interest payable thereon to the date of redemption, will most nearly exhaust the moneys in the Redemption Account in the Sinking Fund. While a Credit Facility is in effect, the Trustee shall make payments of redemption price and principal of and interest on the Bonds in the manner described in Sections 4.13 and 5.08.

Section 5.02. Sinking Fund; Payments by UAA. A special fund is hereby created and designated the "Sinking Fund." There are hereby created in the Sinking Fund five separate accounts designated "Bond Service Account," "Interest Account," "Accrued Interest Account," the "Redemption Account" and the "Credit Facility Account." Moneys with respect to one series of bonds shall be commingled with moneys with respect to any other series of bonds issued under this Indenture.

The moneys in each of said Accounts and Funds shall be held by the Trustee in trust and applied as hereinafter provided with regard to each such Account or Fund and, pending such application, shall be subject to a lien and charge in favor of the holders of the Bonds issued and outstanding under this Indenture and the Credit Facility Provider and for the further security of such holders and the Credit Facility Provider until paid out or transferred as herein provided. UAA shall pay to the Trustee for deposit to the Sinking Fund moneys sufficient to provide funds

on deposit in the Sinking Fund on each Interest Payment Date or date on which principal is due on the Bonds, in the amount so due. If any Event of Default shall be continuing hereunder, the Trustee may additionally transfer such shortfall to the Sinking Fund from moneys on deposit in the Project Fund. While a Credit Facility is in effect, the Trustee shall make payments of redemption price and principal of and interest on the Bonds in the manner described in Sections 4.13(a) and 5.08. All funds derived from a draw under the Credit Facility shall be deposited and retained in the Credit Facility Account pending application thereof. All accrued interest paid upon the marketing or remarketing of Bonds, including Pledged Bonds, if any, shall be deposited in the Accrued Interest Account.

Section 5.03. Payment of Interest and Principal. Subject to the provisions of Section 4.13 hereof (concerning the source of payments), the Trustee shall, withdraw from the applicable Bond Service Account and deliver by wire transfer to the Depository, and the Depository shall remit by mail or wire transfer, as applicable, to each Participant, the amount required for paying the principal of such Bonds as such principal (including sinking fund installments) becomes due and payable. If a Credit Facility is in effect, amounts drawn under a Credit Facility to pay principal or purchase price of and interest on the Bonds shall be reimbursed to the Credit Facility Provider from moneys deposited to the Bond Service Account for such purpose.

When no Credit Facility is in effect, and subject to the provisions of Section 4.13, the Trustee shall on each optional redemption date prior to redemption of any Bonds, deposit in the Redemption Account amounts required to pay the principal of and premium, if any, on any such Bond to be redeemed. When no Credit Facility is in effect, money in the Redemption Account shall be used and withdrawn by the Trustee on each optional redemption date solely for the payment of principal of and premium, if any, on such Bond upon the redemption thereof.

When a Credit Facility is in effect, and subject to the provisions of Section 4.13, the Trustee shall on each optional redemption date prior to redemption of any Bonds, withdraw from the Redemption Account and deliver by wire transfer to a Credit Facility Provider, the amount drawn and paid under the Credit Facility in order to optionally redeem such Bonds.

With respect to Bonds issued initially bearing interest at a Variable Rate or a Commercial Paper Rate, or following a Variable Rate Conversion Date or a Commercial Paper Rate Conversion Date for such Bonds, UAA shall, subject to the provisions of Section 5.08, deposit in the Bond Service Account an amount, together with any moneys already on deposit in the Bond Service Account and available to pay interest, that is not less than the amount of interest to become due on the Bonds bearing interest at a Variable Rate or a Commercial Paper Rate on each Interest Payment Date.

With respect to Bonds bearing interest at an Auction Rate, UAA shall make deposits to the Interest Account as follows:

(1) On the date of issuance of the Bonds, UAA shall deposit in the Interest Account an amount equal to the interest that could accrue during such month at the interest rate in effect for the Initial Period.

(2) On the first Business Day of each month, beginning the month after the issuance of such series of Bonds, UAA shall deposit in the Interest Account an amount equal to the sum of (i) accrued and unpaid interest at the Auction Rate (or the initial rate) on the Bonds then bearing interest at the Auction Rate Period, and (ii) interest that would accrue on such Bonds during the current month at a rate equal to the highest Auction Rate then in effect plus 50 basis points. UAA shall receive a credit against monthly deposits for (i) investment earnings on money in the Interest Account and (ii) the portion of the deposit from the prior month that was in excess of the amount of interest paid or accrued for such prior month.

Provider that moneys held by the Trustee in connection with the Bonds, whether or not such moneys were derived from the proceeds of the sale of the Bonds, will not to its actual knowledge be used in a manner that will cause the Bonds to be classified as "arbitrage bonds" within the meaning of Section 148(a) of the Code and any regulations promulgated thereunder. The Trustee shall have no liability or responsibility for ensuring that investments are not made in a manner that result in any Bonds being classified as "arbitrage bonds" or for any suitability or other requirements.

Section 5.05. Rebate. UAA shall make all calculations necessary to comply with the rebate requirements contained in Section 148 of the Internal Revenue Code of 1986, as amended and shall deposit, for the credit of the Rebate Account, hereby created and defined, the full amount of UAA's accrued and unpaid rebate liability. The Trustee shall pay such amounts from the Rebate Account, at the direction of UAA, to the United States. The Trustee shall not be liable for any action it takes or omits to take with due care pursuant to this Section 5.05. The Trustee shall not be responsible for making the calculations required to be made pursuant to this Section, nor shall it have any responsibility to review the correctness or accuracy of the calculations or for determining whether the investment directions given by UAA comply with Section 148(f) of the Code.

Amounts on deposit in the Rebate Account shall be held in trust by the Trustee and used solely to make required rebates to the United States and neither the Owners nor the Credit Facility Provider shall have any right to have the same applied to the payment of principal or interest on the Bonds or otherwise than as provided in this Section.

Section 5.06. Moneys Held in Trust. The Trustee will hold in trust for the benefit of the Owners and the Credit Facility Provider, the proceeds of the initial sale of the Bonds until they are applied as provided in Section 5.01 and all moneys held by it for any payment on or purchase of the Bonds. Money received by the Trustee from the sale of a Bond under Articles III and IV will be held segregated from other funds of the Trustee in trust for the benefit of the person from whom such Bond was purchased, or, if it is not to be paid to such person, for the benefit of the person entitled to it. Except as provided in Section 5.08, the proceeds of remarketings of Bonds pledged to the Credit Facility Provider pursuant to the Credit Facility Agreement will be deposited into the Credit Facility Provider Account (established in Section 4.01(d)(iii) hereof) and held in trust by the Trustee for the benefit of the Credit Facility Provider.

Section 5.07. Requirements for Credit Facility; Alternate Credit Facility. Before the issuance of Bonds bearing interest at a Variable Rate or Commercial Paper Rate, UAA must deliver to the Trustee an irrevocable letter of credit of the Credit Facility Provider providing for direct payments to or upon the order of the Trustee of amounts in respect of payments on such Bonds. UAA may modify or terminate the initial or any subsequent Credit Facility, so long as such modified or new Credit Facility meets the terms and conditions of this Section 5.07. Each Credit Facility in effect after the initial Credit Facility must be an irrevocable, direct pay letter of credit or other credit facility issued by a commercial bank or banks or other institution with terms, in all respects material to the Owners, the same as in the initial Credit Facility. If a Fixed Rate will be in effect, any maximum interest rate in respect of which draws for interest may be made will not be less than such Fixed Rate. The term of the modified or new letter of credit or other facility must begin on or prior to the expiration date or termination date of a replaced or modified credit facility, if any, and end not less than twenty (20) days after an Interest Payment Date. If the Alternate Credit Facility is replacing a Credit Facility before the end of the term of the replaced Credit Facility, UAA shall (a) furnish the Trustee before the effective date of the Alternate Credit Facility, written evidence from each Rating Agency having a rating in effect for the Bonds that the Rating Agency has reviewed the proposed Alternate Credit Facility and that the replacement of the old Credit Facility will not by itself result in a withdrawal or reduction of the Rating Agency's current rating for the Bonds, or (b) notify the Trustee that a required

UAA acknowledges that the foregoing provisions of this Section are intended to provide advance monthly deposits to the Interest Account sufficient to pay the amount of interest that may come due on the Bonds on each Interest Payment Date during an Auction Rate Period, no matter what Auction Rate and Auction Period are in effect. If for any reason the balance in the Interest Account during any Auction Period is not sufficient to make the required interest payment on any Interest Payment Date, UAA shall, not later than 10:00 a.m. on the last Business Day prior to such Interest Payment Date, deposit the amount of such deficiency in the Interest Account in immediately available funds.

After a Fixed Rate Conversion Date or for Bonds issued initially bearing a Fixed Rate, on the second Business Day preceding each April 1 and October 1, commencing with the first of such dates following the date of issuance or on which the Fixed Rate Conversion Date occurs, UAA shall deposit in the Interest Account an amount which, together with any moneys already on deposit in the Interest Account and available to make such payment, will be not less than the amount of interest to become due on the Bonds on the next succeeding Interest Payment Date. No deposit pursuant to this paragraph need be made if and to the extent that there is a sufficient amount already on deposit and available for such purpose in the Interest Account.

Except as otherwise provided herein, moneys in the Interest Account shall be used solely to pay interest on the Bonds when due. The Trustee shall at all times maintain accurate records of deposits into the Interest Account and the sources and dates of such deposits.

If by the Business Day preceding any Interest Payment Date, after the transfers described above, there is not enough money in the Interest Account to make the payments of interest due on the Bonds then the Trustee agrees to give notice of that fact to the Bond Insurer as provided herein.

On or before the second Business Day next preceding each Interest Payment Date for a Bond bearing interest at a Fixed Rate or Auction Rate, the Trustee shall notify UAA of an amount that is equal to the amount of interest coming due on such Bond on such Interest Payment Date.

Section 5.04. Investment of Moneys. The Trustee will invest and reinvest moneys held by it under this Indenture at the written or oral (promptly confirmed in writing) request of UAA (absent the occurrence and continuation of an Event of Default) in any Qualified Investments. The Trustee will hold (i) moneys drawn under the Credit Facility and all related investment earnings and (ii) moneys from the initial sale of the Bonds or from any remarketing thereof and related investment earnings upon the occurrence and continuance of an Event of Default, uninvested or will invest them at the written or oral (promptly confirmed in writing) direction of UAA, in U.S. Government Obligations with maturities not longer than thirty (30) days or the date on which such moneys are required for the purposes to which they are to be applied. Any unclaimed remarketing proceeds shall only be invested in overnight U.S. Government Obligations pending application thereof. All investment earnings shall be credited to the account in which they were earned.

The Trustee may make investments permitted by this Article through its own bond or investment department or the bond or investment department of any bank or trust company under common control with the Trustee. Investments will be made so as to mature or be subject to redemption at the option of the holder on or before the date or dates that UAA anticipates that moneys from the investments will be required. Investments will be registered in the name of the Trustee, one of its affiliates or its nominee and held by or under the control of the Trustee. The Trustee will sell and reduce to cash a sufficient amount of investments whenever the cash held by the Trustee is insufficient. UAA agrees for the benefit of the Owners and the Credit Facility

purchase is to occur pursuant to Section 3.13. In addition, the Trustee shall surrender the initial Credit Facility for cancellation in accordance with its terms upon the provision of a substitute or Alternate Credit Facility providing there are no outstanding unpaid draws thereunder.

Thirty-five (35) days before the effective date of a Fixed Rate, UAA may deliver to the Trustee an irrevocable letter of credit or other credit facility with a term beginning on such effective date and ending at least twenty (20) days after an Interest Payment Date at least one year later.

Any Alternate Credit Facility delivered to the Trustee after the initial Credit Facility must be accompanied by an Opinion of Tax Counsel stating that delivery of the Alternate Credit Facility is authorized under this Indenture and complies with its terms and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation, respectively. Prior to the date on which an Alternate Credit Facility is to secure the Bonds, the Trustee shall notify the Depository of the effective date of such Alternate Credit Facility and the name of the new Credit Facility Provider.

Section 5.08. Draws. Whenever any amount is payable on the Bonds, whether for scheduled payments of principal or interest, or by reason of acceleration, or for their purchase or redemption as provided in this Indenture or the Bonds, the Trustee will draw on the Credit Facility in accordance with its terms, if one is in effect, at the time and to the extent necessary to facilitate timely payment of principal and interest on the Bonds in accordance with this Indenture and the Bonds, provided that, the Trustee shall not draw on the Credit Facility to pay the principal or of interest on (i) Pledged Bonds, (ii) Bonds registered in the name of UAA or any Insider, or (iv) Bonds following a Fixed Rate Conversion Date unless such Bonds are secured by the Credit Facility. In drawing on the Credit Facility, the Trustee will be acting on behalf of the Owners by facilitating payment of their Bonds and not on behalf of UAA and will not be subject to the control of either of them. The Trustee shall deposit the proceeds of all draws under the Credit Facility into the Credit Facility Account created in Section 5.02 hereof and will not commingle such funds with other funds held by it under this Indenture and will promptly remit such funds to the Depository on the required dates under this Indenture. In addition, while the Bonds bear interest at a Multiannual Rate, Commercial Paper Rate or Fixed Rate (provided the Bonds are secured by a Credit Facility), the Trustee shall draw on the Credit Facility on the first Business Day of each calendar month following the commencement of a Multiannual, Commercial Paper or Fixed Rate Period to pay interest in an amount accrued during the preceding calendar month up to but not including the date of such draw so that the Trustee will have funds available in aggregate amount necessary to pay interest on each scheduled Interest Payment Date; provided, however, that the drawing that occurs on the first day of each month to accumulate interest for payment on an ensuing Interest Payment Date shall be in an amount equal to the interest accruing in the month prior to the draw date, with the balance of interest due being paid with a final draw on the Interest Payment Date. Proceeds of any drawing under the Credit Facility for interest accruing prior to the Interest Payment Date deposited in the Credit Facility Account, shall be used to pay interest on the next Interest Payment Date. Such funds shall either be held uninvested or invested in U.S. Government Obligations maturing the earlier of: (i) thirty (30) days, or (ii) the next Interest Payment Date, or (iii) as needed to facilitate timely payment of interest on the Bonds in accordance with this Indenture and the Bonds. In the event that any funds on deposit in the Credit Facility Account have been used in connection with a mandatory purchase of Bonds under Article III or Article IV hereof and remarketing proceeds constituting interest are subsequently received by the Trustee, then such remarketing proceeds shall be deposited in the Credit Facility Account and shall not be used to reimburse the Credit Facility Provider for monthly interest draws. In no event shall the Trustee draw on a Credit Facility for payments of Bonds of any series which are not secured by such Credit Facility or for payments with respect to Pledged Bonds or Bonds held by or for the account of UAA, a Person or an Insider of any series.

Section 5.09. Pledged Bonds. (a) Bonds purchased pursuant to Articles III and IV hereof from moneys drawn under the Credit Facility shall be pledged to and held for the account of the Credit Facility Provider or as otherwise directed by the Credit Facility Provider, which Bonds are Pledged Bonds, and will be released by the Trustee and remarketed only if (i) prior to such release the Trustee shall have received notice from the Credit Facility Provider that the Credit Facility has been reinstated in full or will be reinstated in full upon such release and the Trustee has received notice of the time of such release (thereby assuring that the release will not occur prior to such reinstatement), or the Trustee has taken such actions as is required for the Credit Facility to be reinstated in full in accordance with its terms. Proceeds from the remarketing of such Bonds shall be held for the account of and paid at the direction of the Credit Facility Provider.

(b) The Credit Facility Provider or UAA may, at any time, by fifteen (15) days prior written notice to the Trustee, require the conversion of any Pledged Bonds to Bank Owned Bonds, in satisfaction of the principal portion of the Credit Facility Provider's related reimbursement obligation under the Credit Facility Agreement.

(c) During any period that Bonds are Bank Owned Bonds, such Bonds shall bear interest at the Bank Rate and shall, for all purposes other than the rate of interest to be borne by such Bonds, be considered Weekly Rate Bonds. The Credit Facility Provider shall have all rights as Owner of such Bonds.

(d) The Trustee shall permanently retire Pledged Bonds or Bank Owned Bonds upon delivery of such Bonds to the Trustee accompanied by written instructions from the Owner to permanently retire such Bonds.

(e) In the event that any Bonds are Bank Owned Bonds, UAA shall take such action as is reasonably required in order to have the Bank Owned Bonds remarketed, provided that there exists a market for such Bonds whereby they can be sold at par. In no event shall any interest paid at the Bank Rate be paid to any person other than the Bank.

Section 5.10. Return of Credit Facility. On the substitution, expiration or termination of a Credit Facility, the Trustee will return it to its issuer for cancellation; provided that, no substitution or surrender shall take place unless all draws have been honored.

Section 5.11. Funds and Accounts. The cash required to be accounted for in each of the funds and accounts established herein, except proceeds from a remarketing or from draws under the Credit Facility may be deposited in a single bank account, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the cash on deposit therein for the various purposes of such funds as herein provided.

The designation and establishment of the various funds in and by this Indenture shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues and assets for certain purposes and to establish certain priorities for application of such revenues and assets as herein provided.

ARTICLE VI COVENANTS

Section 6.01. Payment of Bonds. UAA will promptly pay the principal of, premium, if any, and interest on the Bonds, at the place, on the dates and in the manner provided in the Bonds, but only from the amounts assigned to and/or held by the Trustee under this Indenture.

Section 6.02. Further Assurances. UAA will execute and deliver such supplemental indentures and such further instruments, and do such further acts, as the Trustee may reasonably require for the better assuring, assigning and confirming to the Trustee the amounts assigned under this Indenture for the payment of the Bonds.

Section 6.03. Construction of Improvements. UAA shall promptly construct the Improvements in a workmanlike manner and in strict accordance with the Plans, building permits and applicable building and zoning codes, covenants and restrictions. UAA shall provide or cause to be provided, at UAA's expense, all manner of materials, labor, implements and cartage of every description necessary for the due performance of the work. UAA shall take all necessary steps to assure that construction and installation of the Improvements shall begin immediately (and in no event later than thirty (30) days after the date hereof), shall proceed continuously and diligently, and shall be completed in a timely manner in accordance with the Plans and that construction shall be completed on or before the Completion Date.

Section 6.04. Performance of Covenants by UAA; Defaults. UAA will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in the Bonds executed, authenticated and delivered hereunder and in all proceedings of its Board of Directors pertaining thereto.

Section 6.05. Inspection of Project Books. All books and documents in UAA's possession relating to the Project and the Net Revenues shall, upon reasonable notice, be open to inspection by such accountants or other agencies as the Trustee may from time to time designate. If requested by the Credit Facility Provider, UAA shall furnish, before each advance herein agreed to be made and on completion of construction, all receipted bills, bonds, affidavits, releases of lien and other documents which may be required by the Trustee, as evidence of full payment of all labor and materials incident to the construction of the Improvements.

Section 6.06. No Vacancy in Office of Trustee. UAA, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 9.07, a Trustee, so that there shall at all times be a Trustee hereunder.

Section 6.07. Project is Property of the State of Florida. If requested by the Credit Facility Provider, upon completion of the Improvements, UAA will execute and deliver to the Credit Facility Provider such bills of sale or other documents as shall be necessary to transfer all its right, title and interest in and to such Improvements to the State of Florida.

Section 6.08. Rate Covenant. UAA shall maintain, charge and collect such fees, admissions, rentals and revenues as will always produce Net Revenues to the Principal and Interest Requirements due on the Bonds of greater than 1:1:1. The foregoing calculation shall be computed on a fiscal year basis from July 1 to June 30 of each year. Failure to meet the foregoing covenant will not be a default under the Indenture provided UAA has taken steps, consistent with standard procedures for the setting of fees, admissions and rentals for the Athletic Program, to restore compliance as soon as reasonably possible.

Section 6.09. Permitted Adjustments to Principal and Interest Requirement for Purposes of Rate Covenant. The following adjustments to Principal and Interest Requirements will be allowed for purposes of calculating debt coverage requirements for purposes of compliance with the covenant as to rates and charges set forth in Section 6.08.

(a) Subject to the Credit Facility Provider's prior written approval, UAA may arrange a binding obligation with a bank or trust company to deposit in each Bond Year into a special redemption fund established with such bank or trust company for any maturity of outstanding debt of UAA designated by UAA as Balloon Indebtedness, an amount equal to the principal amount of such designated maturity divided by the number of years until such maturity becomes due. In the event UAA makes such arrangement, and upon written notice to the Trustee to such effect, the amounts required by such arrangement to be paid, deposited, or set aside in any Bond Year, may, at the option of UAA, be treated as the principal requirements of such designated maturity and such principal and the interest thereon may be computed on such adjusted basis for purposes of determining Principal and Interest Requirements applicable to such Bond Year, in accordance with the definition of Principal and Interest Requirements contained in Section 1.01 of this Indenture. In the case of Balloon Indebtedness for which there is no binding commitment from a financial institution to retire such debt, UAA shall use the 30 Year Revenue Bond Index published in The Bond Buyer immediately preceding the date of calculation as the interest rate with the principal amortized over a period of twenty (20) years on a level debt service basis in determining Principal and Interest Requirements.

(b) For purposes of calculating the Principal and Interest Requirements on Put Indebtedness, the debt service payable on such Put Indebtedness from and after the first Put Date next succeeding the date as of which such calculation is made shall be calculated using the 30 Year Revenue Bond Index published in The Bond Buyer immediately preceding the Put Date as the interest rate with principal amortized over a period of thirty (30) years or the stated term of debt, whichever is less, on a level debt service basis.

Provided, that if the put option with respect to any Put Indebtedness has expired as of the date of calculation of the Principal and Interest Requirements, such Put Indebtedness shall be deemed payable in accordance with its terms (without regard to the adjustment permitted in this subsection).

(c) For the purposes of determining the principal and interest due on any variable rate indebtedness, the interest rate shall be assumed to be:

(i) One hundred percent (100%) of the average daily interest rates on such indebtedness, if such indebtedness has been outstanding for at least one year, as measured over the preceding five (5) years or such lesser period such indebtedness has been outstanding; or

(ii) One hundred percent (100%) of the average daily interest rate(s) borne by such indebtedness during the period such indebtedness has been outstanding, if such indebtedness has been outstanding for less than one (1) year.

(d) The calculation of Principal and Interest Requirements shall not include any amounts payable with respect to principal or interest on indebtedness, the payment of which has been provided for by deposit into escrow of U.S. Government Obligations in an amount sufficient to make such payments as the same shall become due.

The Principal and Interest Requirements with respect to indebtedness described in more than one of the above subsections may be adjusted according to each subsection; however, if the terms of the indebtedness are subject to change upon the occurrence of a contingency (such as a

put feature) and the contingency has occurred, UAA shall not be entitled to any adjustment which does not reflect the new terms of the indebtedness.

Section 6.10. Inspections. UAA will permit the Credit Facility Provider and its representatives to inspect the Improvements and all materials to be used in the construction thereof, and to examine and make copies of all detailed plans and shop drawings which are or may be kept at the construction site, and all books and records of UAA relating to the Facilities or the Program other than records that are required by law to be kept confidential (e.g. student records) and will cooperate with the Credit Facility Provider and Credit Facility Provider's representatives to enable it to perform its functions hereunder. It is expressly agreed that the Credit Facility Provider has no duty to inspect the Improvements, and if the Credit Facility Provider should inspect the Improvements, the Credit Facility Provider shall have no liability or obligation to UAA or other person arising out of such inspection. Inspections made by the Credit Facility Provider or their representatives shall be made solely for the protection and benefit of the Credit Facility Provider, and neither UAA, any co-maker, or other party primarily or secondarily liable on the Bonds, nor any person or party claiming by, through or under UAA, shall be entitled to claim any loss, damage or offset either against the Credit Facility Provider or their representatives for failure to properly inspect the Improvements.

Section 6.11. Correction of Deficient Work. If the Credit Facility Provider determines that any portion of the Improvements is not being constructed in accordance with the Plans in a workmanlike manner, it may require work to be stopped and withhold disbursements until the deficiencies are corrected. UAA agrees that it will correct, at its own cost and not from Bond proceeds, any work performed and replace any materials that do not comply with the Plans, applicable laws, regulations or permits, or accepted standards of quality and workmanship. In the event of any dispute between UAA and the Credit Facility Provider with respect to the interpretation and meaning of the Plans, the same shall be determined at UAA's cost by an independent architect or engineer selected by the Credit Facility Provider.

Section 6.12. Use of Bond Proceeds. All labor and materials contracted for in connection with construction of the Improvements shall be used and employed solely in such construction, and only in accordance with the Plans. The moneys disbursed to or for the account of UAA under this Indenture shall constitute a trust fund in the hands of UAA or other payee, and shall be used solely by such payee for the payment of Cost of Improvements and for no other purpose unless another use is specifically provided for in this Indenture or consented to in writing by the Trustee.

Section 6.13. Payment of Fees, Taxes and Expenses. In addition to other costs and expenses herein agreed to be borne by UAA, UAA agrees to pay for documentary stamp taxes, intangible taxes and other recording, excise or similar taxes (and any penalties and interest for nonpayment thereof), recording, re-recording and filing fees and taxes in connection with the execution, delivery or recording of the Bond Documents or making of the Bonds or any advances, attorneys' fees incurred by the Trustee in connection with preparation and examination of the Bond Documents and the Bond closing, and all costs and expenses incurred by the Trustee in connection with any modification of the Bonds and in the enforcement of the Trustee's rights and remedies hereunder or under the other Bond Documents after Default, including reasonable attorneys' fees, whether or not suit be brought and including fees and costs on appeal. The Trustee is irrevocably authorized to disburse such costs and expenses from the Bond proceeds. The obligation of UAA hereunder shall survive termination of this Indenture. UAA represents that it is not relying upon the Trustee or its counsel or the Bank or its counsel in determining the applicability or amount of documentary stamp or intangible taxes on the transactions contemplated herein.

Section 6.14. Insurance. UAA shall maintain, at its expense, such insurance coverages and limits which are reasonably attainable. On an annual basis, UAA shall provide the Trustee evidence of insurance coverage, together with the consent of the Credit Facility Provider, which consent shall be conclusive evidence of compliance with this Section 6.14.

Section 6.15. Financial Statements. UAA shall maintain books and records relating to its business and the ownership of the Facilities in accordance with generally accepted accounting principles, consistently applied. Upon an Event of Default, UAA shall cause to be delivered to the Trustee and the Credit Facility Provider such financial statements and other information relating to UAA and the project being constructed with the proceeds of the Bonds and the Facilities as provided in the Credit Facility Agreement.

Section 6.16. Adverse Liens. Neither UAA nor any contractor or subcontractor shall execute any security agreement covering any materials, fixtures or articles to be or intended to be incorporated in the Improvements or covering articles of personal property placed in the Improvements, nor file a financing statement relating thereto nor purchase any such materials, fixtures or articles in such a manner so that ownership thereof does not vest unconditionally in UAA, and UAA shall produce to the Trustee upon demand the contracts, bills of sale, statements, vouchers or agreements or any of them, under which UAA claims title to such materials, fixtures or articles.

Section 6.17. Place of Business. Without at least thirty (30) days' prior written notice to the Trustee, UAA will not change its sole place of business (or if it has more than one place of business, its chief executive office) from that address set forth herein for delivery of notices.

Section 6.18. Pledging of Revenues and Other Assets of UAA. Unless the Credit Facility Provider has otherwise consented in writing, UAA shall not mortgage, pledge or otherwise grant a security interest in property (real, personal or mixed), including any of its revenues, to secure any indebtedness, except as follows:

1. UAA may incur obligations under capitalized leases or under loan agreement secured by mortgages or liens, or under conditional sales contracts or purchase money mortgages, so long as the principal amount of such indebtedness, net of any funded reserves, does not in the aggregate exceed \$500,000.

2. UAA may incur indebtedness for the purpose of financing self supporting projects, and which may be secured by a mortgage upon such projects, and pledged revenues or grant a security interest in revenues of such projects if (a) a Management Consultant delivers a report stating that the average forecasted net revenues to be derived from operation of such projects for the first two (2) Fiscal Years after incurrence of such indebtedness or after such projects are placed in operation, whichever is later, will not be less than 110% of the maximum annual principal and interest requirement of such indebtedness, a copy of which is provided to the Credit Facility Provider and to the Trustee, and (b) average Net Revenues for the three (3) fiscal years immediately preceding the incurrence of such indebtedness shall have been not less than 110% of the principal and interest requirement on the Bonds and such indebtedness.

Section 6.19. Survival. UAA's obligations hereunder shall not be limited to any extent by the term of the Bonds and, as to any act or occurrence prior to payment in full and satisfaction of the Bonds which gives rise to liability hereunder, shall continue, survive and remain in full force and effect notwithstanding payment in full and satisfaction of the Bonds.

Section 6.20. Notice of Default. UAA will deliver immediate written notice to the Trustee of any: (i) default under any of the Bond Documents, (ii) default under any agreement to which UAA is a party, (iii) any event which has caused or may cause representations, warranties

or other information delivered to the Trustee by UAA in connection with the Bonds to be or become untrue; and (iv) any material adverse change in UAA's business or financial condition.

Section 6.21. Compliance with Laws. UAA will observe, confirm and comply in every material respect with all laws, decisions, judgments, rules, regulations and orders of all applicable governmental authorities relative to the construction and operation of the Improvements and the conduct of its business.

Section 6.22. Payment of Indebtedness, Taxes, Etc. UAA will (i) pay all of its material obligations promptly and in accordance with normal terms; and (ii) pay and discharge or cause to be paid and discharged promptly all taxes, assessments and governmental charges or levies imposed upon UAA or upon any of UAA's other property, real, personal or mixed, or upon any part thereof, before the same shall become in default.

Section 6.23. Notices of Litigation or Regulatory Action. UAA will deliver immediate written notice to the Trustee and the Credit Facility Provider of any of the following:

- (i) Any claims or litigation against UAA if such litigation or claim involves the possibility of liability in excess of \$1,000,000 or would otherwise have a material adverse impact on the condition, financial or otherwise, of UAA, which notice shall include a description of the claim or litigation and the basis thereof;
- (ii) Any material citation, order, decree, ruling or decision issued by, or any denial of any application or petition to, or any proceedings (or material change in the status of proceedings) before any governmental commission, bureau or other administrative agency or public regulatory body against or affecting UAA which would have a material adverse impact on the condition of UAA, financial or otherwise;
- (iii) Any lapse, suspension or other termination or any modification of any certification, license, consent or other authorization of any governmental commission, bureau or other administrative agency or public regulatory body, or any refusal of any thereof to grant any application therefor; in connection with the operation of the Improvements, if such event might have a material adverse effect on the condition, financial or otherwise, of UAA.

Section 6.24. Additional Parity Debt. Except as specifically provided in this subparagraph, UAA shall not incur or permit to exist any liens on the Facilities or indebtedness, including contingent obligations, secured by or payable out of any revenues from the Facilities except for the following:

- (i) Any such indebtedness specifically subordinated in priority of lien and right of payment to the rights of the Trustee pursuant to agreements satisfactory to the Trustee;
- (ii) Additional Bonds issued pursuant to Section 2.07 hereof; and
- (iii) Other indebtedness ranking *pari passu* with the obligations hereunder if such indebtedness could have been issued as Additional Bonds (i.e. upon satisfaction of the applicable provisions of Section 2.07 hereof).

Notwithstanding the preceding language, no such liens may be incurred or permitted to exist unless permitted by the Credit Facility Agreement.

Section 6.25. Maintenance. UAA shall maintain and preserve all of the Improvements and Facilities in good working order, making from time to time all necessary repairs and replacements.

Section 6.26. Continuing Disclosure. In accordance with applicable securities laws and in the event of a conversion of the Rate Period for the Bonds of any series to a Multiannual Rate Period or to a Fixed Rate Period, UAA shall execute and deliver a certificate of continuing disclosure in form and substance reasonably acceptable to the Remarketing Agent to remain in effect so long as the Bonds bear interest at the Multiannual Rate or at a Fixed Rate Period. The Trustee does not have a duty to enforce the continuing disclosure obligations of UAA under the Rule; however, the Trustee, the Bond Insurer, the Credit Facility Provider or any Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause UAA to comply with its obligations under the Rule.

ARTICLE VII
DISCHARGE OF INDENTURE

Section 7.01. Bonds Deemed Paid; Discharge of Indenture. Any Bond will be deemed paid for all purposes of this Indenture when (a) payment of the principal of and the maximum amount of interest that may become due on the Bond to the due date of such principal and interest (whether at maturity, upon redemption or otherwise) or the payment of the purchase price of any Bond that may be required to be purchased either (1) has been made in accordance with the terms of the Bonds or (2) has been provided for by depositing with the Trustee (A) moneys sufficient to make such payment and/or (B) non-callable and non-prepayable U.S. Government Obligations described in clauses (a) or (b) of such term maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, (b) all compensation and expenses of the Trustee pertaining to each Bond in respect of which such deposit is made have been paid or provided for to the Trustee's satisfaction, (c) in the case of clause (a)(2), the Trustee has received an Opinion of Counsel of nationally recognized standing familiar with bankruptcy matters, acceptable to the Rating Agency, to the effect that the deposit of moneys and U.S. Government Obligations would not be recoverable by a trustee in bankruptcy on the bankruptcy of UAA, and an Opinion of Tax Counsel to the effect that the deposit of moneys and U.S. Government Obligations and the discharge of the Indenture would not have any materially adverse federal income tax consequences to a Owner, (d) in the case of clause (a)(2) and the Bonds are not bearing interest at a fixed rate, written confirmation from each Rating Agency rating the Bonds that the rating will not be reduced or withdrawn, and (e) in the case of (a)(2) there is delivered to the Trustee a report by an entity satisfactory to the Trustee verifying that the U.S. Government Obligations will mature as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make pay all principal and interest on the Bonds when due. When a Bond is deemed paid, it will no longer be secured by or entitled to the benefits of this Indenture or be an obligation of UAA, except for payment from such moneys or U.S. Government Obligations and except that it may be tendered for purchase if and as provided in this Indenture and it may be transferred, exchanged, registered, discharged from registration or replaced as provided in Article II. Further, the obligations of this Indenture shall not be discharged unless the Trustee receives written notice from the Credit Facility Provider to the effect that all obligations of UAA to the Credit Facility Provider under the Credit Facility Agreement have been satisfied.

Notwithstanding the foregoing, no deposit under clause (a)(2) of the first paragraph of this Section will be deemed a payment of a Bond until (a) notice of redemption of the Bond is given in accordance with Article IV or, if the Bond is not to be redeemed or paid within the next sixty (60) days, until UAA has given the Trustee, in form satisfactory to the Trustee, irrevocable instructions (1) to notify, as soon as practicable, the Depository, in accordance with Article IV, that the deposit required by (a)(2) above has been made with the Trustee and that the Bond is deemed to be paid under this Article and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of the Bond and, if the Bond is to be redeemed rather than paid, (2) to give notice of redemption at least fifteen (15) but not more than sixty (60) days before the redemption date, or (b) the maturity of the Bond.

When all outstanding Bonds are deemed paid under the foregoing provisions of this Section and all obligations of UAA to the Credit Facility Provider under the Credit Facility Agreement have been satisfied in full, the Trustee will upon request acknowledge the discharge of UAA's obligations under this Indenture and the Bonds except for obligations under Article II in respect of the transfer, exchange, registration, discharge from registration and replacement of Bonds.

No deposit will be made or used in any manner which, in the Opinion of Tax Counsel, would cause any Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code.

Section 7.02. Application of Trust Money. The Trustee will hold in trust money or U.S. Government Obligations deposited with it pursuant to the preceding Section and apply the deposited money and the proceeds from the U.S. Government Obligations in accordance with this Indenture only to the payment of principal of and interest on the Bonds and the payment of the purchase price of Bonds, which have been tendered or become subject to required purchase.

Section 7.03. Repayment to Credit Facility Provider and UAA. The Trustee will promptly pay upon receipt of a written request to do so to the Credit Facility Provider (to the extent the Credit Facility Provider certifies to the Trustee, and provides three (3) days written notice to UAA, that UAA is indebted to it under the Credit Facility Agreement) and then to UAA any excess money or securities held by the Trustee at any time under this Article and any money held by the Trustee under any provision of this Indenture for the payment of principal or interest or for the purchase of Bonds that remains unclaimed for two years, and a Owner may then look solely to UAA for payment of such principal or interest or purchase price. Upon any such disposition, all liability of the Trustee with respect to such funds shall cease. In the absence of any such written request, the Trustee shall from time to time deliver such unclaimed funds to or as directed by pertinent escheat authority, as identified by the Trustee in its sole discretion, pursuant to an in accordance with applicable unclaimed property laws, rules or regulations. Any such delivery shall be in accordance with the customary practices and procedures of the Trustee and the escheat authority. All moneys held by the Trustee and subject to this Section shall be held uninvested and without liability for interest thereon. Before making any payment under this Section 7.03, the Trustee shall be entitled to receive at the Borrower's expense an opinion of counsel to the effect that said payment is permitted under applicable law.

Section 7.04. Assignment to Credit Facility Provider. UAA does hereby pledge and assign for the benefit of the Credit Facility Provider, in consideration of the Credit Facility Provider's issuance of the Credit Facility, all of the Trust Estate herein assigned to the Trustee as security for the payment of the Bonds, which assignment to the Credit Facility Provider is subordinate to the simultaneous assignment thereof to the Trustee for the benefit of the Bondholders pursuant to this Indenture. Accordingly, anything in this Indenture to the contrary notwithstanding, in the event, in connection with the payment of the Bonds in full in accordance with Section 7.01 hereof, the Trustee draws under the Credit Facility for the purpose of paying all or any portion thereof, then, in such event, the Trustee shall, promptly following the Credit Facility Provider's honor of the draft so drawn by the Trustee and at the written request of the Credit Facility Provider, transfer and assign to the Credit Facility Provider the Trust Estate, and, in addition, shall remit to the Credit Facility Provider all amounts in any of the funds created by this Indenture which remain after the payment in full of the Bonds (except for any balance remaining in the Rebate Account and except amounts held for the payment of the principal of and premium, if any, and interest on, or the purchase price of, any Bonds, any accrued and unpaid amounts held by the Trustee in accordance with Section 7.01 hereof, and any amounts owed the Trustee for its fees and expenses). Unless and until so transferred, the Trustee shall continue to hold the Trust Estate as security for, and for the benefit of, the Credit Facility Provider.

ARTICLE VIII

DEFAULTS AND REMEDIES

Section 8.01. Events of Default. An "Event of Default" is any of the following:

- (a) When a Credit Facility is in effect, a default in the payment of interest on any Bond when it becomes due, or, when a Credit Facility is not in effect, a default in the payment of interest on any Bond when it becomes due.
- (b) A default in the payment of principal on any Bond at maturity, upon acceleration or redemption or otherwise when it becomes due.
- (c) A default in the payment of the purchase price of any Bond required by its Owner to be purchased pursuant to the terms of the Bonds.
- (d) UAA fails to perform any of its agreements in this Indenture, the Bond Documents or the Bonds (other than a default under clause (a), (b) or (c) above), the performance of which is material to the Owners, and the failure continues after the notice and for the period specified in this Section.
- (e) UAA pursuant to or within the meaning of any Bankruptcy Law (1) commences a voluntary case, (2) consents to the entry of an order for relief against it in an involuntary case, (3) consents to the appointment of a Custodian for it or any substantial part of its property or (4) makes a general assignment for the benefit of its creditors.
- (f) A court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (1) is for relief against UAA in an involuntary case, (2) appoints a Custodian for UAA or any substantial part of its property or (3) orders the winding up or liquidation of UAA, and the decree or order remains unstayed and in effect for sixty (60) consecutive days.

(g) The Trustee receives written notice from the Credit Facility Provider, upon which the Trustee may conclusively rely, that an "event of default" has occurred under the Credit Facility Agreement which notice instructs the Trustee to declare the principal of all Bonds then outstanding and interest thereon to be immediately due and payable.

A default under clause (d) of this Section (other than the occurrence of a Determination of Taxability to which this paragraph shall not be applicable) is not an Event of Default until (i) the Trustee, with the consent of the Credit Facility Provider, gives UAA a notice specifying the default, demanding that it be remedied and stating that the notice is a "Notice of Default," and (ii) UAA does not cure the default within thirty (30) days after receipt of the notice, or within such longer period as the Credit Facility Provider may agree to. In the event, however, that the default be such that it cannot be corrected within such thirty (30) day period, it shall not constitute an Event of Default if corrective action is instituted by UAA within such period and diligently pursued (as determined by the Trustee) until the default is corrected.

Section 8.02. Acceleration. If an Event of Default under clause (e), (f) or (g) of the foregoing Section occurs, the Trustee by notice to UAA will not later than two (2) Business Days following the day the Trustee receives written notice that such Event of Default has occurred declare the principal and accrued interest on the Bonds to be due and payable on such day. If any other Event of Default has occurred and is continuing of which the Trustee has actual knowledge or is, pursuant to Section 9.02(k), deemed to have knowledge, the Trustee by

notice to UAA, or (acting through the Depository) the Owners of at least 25% in principal amount of the Bonds by notice to UAA and Trustee, may declare the principal of and accrued interest to the date of declaration of acceleration on the Bonds to be due and payable immediately. The Trustee will also give a copy of each such notice to the Credit Facility Provider. If a Credit Facility is in effect and the Event of Default is not under clause (e), (f) or (g) of the foregoing Section and is not the result of a failure by the Credit Facility Provider to honor a draw under and in compliance with the Credit Facility, the Trustee will not declare the Bonds to be due and payable without first obtaining the Credit Facility Provider's prior written consent. Upon such a declaration, the principal of and accrued interest on the Bonds will be due and payable immediately and interest shall cease to accrue and, if a Credit Facility is in effect, the Trustee will immediately draw under the Credit Facility and pay the Owners of the Bonds. The Trustee may, and upon the written request of Owners of a majority in principal amount of the Bonds rescind and annul such acceleration and its consequences if before the entry of a judgment or decree for payment of the amounts due: (i) all existing Events of Default, other than the nonpayment of principal of, redemption premium, if any, and interest on the Bonds which have occasioned such acceleration, have been cured or waived, (ii) there has been paid to or deposited with the Trustee by or for the account of UAA, or provision satisfactory to the Trustee has been made for the payment of a sum sufficient to pay: (A) all overdue installments of interest on the Bonds; (B) the principal of, and redemption premium, if any, on any Bonds which have become due other than by such declaration of acceleration and interest thereon; (C) to the extent lawful, interest upon overdue installments of interest and redemption premium, if any; and (D) all sums paid or advanced by the Trustee hereunder, together with the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel prior to the date of notice of rescission; and (iii) all payments due the Trustee and any predecessor Trustee under Section 8.06 have been made and (iv) when a Credit Facility is in effect, the Credit Facility Provider consents in writing prior to any such rescission and the amount available to be drawn under the Credit Facility is reinstated to what it would have been had the acceleration not occurred.

No such rescission and annulment shall affect any subsequent default or impair any consequent right.

Upon any declaration of acceleration on the Bonds as described in the preceding paragraph, interest on overdue principal and, to the extent lawful, on overdue interest on each Bond outstanding will be payable at the rate borne by such Bond on the day before the default occurred.

Section 8.03. Other Remedies. If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the principal of or interest on the Bonds or to enforce the specific performance of any provision of the Bonds, this Indenture, the Bond Documents or the Credit Facility.

No right or remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other right or remedy, but each such right or remedy shall, to the extent permitted by law, be cumulative of and in addition to every other right or remedy given hereunder or under any Bond Document or now or hereafter existing at law, in equity or otherwise. The assertion or employment of any right or remedy hereunder shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

The Trustee may enforce all rights under this Indenture, the Bond Documents and the Bonds or maintain a proceeding even if it does not possess any of the Bonds or does not produce any of them in the proceeding. Any proceedings instituted by the Trustee may be brought in its name for itself or as representative of the Owners without the necessity of joining Owners as parties, and any recovery resulting from such proceedings shall, subject to Section 8.10, be for

the ratable benefit of the Owners. A delay or omission by the Trustee or any Owner in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

Section 8.04. Waiver of Past Defaults. The Credit Facility Provider or the Owners of a majority in principal amount of the outstanding Bonds, with the prior written approval of the Credit Facility Provider when a Credit Facility is in effect, by notice to the Trustee may waive an existing Event of Default and its consequences if the Credit Facility is reinstated up to the full amount available under it immediately prior to each Event of Default. Such written approval of the Credit Facility Provider shall include a notice of rescission of any Event of Default under the Credit Facility Agreement. When an Event of Default is waived, it is cured and stops continuing (until the expiration of such waiver, if any), but no such waiver will extend to any subsequent or other Event of Default or impair any right consequent to it.

Notwithstanding any provision of this Indenture, in no event shall any Person, other than all of the affected Bondholders, have the ability to waive any Event of Default under this Indenture if such event results or may result, in the Opinion of Counsel, in interest on any of the Bonds becoming includable in gross income for federal income tax purposes.

Section 8.05. Control by Credit Facility Provider or Majority. Subject to the Trustee's right to be indemnified to its satisfaction, the Credit Facility Provider, so long as a Credit Facility is in effect and all payments required to be made by it pursuant to the terms of the Credit Facility have been made, and if no Credit Facility is in effect, the Owners of a majority in principal amount of the outstanding Bonds may, direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or, subject to Section 8.01, that the Trustee determines is unduly prejudicial to the rights of other Owners, or would involve the Trustee in personal liability. The Trustee shall not be liable for any action directed by the Credit Facility Provider under this Section except for the Trustee's willful misconduct or gross negligence.

Section 8.06. Limitation on Suits. An Owner may not pursue any remedy with respect to this Indenture or the Bonds unless (a) the Owner gives the Trustee notice stating that an Event of Default has occurred and is continuing, (b) the Owners of at least 25% in principal amount of the outstanding Bonds make a written request to the Trustee to exercise the powers granted herein in an Event of Default and to pursue such remedy in its or their name or names, (c) such Owner or Owners offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense reasonably anticipated to be incurred (d) the Trustee declines to comply with the request, or has failed to do so, within sixty (60) days after receipt of the request and the offer of indemnity, and (e) no direction inconsistent with such request has been given to the Trustee during such sixty (60) day period by Owners of a majority in principal amount of the outstanding Bonds.

The provisions of the first paragraph of this Section are conditions precedent to the exercise by any Owner of any remedy hereunder. The exercise of such rights is further subject to the provisions of Sections 8.04, 8.05 and 8.07. No one or more Owners shall have any right in any manner whatever to enforce any right under this Indenture, except in the manner herein provided. All proceedings at law or in equity with respect to an Event of Default shall be instituted and maintained in the manner herein provided for the equal and ratable benefit of the Owners of all outstanding Bonds.

An Owner may not use this Indenture to prejudice the rights of another Owner or to obtain a preference or priority over any other Owner.

Section 8.07. Rights of Owners To Receive Payment. Notwithstanding any other provision of this Indenture, the right of any Owner to receive payment of principal of and interest on a Bond, on or after the due dates expressed in the Bond, or the purchase price of a Bond on or after the date for its purchase as provided in the Bond, or to bring suit for the enforcement of any such payment on or after such dates, shall not be impaired or affected without the consent of such Owner and shall be absolute and unconditional.

Section 8.08. Collection Suit by Trustee. If an Event of Default under Section 8.01(a), (b) or (c) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust for the whole amount remaining unpaid.

Section 8.09. Trustee May File Proofs of Claim.

(a) In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding under Bankruptcy Law relating to UAA, the Credit Facility Provider or any other obligor upon the Bonds, the Trustee (whether or not the principal of the Bonds shall then be due and payable by acceleration or otherwise, and whether or not the Trustee shall have made any demand upon UAA or the Credit Facility Provider for the payment of overdue principal, redemption premium, if any, and interest) shall be entitled and empowered, by intervention in such proceeding or other means:

(i) to file and prove a claim for the whole amount of the principal, redemption premium, if any, and interest owing and unpaid in respect of the outstanding Bond or for breach of this Indenture or the Bond Documents and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Owners allowed in such proceeding; and

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and

(iii) any receiver, assignee, trustee, liquidator, sequestrator or similar official in any such judicial proceeding is hereby authorized by each Owner to make such payments to the Trustee, and, in the event that the Trustee shall consent to the making of such payments directly to the holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 9.05.

(b) No provision of this Indenture empowers the Trustee to authorize or consent to or accept or adopt on behalf of any Owner of the Bonds any plan of reorganization, arrangement, adjustment or composition affecting any of the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any proceeding described in subsection (a) of this Section.

Section 8.10. Priorities. If the Trustee collects any money pursuant to this Article other than (i) moneys drawn under the Credit Facility or (ii) remarketing proceeds, which shall be applied solely to payment of the Bonds secured thereby, it will pay out the money in the following order:

FIRST: To the Trustee for amounts to which it is entitled under this Indenture to the extent set forth in Section 9.05.

SECOND: To Owners for amounts due and unpaid on the Bonds for principal, purchase price and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Bonds for principal, purchase price and interest, respectively.

THIRD: To the Credit Facility Provider to the extent the Credit Facility Provider certifies (after inquiry from the Trustee) to the Trustee (upon which certification the Trustee may conclusively rely) that UAA is indebted to the Credit Facility Provider under the Credit Facility Agreement between UAA and the Credit Facility Provider under which the Credit Facility was issued.

FOURTH: To UAA.

In the event of a declaration of acceleration of principal and accrued interest by the Trustee pursuant to Section 8.02, the Trustee may fix a payment date for any payment to the Owners pursuant to such Section 8.02.

Section 8.11. Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of a Bond to pay the costs of such suit. Nothing contained in this Indenture shall be deemed to constitute an undertaking by the Trustee to pay the costs of such suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Owner pursuant to Section 8.06 or a suit by Owners of more than 10% in principal amount of the Bonds.

Section 8.12. Marshaling of Assets. Upon the occurrence of an Event of Default, all moneys in all Funds (other than moneys in the Rebate Account) shall be available to be utilized by the Trustee in accordance with this Article. The rights of the Trustee under Section 9.05 shall be applicable. During the continuance of any such Event of Default, all provisions of this Indenture relating to the utilization of Funds, including but not limited to those set out in Article V, shall be superseded by this Article. Subsequent to the curing or waiver of any such Event of Default, the provisions of this Indenture relating to utilization of Funds, including the provisions of Article V, shall be reinstated.

Section 8.13. Notice and Opportunity to Cure Certain Defaults. No default under Section 8.01(d) (other than the occurrence of a Determination of Taxability, to which this Section 8.13 shall not be applicable) shall constitute an Event of Default until written notice of such default shall have been given to UAA by the Trustee or by the Owners of at least twenty-five percent (25%) in aggregate principal amount of the outstanding Bonds, and UAA shall have had thirty (30) days after receipt of such notice to correct such default or cause such default to be corrected, and shall have failed to do so. In the event, however, that the default is such that it cannot be corrected within such thirty (30) day period, it shall not constitute an Event of Default if corrective action is instituted by UAA within such period and diligently pursued (as determined by the Trustee) until the default is corrected. The Trustee shall send a copy of each such notice to the Credit Facility Provider, but receipt of such notice by the Credit Facility Provider shall not be a condition precedent to further action by the Trustee.

Section 8.14. Restoration of Rights and Remedies. If the Trustee or any Owner has instituted any proceeding to enforce any right or remedy under this Indenture or the Bonds, and any such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or such Owner, then UAA, the Trustee and the Owners shall, subject to any determination in such proceeding, be restored to their former positions hereunder, and all

rights and remedies of the Trustee and the Owners shall continue as though no such proceeding had been instituted.

Section 8.15. Notice of Events of Default. If an Event of Default occurs of which the Trustee has or is deemed to have notice under Section 9.02(k), the Trustee shall give prompt notice thereof to the Credit Facility Provider. Within ninety (90) days thereafter (unless such Event of Default has been cured or waived), the Trustee shall give notice of such Event of Default to the Depository, provided, however, that except in the instance of an Event of Default under Section 8.01(a) or (b), the Trustee may withhold such notice if and so long as the Trustee in good faith determines that the withholding of such notice is in the interests of Owners, and provided, further, that notice to Depository of any Event of Default under Section 8.01(d) shall be subject to the provisions of Section 8.13 and shall not be given until the grace period has expired.

ARTICLE IX

TRUSTEE AND REMARKETING AGENT

Section 9.01. Duties of Trustee.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise its rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default,

(1) the Trustee need perform only those duties that are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed, upon certificates or opinions furnished to the Trustee that conform to the requirements of this Indenture. However, the Trustee is under a duty to examine the certificates and opinions to reasonably determine whether they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(1) this paragraph does not limit the effect of paragraph (b) of this Section,

(2) the Trustee is not liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was grossly negligent in ascertaining the pertinent facts, and

(3) the Trustee is not liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 8.05.

(d) The Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense, but the Trustee may not require indemnity as a condition to declaring the principal of and interest on the Bonds to be due immediately under Section 8.02 while the Credit Facility is in effect or to drawing on the Credit Facility or to paying principal and interest or purchase price when due and payable.

(e) The Trustee shall not be liable for interest on any cash (including unredeemed Bond balances) held by it except as the Trustee may agree with UAA with the consent of UAA.

(f) The Trustee may rely on an UAA Representative's certificate as to whether a Bankruptcy Filing has occurred.

(g) Except as otherwise provided herein, the Trustee shall draw moneys under the Credit Facility in accordance with the terms thereof to the extent required to make payments

of the purchase price of Bonds tendered or deemed tendered for purchase pursuant to Article IV hereof, and shall immediately apply such moneys to make payment of the purchase price.

(h) The Trustee shall maintain records of all investments and disbursements of proceeds in the funds and accounts established pursuant to this Indenture through the date ending six (6) years following the date on which all the Bonds and Additional Bonds have been retired.

(i) Every provision of this Indenture that in any way relates to the Trustee is subject to all of the foregoing paragraphs of this Section.

Section 9.02. Rights of Trustee. Subject to the foregoing Section:

(a) The Trustee may rely and is protected in acting or refraining from acting upon any document believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require a certificate of an officer or officers of UAA or an Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on the certificate or Opinion of Counsel.

(c) The Trustee may perform any act permitted or required by this Indenture, including making any payment with respect to the Bonds, registering any transfer of any interest in the Bonds and drawing on the Credit Facility, through agents or co-trustees. The Trustee will not be responsible for the misconduct or negligence of any agent or co-trustee appointed by it with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith, which it believes to be authorized or within its rights or powers.

(e) The Trustee is under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Owners unless such Owners have offered to the Trustee security or indemnity satisfactory to the Trustee as to its terms, coverage, duration, amount and otherwise with respect to the costs, expenses and liabilities which may be incurred by it in compliance with such request or direction, and the provision of such indemnity shall be mandatory for any remedy taken upon direction of the Owners of a majority in aggregate principal amount of the Bonds.

(f) Any request, direction, order or demand of UAA under this Indenture shall be sufficiently evidenced by an officer's certificate (unless other evidence thereof is specifically prescribed) and any resolution of the Governing Board of UAA may be sufficiently evidenced by a copy thereof certified by the Secretary or an authorized representative of UAA, as appropriate.

(g) Whenever in the administration of this Indenture the Trustee deems it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence thereof is specifically prescribed) may, in the absence of bad faith on its part, rely upon an officer's certificate.

(h) The Trustee may consult with counsel and the written advice of such counsel or an Opinion of Counsel shall be full and complete authorization and protection for any action taken, suffered or omitted by it in good faith and in accordance with such advice or opinion.

(i) The Trustee is not required to make any inquiry or investigation into the facts or matters stated in any resolution, Bond, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit and, if the Trustee determines to make such further inquiry or investigation, it is entitled to examine the books, records and premises of UAA, in person or by agent or attorney.

(j) The Trustee may execute any of its trusts or powers or perform any duties under this Indenture either directly or by or through agents or attorneys, and may in all cases pay, subject to reimbursement as provided in Section 9.05, such reasonable compensation as it deems proper to all such agents and attorneys reasonably employed or retained by it, and the Trustee shall not be responsible for any misconduct or negligence of any agent or attorney appointed with due care by it.

(k) The Trustee is not required to take notice or deemed to have notice of any default or Event of Default hereunder, except Events of Default under Section 8.01(a), (b) and (c), unless a Responsible Officer of the Trustee has actual knowledge thereof or has received notice in writing of such default or Event of Default from UAA, the Credit Facility Provider or the Owners of at least 25% in aggregate principal amount of the outstanding Bonds, and in the absence of any such notice, the Trustee may conclusively assume that no such default or Event of Default exists.

(l) The Trustee is not required to give any bond or surety with respect to the performance of its duties or the exercise of its powers under this Indenture.

(m) In the event the Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of Owners of Bonds, each representing less than a majority in aggregate principal amount of the outstanding Bonds, pursuant to the provisions of this Indenture, the Trustee, in its sole discretion, may determine what action, if any, shall be taken and shall not be liable for any such action it takes or omits to take.

(n) The Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under this Indenture shall extend to the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and right to indemnification, together with the Trustee's right to compensation, shall survive the Trustee's resignation or removal, the discharge of this Indenture and final payment of the Bonds.

(o) The permissive right of the Trustee to take the actions permitted by this Indenture shall not be construed as an obligation or duty to do so; and

(p) Except for information provided by the Trustee concerning the Trustee, the Trustee shall have no responsibility for any information in any offering memorandum or other disclosure material distributed with respect to the Bonds, and the Trustee shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

Anything in this paragraph notwithstanding, the Trustee shall draw upon the Credit Facility when required by this Indenture without the requirement of prior indemnity or repayment.

Section 9.03. Individual Rights of Trustee, etc. The Trustee in its individual, commercial banking or in any other capacity, may in good faith buy, sell, own, hold and deal in

any of the Bonds and may join in any action that any Owner may be entitled to take with like effect as if it were not Trustee. The Trustee (including any of its affiliates) in its commercial banking or in any other capacity, may also engage in or be interested in any financial or other transaction with UAA and may act as depository, trustee or agent for any committee of Owners secured hereby or other obligations of UAA as freely as if it were not Trustee.

Section 9.04. Trustee's Disclaimer. The Trustee makes no representation as to the validity, adequacy or correctness of this Indenture or the Bonds and it shall not be responsible for any statement in the Bonds other than its certificate of authentication, it shall not be accountable for UAA's use or application of the proceeds from the Bonds paid to UAA, or for the use or application of any moneys paid over by the Trustee in accordance with any provisions of this Indenture. The Trustee makes no representations as to the value, condition or sufficiency of any assets pledged or assigned as security for the Bonds, the right, title or interest of UAA therein, the security provided thereby or by this Indenture, the technical or financial feasibility of the Project, the compliance of the Project with the Act, or the tax-exempt status of the Bonds.

Section 9.05. Compensation and Indemnity of Trustee. For acting under this Indenture, the Trustee shall be entitled to payment from UAA of reasonable fees for its services, including any extraordinary fees and reimbursement of advances, counsel fees and other expenses reasonably and necessarily made or incurred by the Trustee in connection with its services under this Indenture.

To secure the payment or reimbursement to the Trustee provided for in this Section, the Trustee shall have a lien, which it may exercise through a right of setoff, to which the Bonds are made subordinate, on all money or property held or collected by the Trustee, except amounts held in trust to pay principal of and interest on, or principal on or purchase price of the Bonds which has become due and payable, amounts held in the Rebate Account, amounts drawn on the Credit Facility, amounts held for payment of redemption after notice of redemption has been sent, and remarketing proceeds.

UAA agrees to indemnify and hold the Trustee and its directors, officers, agents and employees (collectively the "Indemnitees") harmless from and against any and all claims, liabilities, losses, damages, fines, penalties, and expenses, including out-of-pocket and incidental expenses and legal fees (including the allocated costs and expenses of in-house counsel and legal staff) ("Losses") that may be imposed on, incurred by, or asserted against, the Indemnitees or any of them for following any instructions or other directions upon which the Trustee is authorized to rely pursuant to the terms of the Indenture. In addition to and not in limitation of the immediately preceding sentence, UAA also agrees to indemnify and hold the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against, the Indemnitees or any of them in connection with or arising out of the Trustee's performance under the Indenture, provided the Indemnitees have not acted with gross negligence or engaged in willful misconduct. The provisions of this Section shall survive expiration or termination of this Indenture.

Section 9.06. Eligibility of Trustee. There shall at all times be a Trustee hereunder that is a corporation, trust company or banking association organized and doing business under the laws of the United States of America or of any state or the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000 (or an affiliate of a corporation, trust company or banking association meeting that requirement which guarantees the obligations and liabilities of the proposed trustee), and subject to supervision or examination by federal or state banking authority. If such corporation, trust company or banking association publishes reports of condition at least annually, pursuant to law or the requirements of any supervising or examining authority above referred to, then for purposes of this Section, the combined capital and surplus of such corporation, trust company or

banking association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign promptly in the manner and with the effect specified in this Article.

Section 9.07. Replacement of Trustee. The Trustee may resign at any time by giving written notice to UAA, Credit Facility Provider, if any, the Bond Insurer, if any, the Remarketing Agent, if any, and any Rating Agency then rating the Bonds. UAA may remove the Trustee at any time, by giving written notice of such removal to the Trustee, and may appoint a successor Trustee with the written consent of the Credit Facility Provider. Additionally, the beneficial owners of a majority in principal amount of the Bonds may remove the Trustee by giving written notice to the Trustee and may appoint a successor Trustee with UAA's and the Credit Facility Provider's consent. If (a) the Trustee fails to comply with the foregoing Section 9.06, (b) the Trustee is adjudged a bankrupt or an insolvent, (c) a receiver or other public officer takes charge of the Trustee or its property or (d) the Trustee otherwise becomes incapable of acting, then (i) the Credit Facility Provider, with the written consent of UAA, may remove the Trustee, or (ii) any Owner, with the consent of UAA, may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, UAA, with the written consent of the Credit Facility Provider, shall promptly appoint a successor Trustee. UAA shall give written notice of each resignation or removal of the Trustee and each appointment of a successor Trustee to the Owner of outstanding Bonds and to any Rating Agency then rating the Bonds. Each such notice shall include the name and address of the applicable corporate trust office of the successor Trustee.

In each instance, such removal and appointment shall be accomplished by a written instrument or concurrent written instruments signed by UAA or the Credit Facility Provider or such Owners, as the case may be.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and UAA. Immediately thereafter, upon payment of all sums due to the retiring Trustee, the retiring Trustee shall execute and deliver an instrument transferring all properties, rights, powers and duties held by it as Trustee, including, in accordance with its terms, the Credit Facility, to the successor Trustee, the resignation or removal of the retiring Trustee shall then (but only then) become effective, and the successor Trustee shall, without further act become vested with all the estates, properties, rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall promptly give written notice of its appointment to the holders of all outstanding Bonds in the manner prescribed herein, unless such notice has previously been given.

No successor Trustee shall accept appointment as provided in this Section unless, as of the date of such acceptance, it is eligible and qualified under the provisions of Section 9.06.

If a successor Trustee does not take office within sixty (60) days after the retiring Trustee resigns or is removed, the retiring Trustee, UAA, Credit Facility Provider or the Owners of a majority in principal amount of the Bonds may petition any court of competent jurisdiction for the appointment of a successor Trustee.

Notwithstanding the foregoing, no resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee hereunder.

Section 9.08. Duties of Remarketing Agent. The Remarketing Agent as UAA's designee will set the interest rates on the Bonds and perform the other duties provided for in Article III and in the Remarketing Agreement, and will remarket Bonds on behalf of UAA and will purchase such Bonds as provided in the Bonds, Article IV hereof and in the Remarketing Agreement; provided, however, the Remarketing Agent shall never be required to advance its own fund for the purchase of Bonds. There may be separate Remarketing Agents for these functions. The Remarketing Agent may for its own account or as broker or agent for others deal in Bonds and may do anything any other Owner may do to the same extent as if the Remarketing Agent were not serving as such.

Section 9.09. Eligibility of Remarketing Agent; Replacement. The Remarketing Agent will be a bank, trust company or member of the National Association of Securities Dealers, Inc. organized and doing business under the laws of the United States or any state or the District of Columbia and permitted under such law to perform the duties of Remarketing Agent.

The Remarketing Agent may resign under the conditions and in the manner in the Remarketing Agreement. UAA may remove the Remarketing Agent by notifying the Remarketing Agent, Credit Facility Provider and Trustee. Upon such resignation or removal, UAA may appoint a successor Remarketing Agent reasonably acceptable to the Credit Facility Provider by notifying UAA, Trustee and the Credit Facility Provider of such appointment. No resignation or removal will be effective until the successor has delivered an acceptance of its appointment to the Trustee.

Section 9.10. Compensation of Remarketing Agent. The Remarketing Agent will not be entitled to any compensation from the Trustee or any property held under this Indenture but must make separate arrangements with UAA for compensation.

Section 9.11. Successor Trustee or Agent by Merger, etc. If the Trustee or Remarketing Agent consolidates with, merges or converts into, or transfers all or substantially all the bond administration portion of its corporate trust assets (or, in the case of a bank or trust company, its corporate trust assets) to, another corporation, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee or Remarketing Agent. Any such successor must nevertheless be eligible and qualified under the provisions of this Indenture and shall provide written notice prior to such consolidation, merger, or transfer to the Borrower and UAA.

Section 9.12. Appointment of Co-trustee. It is the purpose of this Indenture that there shall be no violation of the law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture, or the Credit Facility and in particular in case of the enforcement thereof on any default or Event of Default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust as herein granted, or take any action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate or co-trustee. The following provisions of this Section are adapted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to

exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them.

Should any instrument in writing from UAA be required by the separate or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by UAA provided that such instrument does not materially or substantively alter the rights or responsibilities of UAA. In case any separate or co-trustee or a successor to either shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate or co-trustee. The Trustee shall not be liable or responsible for any actions or omissions of any co-trustee.

Section 9.13. Service as Trustee, Authenticating Agent and Paying Agent. In the event and for so long as the same entity shall serve hereunder as Trustee, authenticating agent and paying agent, any notice required to be given or by, or any act to be taken by, such entity in any one of such capacities may be given to or by, or taken by, such entity in any one of its other capacities. It is the purpose of this provision to obviate the necessity for any such notice to be given to or by such single entity to itself in another capacity or capacities, and to permit such entity to act uniformly in any capacity in which it is named.

Section 9.14. No Liability for Clean-up of Hazardous Materials. In the event that the Trustee is required to acquire title to an asset for any reason, or take any managerial action of any kind in regard thereto, in order to carry out fiduciary or trust obligation for the benefit of another, which in the Trustee's sole discretion may cause the Trustee to be considered an "owner or operator" under the provisions of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C. §9601, et seq., or otherwise cause the Trustee to incur liability under CERCLA or any other federal, state or local Environmental Law, the Trustee reserves the right to, instead of taking such action, either resign as Trustee or arrange for the transfer of the title or control of the asset to a court appointed receiver. The Trustee shall have no responsibility, obligation or duty to enter upon or otherwise take possession or control of any asset or take any other action which would constitute taking possession or control of any asset until the Trustee shall be satisfied in its sole discretion and determination that neither it or the trusts created hereby shall incur by reason of such action any personal liability under any federal or state law for hazardous wastes, hazardous materials or other environmental liabilities.

The Trustee shall not be liable to UAA, the Credit Facility Provider or Owners for any environmental claims or contribution actions under any federal, state or local Environmental Law, rule or regulation by reason of the Trustee's actions and conduct as authorized, empowered and directed hereunder or relating to the discharge, release or threatened release of hazardous materials into the environment.

ARTICLE X

AMENDMENTS OF AND SUPPLEMENTS TO INDENTURE

Section 10.01. Without Consent of Owners. UAA and Trustee may amend or supplement this Indenture or the Bonds without notice to or consent of any Owner, subject to Section 10.02 hereof (but with notice to UAA, the Credit Facility Provider and the Remarketing Agent):

- (a) to cure any ambiguity, inconsistency or formal defect or omission or correct or supplement any provision herein or in any supplemental indenture,
- (b) to grant or confer upon to the Trustee for the benefit of the Owners additional rights, remedies, powers or authority or security that may lawfully be granted to or conferred upon the Owners or the Trustee which are not contrary to or inconsistent with this Indenture as then in effect or to subject to the pledge and lien of this Indenture additional revenues, properties or collateral,
- (c) to subject to this Indenture additional collateral or to add other covenants and agreements of UAA, thereafter to be observed by UAA or to surrender any right or power herein reserved to or conferred upon UAA, which are not contrary to or inconsistent with this Indenture as then in effect,
- (d) to modify this Indenture or the Bonds to permit qualification of this Indenture, if required, under the Trust Indenture Act of 1939 or the Securities Act of 1933, as from time to time amended, or any similar federal statute at the time in effect, or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States,
- (e) to amend, modify, alter or replace the Letter of Representations as provided in Section 2.02,
- (f) to evidence the succession of a new Trustee or the appointment by the Trustee or UAA of a co-trustee,
- (g) to make any change (including a change in Section 5.01 to reflect any amendment to the Code or interpretations by the Internal Revenue Service of the Code) that does not materially adversely affect the rights of any Owner or the Credit Facility Provider,
- (h) to secure an initial rating or maintain an existing rating on the Bonds from a Rating Agency equal to the rating in effect on the Credit Facility Provider's unsecured obligations on similar terms, or
- (i) to provide for the issuance of Additional Bonds as provided in this Indenture.

The Trustee shall not be obligated to enter into any such supplemental indenture that adversely affects the Trustee's own rights, duties or immunities under this Indenture.

Section 10.02. With Consent of Owners or Credit Facility Provider. If an amendment of or supplement to this Indenture or the Bonds without any consent of Owners is not permitted by the preceding Section, UAA and Trustee may enter into such amendment or supplement with the consent of the Owners of at least a majority in principal amount of the Bonds then outstanding with concurrence of the Credit Facility Provider or, if the Credit Facility

Provider is not in default under the Credit Facility, the Credit Facility Provider alone; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds so affected remain outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be outstanding for the purpose of any calculation of outstanding Bonds under this Section. However, without the consent of each Owner affected, no amendment or supplement (which terms do not include the resetting of interest rates by the Remarketing Agent as provided in this Indenture) may (a) extend the maturity of the principal of, or interest on, any Bond, the redemption of any Bond or the amount or manner of payment of the purchase price thereof, (b) reduce the principal amount of, or redemption premium on or rate of interest on, any Bond, or a change in the coin or currency in which such Bond is payable, (c) effect a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (d) reduce the percentage of the principal amount of the Bonds required for consent to any amendment or supplement, (e) impair the exclusion from gross income of interest on any Bond for purposes of federal income taxation, (f) deprive any Owner of the lien created by this Indenture on such property, (g) create a lien on or pledge of any part of the Trust Estate or the money or assets pledged under this Indenture or any part thereof, (h) modify the optional or mandatory provisions of the Bonds, or (i) effect a change in the provisions of this Section 10.02. In addition, if moneys or U.S. Government Obligations have been deposited or set aside with the Trustee pursuant to Article V for the payment of Bonds and those Bonds shall not have in fact been actually paid in full, no amendment to the provisions of that Article shall be made without the consent of the Owner of each of those Bonds affected.

Section 10.03. Effect of Consents.

(a) After an amendment or supplement becomes effective, it will bind every Owner unless it makes a change described in any of the lettered clauses of the preceding Section. In that case, the amendment or supplement will bind each Owner who consented to it and each subsequent holder of a Bond or portion of a Bond evidencing the same debt as the consenting Owner's Bond.

(b) Each supplemental indenture executed and delivered pursuant to the provisions of Section 10.02 shall take effect only when and as provided in this Section 10.03. Such supplemental indenture shall not be effective unless and until there shall have been filed with the Trustee (i) the written consents of Owners of the percentage of Bonds specified in Section 10.02 given as provided in Section 11.02 or of the Credit Facility Provider, as appropriate, and (ii) the Opinion of Counsel described in Section 10.06. Any such consent shall be binding upon the Owner giving such consent and upon any subsequent holder of such Bonds and of any Bonds issued in exchange therefor or in lieu thereof (whether or not such subsequent Owners have notice thereof), unless such consent is revoked in writing by the Owner giving such consent or a subsequent holder of such Bonds by filing such revocation with the Trustee prior to the date the Trustee receives the material required in subsections (i) and (ii) of this subsection.

Notwithstanding anything else herein, if a supplemental indenture is to become effective under Section 10.02 on the same date as the date of issuance of Additional Bonds, the consents of the underwriters or purchasers of such Additional Bonds shall be counted for purposes of Section 10.02 and this Section.

Section 10.04. Notation on or Exchange of Bonds. If an amendment or supplement changes the terms of a Bond, the Trustee may place an appropriate notation on the Bond about the changed terms.

Section 10.05. Signing by Trustee of Amendments and Supplements. The Trustee shall sign any amendment or supplement to the Indenture or the Bonds authorized by this Article if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign it. In signing an amendment or supplement, the Trustee shall be entitled to receive and will be fully protected in relying on an opinion of counsel stating that such amendment or supplement is authorized by this Indenture and complies with its terms.

Section 10.06. Delivery of Opinion of Counsel with Respect to Supplemental Indentures. Subject to the provisions of Section 9.01, the Trustee in executing or accepting the additional trusts permitted by this Article or the modifications thereby of the trusts created by this Indenture may rely, and shall be fully protected in relying, on an Opinion of Counsel acceptable to it stating that (a) the execution of such supplemental indenture is authorized or permitted by this Indenture and (b) all conditions precedent to the execution and delivery of such supplemental indenture have been complied with, and an Opinion of Tax Counsel that the execution and performance of such supplemental indenture shall not, in and of itself, adversely affect the federal income tax status of the Bonds. The Trustee may accept and rely upon such Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant to the provisions of this Article complies with the requirements of this Article.

Section 10.07. Consents of Remarketing Agent. No amendments or supplements to this Indenture affecting the rights or duties of the Remarketing Agent shall be made without first obtaining the written consent of such party.

Section 10.08. Exclusion of Certain Bonds. Bonds owned or held by or for the account of UAA (except for Pledged Bonds and Bonds with respect to which the Credit Facility Provider exercises voting rights) shall not be deemed outstanding for the purpose of consent or other action or any calculation of outstanding Bonds provided for in this Article, and UAA shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article or elsewhere in this Indenture. At the time of any consent or other action taken under this Article or elsewhere in this Indenture, UAA shall furnish the Trustee an Officer's Bond of UAA, upon which the Trustee may rely, describing all Bonds so to be excluded.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Notices.

(a) Any notice, request, direction, designation, consent, acknowledgment, certification, appointment, waiver or other communication required or permitted by this Indenture or the Bonds must be in writing except as expressly provided otherwise in this Indenture or the Bonds. Unless otherwise provided herein, a written notice may be transmitted by facsimile machine using a number provided by the receiving party.

(b) Any notice or other communication shall be sufficiently given and deemed given when delivered by hand or mailed by first-class mail, postage prepaid, addressed as follows:

if to UAA:

The University Athletic Association, Inc.
Stadium West, Gale Lerner Drive
Gainesville, Florida 32611
Attention: Jeremy N. Foley

if to the Trustee:

Commerce Bank, National Association
7545 Centurion Parkway, #402,
Jacksonville, Florida 32256
Attention: Corporate Trust

if to the Remarketing Agent:

Lehman Brothers
745 Seventh Avenue, 7th Floor
New York, New York 10019
Attention: Frank Murphy

if to the Bank:

SunTrust Bank
76 South Laura Street, Suite 20
Jacksonville, Florida 32202
Attention: Lisa C. Hayes

if to Rating Agency:

Moody's Investors Service
99 Church Street
New York, New York 10007
Attention: Public Finance Department
Structured Finance Group

Standard & Poor's
55 Water Street, 38th Floor
New York, New York 10041
Attention: nypublicfinance@standardandpoors.com

Fitch, Inc.
One State Street Plaza
New York, New York 10004
Attention: Municipal Structured Finance Group

if to the Depository:

As set forth in Section 4.11 or as otherwise provided by the Depository.

Any addressee may designate additional or different addresses for purposes of this Section by giving notice as described above.

(c) Upon gaining actual knowledge of the following, the Trustee will give any Rating Agency then rating the Bonds notice of a change in the identity of the Trustee, the Remarketing Agent or Credit Facility Provider, any change in interest rate modes and the duration or extension of the mode, the extension, substitution, expiration or termination of the Credit Facility, redemption or defeasance of the Bonds, any mandatory tender or acceleration of the Bonds, any material amendment or supplement to the Indenture or the Credit Facility, acceleration of the Bonds, the issuance of Additional Bonds or that all the Bonds have been redeemed or defeased.

Section 11.02. Owners' Consents, etc. Any consent or other instrument required by this Indenture to be signed by an Owner may be in any number of concurrent documents and must be signed by an Owner, Participant or other agent, thereto. Proof of the execution of such instrument or of the instrument appointing an agent and of the ownership of Bonds, if made in the following manner, shall be conclusive for any purposes of this Indenture with regard to any action taken by the Trustee under the instrument:

(a) The fact and date of a person's signing an instrument may be proved by the Bond of any officer in any jurisdiction who by law has power to take acknowledgments within that jurisdiction that the person signing the writing acknowledged before the officer the execution of the writing, or by an affidavit of any witness to the signing.

(b) The fact of ownership of Bonds, the amount or amounts, numbers and other identification of such Bonds and the date of holding shall be proved in accordance with procedures established by the Depository and the Trustee may establish a Record Date for the purpose of identifying Owners entitled to issue any such consent.

Section 11.03. Limitation of Rights. Nothing expressed or implied in this Indenture or the Bonds shall give any person other than the Trustee, UAA, Credit Facility Provider, Remarketing Agent, Owners and Owners any legal or equitable right, remedy or claim under or with respect to this Indenture.

Section 11.04. Severability. If any term or provision of this Indenture or the Bonds shall be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question

inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever, and such term and provision shall be valid and enforced to the fullest extent permitted by law.

Section 11.05. Payments Due on Holidays; Acts to be Performed. Except as otherwise provided herein, if a payment date is not a Business Day, then payment may be made on the next succeeding Business Day, and no interest shall accrue for the intervening period. In any case where the last day by which an act may be performed hereunder shall not be a Business Day, then such act need not be performed by such day, but may be performed on the next succeeding Business Day with the same force and effect as if performed by the nominal date for such performance.

Section 11.06. Governing Law. This Indenture shall be governed by and construed in accordance with the laws of the State and the United States of America; provided, however, that the Remarketing Agent's rights, duties, immunities, liabilities and standard of care in performance of their duties under this Indenture shall be governed by and construed in accordance with the laws of the state in which the Remarketing Agent's principal place of business is located.

Section 11.07. Captions. The captions in this Indenture are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this Indenture.

Section 11.08. No Recourse Against UAA's Officers.

(a) No officer, agent or employee of UAA, shall be individually or personally liable for any payment on the Bonds or be subject to any personal liability or accountability by reason of the issuance of the Bonds, but this Section shall not relieve an officer, agent or employee of UAA from the performance of any official duty provided by law or this Indenture.

(b) Notwithstanding anything to the contrary contained herein or in any of the Bonds or in any other instrument or document executed by or on behalf of UAA in connection herewith, no stipulation, covenant, agreement or obligation contained herein or therein shall be deemed or construed to be a stipulation, covenant, agreement, or obligation of any present or future member, officer, employee or agent of UAA, or of any incorporator, member, director, trustee, officer, employee or agent of any successor to UAA, in any such person's individual capacity, and no such person, in his individual capacity, shall be liable personally for any breach or nonobservance of or for any failure to perform, fulfill or comply with any such stipulations, covenants, agreements or obligations, nor shall any recourse be had for the payment of the principal of or interest on any of the Bonds or for any claim based thereon or on any such stipulation, covenant, agreement, or obligation, against any such person, in his individual capacity, either directly or through UAA or any successor to UAA, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such person, in his individual capacity, is hereby expressly waived and released.

(c) Notwithstanding anything to the contrary contained herein or in any of the Bonds or in any other instrument or document executed by or on behalf of UAA in connection herewith, (i) UAA shall have no obligation to take action under this Indenture, the Bonds or such other instruments or documents, unless UAA is reasonably requested in writing by an appropriate person to take such action and is provided with indemnity and assurances satisfactory to it of payment of or reimbursement for any expenses (including reasonable attorneys' fees) in such action, (ii) neither UAA nor any officer, employee or agent of UAA shall

be personally liable to the Trustee or any other person for any action taken by UAA or by its officers, agents or employees or for any failure to take action under this Indenture, the Bonds or such other instruments or documents, except that UAA agrees to take, or to refrain from taking, any action if so required by an injunction, other court order or judgment, or if required to comply with any final judgment and (iii) any judgment rendered against UAA for breach of its obligations under this Indenture, the Bonds or such other instruments or documents, shall be payable solely from the revenues and proceeds pledged under the Indenture, and no personal liability or charge payable directly or indirectly from the general funds of UAA shall arise therefrom.

(d) In acting under this Indenture, the Bonds or such other instruments or documents, or in refraining from taking such action, UAA may conclusively rely on the advice of its counsel.

Section 11.09. Counterparts. This Indenture may be executed in any number of counterparts, each of which when so executed and delivered shall constitute an original, but all of which, when taken together, shall constitute but one and the same instrument, and shall become effective when copies hereof shall be delivered to each of the parties hereto, which copies, when taken together, bear the signatures of each of the parties hereto.

Section 11.10. Bonds Outstanding. Any percentage of Bonds, specified herein for any purpose, is to be figured on the unpaid principal amount thereof then Outstanding.

Section 11.11. Times. All references to time referred to herein are references to Eastern Standard Time or Eastern Daylight Saving Time, whichever is in effect.

Section 11.12. Successors and Assigns. All the covenants, promises and agreements in this Indenture contained by or on behalf of UAA, or by or on behalf of the Trustee, shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

IN WITNESS WHEREOF, the undersigned have set their hands as of the date first written.

THE UNIVERSITY ATHLETIC
ASSOCIATION, INC.

President

COMMERCE BANK, NATIONAL
ASSOCIATION,
as Trustee

Vice President

CONSENT OF CREDIT FACILITY PROVIDER

The undersigned Credit Facility Provider hereby consents to all of the terms of this Amended and Restated Trust Indenture.

SUNTRUST BANK

By: _____
Its: _____

00581382

EXHIBIT A
FORM OF BONDS

EXHIBIT B
AUCTION RATE PROVISIONS

AUCTION RATE PROVISIONS

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ARTICLE I

ARTICLE II

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Both the Definitions in Article I and the Auction Procedures in Article II are subject to modification or amendment pursuant to Schedule I. In the event of any conflict between Article I or Article II and Schedule I, Schedule I shall prevail. Any reference herein to "Series" such as "a Series of Bonds" or "Bonds of a Series" shall not apply if there is only one Series of Bonds.

ARTICLE I

Definitions

The following words and terms as used in this Exhibit B (hereinafter "this Exhibit") and elsewhere in the Authorizing Document have the following meanings with respect to Bonds in an ARS Rate Period unless the context or use indicates another or different meaning or intent or the definition has been changed, modified or expanded in Schedule I:

"**Agent Member**" means a member of, or participant in, the Securities Depository who shall act on behalf of a Bidder.

"**All Hold Rate**" has the meaning set forth in Schedule I.

"**ARS Conversion Date**" means with respect to Bonds, the date on which the Bonds of such Series convert from an interest rate period other than an ARS Rate Period and begin to bear interest at the Auction Period Rate.

"**ARS Rate Period**" means, for each Series of Bonds, any period of time commencing on the day following the Initial Period and ending on the earlier of the Conversion Date or the day preceding the final maturity date of such Bonds.

"**Auction**" means each periodic implementation of the Auction Procedures.

"**Auction Agent**" means the Person appointed as Auction Agent in accordance with the Auction Agreement. The Auction Agent shall initially be the party named in Schedule I.

"**Auction Agreement**" means an agreement between the Auction Agent and the Trustee pursuant to which the Auction Agent agrees to follow the procedures specified in this Exhibit with respect to the Bonds while such Bonds bear interest at the Auction Period Rate, as such agreement may from time to time be amended or supplemented.

"**Auction Date**" means with respect to any Series of Bonds:

(a) Daily Auction Period. If the Bonds are in a daily Auction Period, each Business Day unless such day is the Business Day prior to the conversion from a daily Auction Period to another Auction Period,

(b) Flexible Auction Period. If the Bonds are in a Flexible Auction Period, the last Business Day of the Flexible Auction Period, and

(c) Other Auction Periods. If the Bonds are in any other Auction Period, the Business Day next preceding each Interest Payment Date for such Bonds (whether or not an Auction shall be conducted on such date);

provided, however, that the last Auction Date with respect to the Bonds in an Auction Period other than a daily Auction Period or Flexible Auction Period shall be the earlier of (i) the Business Day next preceding the Interest Payment Date next preceding the Conversion Date for the Bonds and (ii) the Business Day next preceding the Interest Payment Date next preceding the final maturity date for the Bonds; and

provided, further, that if the Bonds are in a daily Auction Period, the last Auction Date shall be the earlier of (x) the second Business Day next preceding the Conversion Date for the Bonds and (y) the Business Day next preceding the final maturity date for the Bonds. The last Business Day of a Flexible Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be an Auction for the last daily Auction Period. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be one Auction for the first Auction Period following the conversion.

The first Auction Date for each Series of Bonds is set forth in Schedule I.

“Auction Desk” means the business unit of a Broker-Dealer that fulfills the responsibilities of the Broker-Dealer under a Broker-Dealer Agreement, including soliciting Bids for the Bonds, and units of the Broker-Dealer which are not separated from such business unit by information controls appropriate to control, limit and monitor the inappropriate dissemination and use of information about Bids.

“Auction Period” means with respect to each Series of Bonds:

- (a) *Flexible Auction Period.* A Flexible Auction Period;
- (b) *Daily Auction Period.* With respect to a Series of Bonds in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day unless such Business Day is the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, in which case the daily Auction Period shall extend to, but not include, the next Interest Payment Date;
- (c) *Seven-day Auction Period.* With respect to a Series of Bonds in a seven-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table below, a period of generally seven days beginning on the day of the week specified in column B of the table below (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table below) and ending on the day of the week specified in column C of the table below in the next succeeding week (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day);

(A) When Auctions Occur on this day	(B) Auction Period Generally Begins this day	(C) Auction Period Generally Ends this day
Friday	Monday	Sunday
Monday	Tuesday	Monday
Tuesday	Wednesday	Tuesday
Wednesday	Thursday	Wednesday
Thursday	Friday	Thursday

- (d) *28-day Auction Period.* With respect to a Series of Bonds in a 28-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 28 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the same day of the week specified in column C of the table above four weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

- (e) *35-day Auction Period.* With respect to a Series of Bonds in a 35-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally

35 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the day of the week specified in column C of the table above five weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

- (f) *Three-month Auction Period.* With respect to a Series of Bonds in a three-month Auction Period, a period of generally three months (or shorter period upon a conversion from another Auction Period or following an ARS Conversion Date) beginning on the day following the last day of the prior Auction Period and ending on the calendar day immediately preceding the first Business Day of the month that is the third calendar month following the beginning date of such Auction Period; and
- (g) *Six-month Auction Period.* With respect to a Series of Bonds in a six-month Auction Period, a period of generally six months (or shorter period upon a conversion from another Auction Period or following an ARS Conversion Date) beginning on the day following the last day of the prior Auction Period and ending on the next succeeding date set forth in Schedule I;

Provided, however, that if there is a conversion of a Series of Bonds with Auctions generally conducted on the day of the week specified in column A of the table above, (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and shall end of the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion.

Notwithstanding the foregoing, if an Auction is for an Auction Period of more than seven days and the Auction Rate on such Auction Date is the Maximum Rate as the result of a lack of Sufficient Clearing Bids, the Auction Period shall automatically convert to a seven-day Auction Period. On the following Auction Date, the Auction shall be conducted for an Auction Period of the same length as the Auction Period prior to such automatic conversion. If such Auction is successful, the Auction Period shall revert to the length prior to the automatic conversion, and, if such Auction is not successful, the Auction Period shall be another seven-day period.

“Auction Period Rate” means the Auction Rate or any other rate of interest to be borne by the Bonds during each Auction Period determined in accordance with Section 2.04 of this Exhibit; provided, however, in no event may the Auction Period Rate exceed the Maximum Rate.

“Auction Procedures” means the procedures for conducting Auctions for Bonds during an ARS Rate Period set forth in this Exhibit.

“Auction Rate” means for each Series of Bonds for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of the Bonds are the subject of Submitted Hold Orders, the All Hold Rate for such Series of Bonds and (ii) if Sufficient Clearing Bids do not exist, the Maximum Rate for such Series of Bonds.

“Authorized Denomination” means \$25,000, or such other amount specified in Schedule I, and integral multiples thereof so long as the Bonds bear interest at the Auction Period Rate, notwithstanding anything else in the Authorizing Document to the contrary.

“Authorizing Document” has the meaning set forth in Schedule I.

“Available Bonds” means, for each Series of Bonds on each Auction Date, the number of Units of Bonds that are not the subject of Submitted Hold Orders.

“Bid” has the meaning specified in subsection (a) of Section 2.01 of this Exhibit.

“Bidder” means each Existing Owner and Potential Owner who places an Order.

“Bonds” has the meaning set forth in Schedule I.

“Broker-Dealer” means any entity that is permitted by law to perform the function required of a Broker-Dealer described in this Exhibit, that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Issuer and that is a party to a Broker-Dealer Agreement with the Auction Agent and the Issuer. The “Broker-Dealer of record” with respect to any Bond is the Broker-Dealer which placed the Order for such Bond or whom the Existing Owner of such Bond has designated as its Broker-Dealer with respect to such Bond, in each case as reflected in the records of the Auction Agent. The Broker-Dealer(s) shall initially be the party(ies) named in Schedule I.

“Broker-Dealer Agreement” means an agreement among the Auction Agent, the Issuer and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures described in this Exhibit, as such agreement may from time to time be amended or supplemented.

“Broker-Dealer Deadline” means, with respect to an Order, the internal deadline established by the Broker-Dealer through which the Order was placed after which it will not accept Orders or any change in any Order previously placed with such Broker-Dealer; provided, however, that nothing shall prevent the Broker-Dealer from correcting Clerical Errors by the Broker-Dealer with respect to Orders from Bidders after the Broker-Dealer Deadline pursuant to the provisions herein. Any Broker-Dealer may change the time or times of its Broker-Dealer Deadline as it relates to such Broker-Dealer by giving notice not less than two Business Days prior to the date such change is to take effect to Bidders who place Orders through such Broker-Dealer.

“Business Day” in addition to any other definition of “Business Day” included in the Authorizing Document, while Bonds bear interest at the Auction Period Rate, the term Business Day shall not include Saturdays, Sundays, days on which the New York Stock Exchange or its successor is not open for business, days on which the Federal Reserve Bank of New York is not open for business, days on which banking institutions or trust companies located in the state in which the operations of the Auction Agent are conducted are authorized or required to be closed by law, regulation or executive order of the state in which the Auction Agent conducts operations with respect to the Bonds.

“Clerical Error” means a clerical error in the processing of an Order, and includes, but is not limited to, the following: (i) a transmission error, including but not limited to, an Order sent to the wrong address or number, failure to transmit certain pages or illegible transmission, (ii) failure to transmit an Order received from one or more Existing Owners or Potential Owners (including Orders from the Broker-Dealer which were not originated by the Auction Desk) prior to the Broker-Dealer Deadline or generated by the Broker-Dealer’s Auction Desk for its own account prior to the Submission Deadline or (iii) a typographical error. Determining whether an error is a “Clerical Error” is within the reasonable judgment of the Broker-Dealer, provided that the Broker-Dealer has a record of the correct Order that shows it was so received or so generated prior to the Broker-Dealer Deadline or the Submission Deadline, as applicable.

“Conversion Date” means the date on which any Series of the Bonds begin to bear interest at a rate which is determined other than by means of the Auction Procedures.

“Electronic Means” means, facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

“Error Correction Deadline” means one hour after the Auction Agent completes the dissemination of the results of the Auction to Broker-Dealers without regard to the time of receipt of such results by any Broker-Dealer; provided, however, in no event shall the Error Correction Deadline extend past 4:00 p.m., New York City time, unless the Auction Agent experiences technological failure or force majeure in disseminating the Auction results which causes a delay in dissemination past 3:00 p.m., New York City time.

“Existing Owner” means a Person who is the beneficial owner of Bonds; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as an Existing Owner.

“Flexible Auction Period” means with respect to a Series of Bonds,

(a) any period of 182 days or less which is divisible by seven and which begins on an Interest Payment Date and ends (i) in the case of a Series of Bonds with Auctions generally conducted on Fridays, on a Sunday unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (ii) in the case of a Series of Bonds with Auctions generally conducted on Mondays, on a Monday unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iii) in the case of a Series of Bonds with Auctions generally conducted on Tuesdays, on a Tuesday unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iv) in the case of a Series of Bonds with Auctions generally conducted on Wednesdays, on a Wednesday unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, and (v) in the case of a Series of Bonds with Auctions generally conducted on Thursdays, on a Thursday unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day or

(b) any period which is longer than 182 days which begins on an Interest Payment Date and ends not later than the final scheduled maturity date of such Series of Bonds.

“Hold Order” means an Order to hold the Bonds as provided in Section 2.01(a) of this Exhibit or such an Order deemed to have been submitted as provided in Section 2.01(c) of this Exhibit.

“Index” has the meaning set forth in Schedule I.

“Initial Period” has the meaning set forth in Schedule I.

“Initial Period Rate” has the meaning set forth in Schedule I.

“Interest Payment Date” with respect to Bonds of a Series bearing interest at Auction Period Rates, means, notwithstanding anything else in the Authorizing Document to the contrary, the first Interest Payment Date for such Series of Bonds as set forth in Schedule I and thereafter (unless changed by Schedule I) (a) when used with respect to any Auction Period other than a daily Auction Period or a Flexible Auction Period, the Business Day immediately following such Auction Period, (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding the first day of such Auction Period, (c) when used with respect to a Flexible Auction Period of (i) seven or more but fewer than 183 days, the Business Day immediately following such Flexible Auction Period, or (ii) 183 or more days, each semiannual date on which interest on the Bonds would be payable if such Bonds bore interest at a fixed rate of interest and on the Business

Day immediately following such Flexible Auction Period, and (d) the date when the final payment of principal of the Bonds of such Series becomes due and payable (whether at stated maturity, upon redemption or acceleration, or otherwise).

“**Issuer**” has the meaning set forth in Schedule I.

“**Maximum Rate**” has the meaning set forth in Schedule I.

“**Order**” means a Hold Order, Bid or Sell Order.

“**Person**” has the meaning set forth in Schedule I.

“**Potential Owner**” means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Bonds in addition to the Bonds currently owned by such Person, if any; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as a Potential Owner.

“**Record Date**” means, notwithstanding anything else in the Authorizing Document, while the Bonds bear interest at the Auction Period Rate, the Business Day immediately preceding an Interest Payment Date.

“**Schedule I**” means Schedule I to this Exhibit.

“**Securities Depository**” means, notwithstanding anything else in the Authorizing Document to the contrary, The Depository Trust Company and its successors and assigns or any other securities depository selected by the Issuer.

“**Sell Order**” has the meaning specified in subsection (a) of Section 2.01 of this Exhibit.

“**Submission Deadline**” means, unless changed by Schedule I, 1:00 p.m., New York City time, on each Auction Date not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date in a daily Auction Period, or such other time on such date as shall be specified from time to time by the Auction Agent if directed in writing by the Trustee or the Issuer pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent. Notwithstanding the foregoing, the Auction Agent will follow the Securities Industry and Financial Markets Association’s Early Market Close Recommendations for shortened trading days for the bond markets (the “SIFMA Recommendation”) unless the Auction Agent is instructed otherwise in writing by the Trustee or the Issuer. In the event of a SIFMA Recommendation with respect to an Auction Date, the Submission Deadline will be 11:30 a.m., instead of 1:00 p.m., New York City time.

“**Submitted Bid**” has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

“**Submitted Hold Order**” has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

“**Submitted Order**” has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

“**Submitted Sell Order**” has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

“**Sufficient Clearing Bids**” means for each Series of Bonds, an Auction for which the number of Units of such Bonds that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the Maximum Rate is not less than the number of Units of such Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the Maximum Rate.

“**Units**” has the meaning set forth in Section 2.02(a)(iii) of this Exhibit.

“**Winning Bid Rate**” means for each Series of Bonds, the lowest rate specified in any Submitted Bid of such Series which if calculated by the Auction Agent as the Auction Rate would cause the number of Units of such Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the number of Units of Available Bonds of such Series.

ARTICLE II

Auction Procedures

Section 2.01. Orders by Existing Owners and Potential Owners. (a) Prior to the Broker-Dealer Deadline for each Series of Bonds on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, one or more Orders as to:

(A) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period without regard to the Auction Rate for such Auction Period,

(B) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum specified in such Order (and if the Auction Rate is less than such specified rate, the effect of the Order shall be as set forth in paragraph (b)(i)(A) of this Section), and/or

(C) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner offers to sell on the first Business Day of the next succeeding Auction Period (or on the same day in the case of a daily Auction Period) without regard to the Auction Rate for the next succeeding Auction Period; and

(ii) each Potential Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, an Order as to the principal amount of Bonds, which each such Potential Owner offers to purchase if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

For the purposes of the Auction Procedures an Order containing the information referred to in clause (i)(A) above is referred to as a “Hold Order,” an Order containing the information referred to in clause (i)(B) or (ii) above is referred to as a “Bid,” and an Order containing the information referred to in clause (i)(C) above is referred to as a “Sell Order.”

No Auction Desk of a Broker-Dealer shall accept as an Order a submission (whether received from an Existing Owner or a Potential Owner or generated by the Broker-Dealer for its own account) which does not conform to the requirements of the Auction Procedures, including, but not limited to, submissions which are not in Authorized Denominations, specify a rate which contains more than three figures to the right of the decimal point or specify an amount greater than the amount of Outstanding Bonds. No Auction Desk of a Broker-Dealer shall accept a Bid or Sell Order which is conditioned on being filled in whole or a Bid which does not specify a specific interest rate.

(b) (i) A Bid by an Existing Owner shall constitute an offer to sell on the first Business Day of the next succeeding Auction Period (or the same day in the case of a daily Auction Period):

(A) the principal amount of Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be less than the rate specified in such Bid; or

(B) such principal amount or a lesser principal amount of Bonds to be determined as described in subsection (a)(v) of Section 2.05 hereof if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate; or

(C) a lesser principal amount of Bonds to be determined as described in subsection (b)(iv) of Section 2.05 hereof if such specified rate shall be higher than the Maximum Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Owner shall constitute an offer to sell:

(A) the principal amount of Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (b)(iv) of Section 2.05 hereof if Sufficient Clearing Bids do not exist.

(iii) A Bid by a Potential Owner shall constitute an offer to purchase:

(A) the principal amount of Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (a)(vi) of Section 2.05 hereof if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate.

(c) Anything herein to the contrary notwithstanding:

(i) If an Order or Orders covering all of the Bonds of a particular Series held by an Existing Owner is not submitted to the Broker-Dealer of record for such Existing Owner prior to the Broker-Dealer Deadline, such Broker-Dealer shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds held by such Existing Owner and not subject to Orders submitted to such Broker-Dealer; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted to such Broker-Dealer prior to the Broker-Dealer Deadline covering the aggregate principal amount of Bonds of a particular Series to be converted held by such Existing Owner, such Broker-Dealer shall deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds to be converted held by such Existing Owner not subject to Orders submitted to such Broker-Dealer.

(ii) for purposes of any Auction, any Order by any Existing Owner or Potential Owner shall be revocable until the Broker-Dealer Deadline, and after the Broker-Dealer Deadline, all such Orders shall be irrevocable, except as provided in Sections 2.02(e)(ii) and 2.02(f); and

(iii) for purposes of any Auction other than during a daily Auction Period, any Bonds sold or purchased pursuant to subsection (b)(i), (ii) or (iii) above shall be sold or purchased at a price equal to 100% of the principal amount thereof; provided that, for purposes of any Auction during a daily Auction Period, such sale or purchase price shall be 100% of the principal amount thereof plus accrued interest to the date of sale or purchase.

Section 2.02. Submission of Orders by Broker-Dealers to Auction Agent.

(a) Each Broker-Dealer shall submit to the Auction Agent in writing, or by such Electronic Means as shall be reasonably acceptable to the Auction Agent, prior to the Submission Deadline on each Auction Date for Bonds of a Series, all Orders with respect to Bonds of such Series accepted by such Broker-Dealer in accordance with Section 2.01 above and specifying with respect to each Order or aggregation of Orders pursuant to Section 2.02(b) below:

(i) the name of the Broker-Dealer;

(ii) the number of Bidders placing Orders, if requested by the Auction Agent;

(iii) the aggregate number of Units of Bonds of such Series, if any, that are the subject of such Order, where each Unit is equal to the principal amount of the minimum Authorized Denomination of the Bonds;

(iv) to the extent that such Bidder is an Existing Owner:

(A) the number of Units of Bonds of such Series, if any, subject to any Hold Order placed by such Existing Owner;

(B) the number of Units of Bonds of such Series, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(C) the number of Units of Bonds of such Series, if any, subject to any Sell Order placed by such Existing Owner; and

(v) to the extent such Bidder is a Potential Owner, the rate specified in such Bid.

(b) If more than one Bid is submitted to a Broker-Dealer on behalf of any single Potential Owner, the Broker-Dealer shall aggregate each Bid on behalf of such Potential Owner submitted with the same rate and consider such Bids as a single Bid and shall consider each Bid submitted with a different rate a separate Bid with the rate and the number of Units of Bonds specified therein.

A Broker-Dealer may aggregate the Orders of different Potential Owners with those of other Potential Owners on whose behalf the Broker-Dealer is submitting Orders and may aggregate the Orders of different Existing Owners with other Existing Owners on whose behalf the Broker-Dealer is submitting Orders; provided, however, Bids may only be aggregated if the interest rates on the Bids are the same.

(c) None of the Issuer, the Trustee or the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

(d) Nothing contained herein shall preclude a Broker-Dealer from placing an Order for some or all of the Bonds for its own account.

(e) Until the Submission Deadline, a Broker-Dealer may withdraw or modify any Order previously submitted to the Auction Agent (i) for any reason if the Order was generated by the Auction Desk of the Broker-Dealer for the account of the Broker-Dealer or (ii) to correct a Clerical Error on the part of the Broker-Dealer in the case of any other Order, including Orders from the Broker-Dealer which were not originated by the Auction Desk.

(f) After the Submission Deadline and prior to the Error Correction Deadline, a Broker-Dealer may:

(i) submit to the Auction Agent an Order received from an Existing Owner, Potential Owner or a Broker-Dealer which is not an Order originated by the Auction Desk, in each case prior to the Broker-Dealer Deadline, or an Order generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline (provided that in each case the Broker-Dealer has a record of such Order and the time when such Order was received or generated) and not submitted to the Auction Agent prior to the Submission Deadline as a result of (A) an event of force majeure or a technological failure which made delivery prior to the Submission Deadline impossible or, under the conditions then prevailing, impracticable or (B) a Clerical Error on the part of the Broker-Dealer; or

- (ii) modify or withdraw an Order received from an Existing Owner or Potential Owner or generated by the Broker-Dealer (whether generated by the Broker-Dealer's Auction Desk or elsewhere within the Broker-Dealer) for its own account and submitted to the Auction Agent prior to the Submission Deadline or pursuant to clause (i) above, if the Broker-Dealer determines that such Order contained a Clerical Error on the part of the Broker-Dealer.

In the event a Broker-Dealer makes a submission, modification or withdrawal pursuant to this Section 2.02(f) and the Auction Agent has already run the Auction, the Auction Agent shall rerun the Auction, taking into account such submission, modification or withdrawal. Each submission, modification or withdrawal of an Order submitted pursuant to this Section 2.02(f) by a Broker-Dealer after the Submission Deadline and prior to the Error Correction Deadline shall constitute a representation by the Broker-Dealer that (A) in the case of a newly submitted Order or portion thereof or revised Order, the failure to submit such Order prior to the Submission Deadline resulted from an event described in clause (i) above and such Order was received from an Existing Owner or Potential Owner or is an Order received from the Broker-Dealer that was not originated by the Auction Desk, in each case, prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (B) in the case of a modified or withdrawn Order, such Order was received from an Existing Owner, a Potential Owner or the Broker-Dealer which was not originated by the Auction Desk prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline and such Order as submitted to the Auction Agent contained a Clerical Error on the part of the Broker-Dealer and that such Order has been modified or withdrawn solely to effect a correction of such Clerical Error; and in the case of either (A) or (B), as applicable, the Broker-Dealer has a record of such Order and the time when such Order was received or generated. The Auction Agent shall be entitled to rely conclusively (and shall have no liability for relying) on such representation for any and all purposes of the Auction Procedures.

- (g) If after the Auction Agent announces the results of an Auction, a Broker-Dealer becomes aware that an error was made by the Auction Agent, the Broker-Dealer shall communicate such awareness to the Auction Agent prior to 5:00 p.m. New York City time on the Auction Date (or 2:00 pm. New York City time in the case of Bonds in a daily Auction Period). If the Auction Agent determines there has been such an error (as a result of either a communication from a Broker-Dealer or its own discovery) prior to 3:00 p.m. New York City time on the first day of the Auction Period with respect to which such Auction was conducted, the Auction Agent shall correct the error and notify each Broker-Dealer that submitted Bids or held a position in Bonds in such Auction of the corrected results.

- (h) Nothing contained herein shall preclude the Auction Agent from:

- (i) advising a Broker-Dealer prior to the Submission Deadline that it has not received Sufficient Clearing Bids for the Bonds; provided, however, that if the Auction Agent so advises any Broker-Dealer, it shall so advise all Broker-Dealers; or
- (ii) verifying the Orders of a Broker-Dealer prior to or after the Submission Deadline; provided, however, that if the Auction Agent verifies the Orders of any Broker-Dealer, it shall verify the Orders of all Broker-Dealers requesting such verification.

Section 2.03. Treatment of Orders by the Auction Agent. Anything herein to the contrary notwithstanding:

- (a) If the Auction Agent receives an Order which does not conform to the requirements of the Auction Procedures, the Auction Agent may contact the Broker-Dealer submitting such Order until one hour after the Submission Deadline and inform such Broker-Dealer that it may resubmit such Order so that it conforms to the requirements of the Auction Procedures. Upon being so informed, such Broker-Dealer may correct and resubmit to the Auction Agent any such Order that, solely as a result of a Clerical Error on the part of such Broker-Dealer, did not conform to the requirements of the Auction Procedures when previously submitted to the Auction Agent. Any such resubmission by a Broker-Dealer shall constitute a representation by such Broker-Dealer that the failure of such Order to have so conformed was solely as a result of a Clerical Error

on the part of such Broker-Dealer. If the Auction Agent has not received a corrected conforming Order within one hour and fifteen minutes of the Submission Deadline, the Auction Agent shall, if and to the extent applicable, adjust or apply such Order, as the case may be, in conformity with the provisions of subsections (b), (c) or (d) of this Section 2.03 and, if the Auction Agent is unable to so adjust or apply such Order, the Auction Agent shall reject such Order.

- (b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).
- (c) If one or more Orders covering in the aggregate more than the number of Units of Outstanding Bonds of a particular Series are submitted by a Broker-Dealer to the Auction Agent, such Orders shall be considered valid in the following order of priority:

- (i) all Hold Orders shall be considered Hold Orders, but only up to and including in the aggregate the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record;
- (ii) (A) any Bid of a Broker-Dealer shall be considered valid as a Bid of an Existing Owner up to and including the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of the Bonds of such Series subject to Hold Orders referred to in clause (i) above;

(B) subject to clause (A) above, all Bids of a Broker-Dealer with the same rate shall be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) above;

- (C) subject to clause (A) above, if more than one Bid with different rates is submitted by a Broker-Dealer, such Bids shall be considered Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) above; and

- (D) the number of Units, if any, of such Bonds of such Series subject to Bids not considered to be Bids for which such Broker-Dealer is the Broker-Dealer of record under this clause (ii) shall be treated as the subject of a Bid by a Potential Owner;

- (iii) all Sell Orders shall be considered Sell Orders, but only up to and including the number of Units of Bonds of such Series equal to the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the sum of the number of Units of the Bonds of such Series considered to be subject to Hold Orders pursuant to clause (i) above and the number of Units of Bonds of such Series considered to be subject to Bids for which such Broker-Dealer is the Broker-Dealer of record pursuant to clause (ii) above.

- (d) If any Order is for other than an integral number of Units, then the Auction Agent shall round the amount down to the nearest number of whole Units, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such number of Units.

- (e) For purposes of any Auction other than during a daily Auction Period, if an Auction Agent has been notified by the Trustee, or Issuer that any portion of an Order by a Broker-Dealer relates to a Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction, the Order shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted.

(f) For purposes of any Auction other than during a daily Auction Period, no portion of a Bond which the Auction Agent has been notified by the Trustee, or Issuer has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Bonds for such Auction.

(g) If an Order or Orders covering all of the Bonds of a particular Series is not submitted by a Broker-Dealer of record prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Bonds for which such Broker-Dealer is the Broker-Dealer of record and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted by such Broker-Dealer prior to the Submission Deadline covering the number of Units of Bonds of a particular Series to be converted for which such Broker-Dealer is the Broker-Dealer of record, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Bonds to be converted for which such Broker-Dealer is the Broker-Dealer of record not subject to Orders submitted by such Broker-Dealer.

(h) Any Bid specifying a rate higher than the Maximum Rate will (i) be treated as a Sell Order if submitted by an Existing Owner and (ii) not be accepted if submitted by a Potential Owner.

Section 2.04. Determination of Auction Period Rate. (a) If requested by the Trustee or a Broker-Dealer, not later than 10:30 a.m., New York City time (or such other time as may be agreed to by the Auction Agent and all Broker-Dealers), on each Auction Date for each Series of Bonds, the Auction Agent shall advise such Broker-Dealer (and thereafter confirm to the Trustee, if requested) of the All Hold Rate, the Index and, if the Maximum Rate is not a fixed interest rate, the Maximum Rate. Such advice, and confirmation, shall be made by telephone or other Electronic Means acceptable to the Auction Agent.

(b) Promptly after the Submission Deadline for each Series of Bonds on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, and collectively as a "Submitted Order") and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) In the event the Auction Agent shall fail to calculate or, for any reason, fails to provide the Auction Rate on the Auction Date, for any Auction Period (i) if the preceding Auction Period was a period of 35 days or less, (A) a new Auction Period shall be established for the same length of time as the preceding Auction Period, if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be the percentage of the Index set forth in Schedule I under "Determination of Auction Period Rate" if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension, and (ii) if the preceding Auction Period was a period of greater than 35 days, (A) a new Auction Period shall be established for a period that ends on the seventh day following the day that was the last day of the preceding Auction Period, (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be the percentage of the Index set forth in Schedule I under "Determination of Auction Period Rate" if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of

the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension. In the event a new Auction Period is established as set forth in clause (ii) (A) above, an Auction shall be held on the last Business Day of the new Auction Period to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the new Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no new Auction Period or Auction Periods subsequent to the last Auction Period for which a Winning Bid Rate or an All Hold Rate had been determined. In the event an Auction Period is extended as set forth in clause (i) (B) or (ii) (B) above, an Auction shall be held on the last Business Day of the Auction Period as so extended to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the extended Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no extension of the prior Auction Period.

Notwithstanding the foregoing, neither new nor extended Auction Periods shall total more than 35 days in the aggregate. If at the end of the 35 days the Auction Agent fails to calculate or provide the Auction Rate, or there is not at the time a duly appointed and acting Auction Agent or Broker-Dealer, the Auction Period Rate shall be the Maximum Rate.

(d) In the event of a failed conversion from an Auction Period to any other period or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Period Rate for the next Auction Period shall be the Maximum Rate and the Auction Period shall be a seven-day Auction Period.

(e) If the Bonds are no longer maintained in book-entry-only form by the Securities Depository, then the Auctions shall cease and the Auction Period Rate shall be the Maximum Rate.

Section 2.05. Allocation of Bonds.

(a) In the event of Sufficient Clearing Bids for a Series of Bonds, subject to the further provisions of subsections (c) and (d) below, Submitted Orders for each Series of Bonds shall be accepted or rejected as follows in the following order of priority:

- (i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;
- (ii) the Submitted Sell Order of each Existing Owner shall be accepted and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Owner to sell the Bonds that are the subject of such Submitted Sell Order or Submitted Bid;
- (iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;
- (iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;
- (v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid, but only up to and including the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Outstanding Bonds which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in

clauses (iii) or (iv) above by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the aggregate number of Units of Outstanding Bonds subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of Bonds;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid, but only in an amount equal to the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Outstanding Bonds which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii), (iv) or (v) above by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate number of Units of Outstanding Bonds subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids for a Series of Bonds, Submitted Orders for each Series of Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the Maximum Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the Maximum Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the Maximum Rate shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Bonds subject to Submitted Bids described in clause (iii) of this subsection (b) by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the number of Units of Outstanding Bonds subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of Bonds; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Maximum Rate shall be rejected.

(c) If, as a result of the undertakings described in Section 2.05(a) or (b) above, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of the Bonds that is not an integral multiple of an Authorized Denomination on any Auction Date, the Auction Agent shall by lot,

in such manner as it shall determine in its sole discretion, round up or down the principal amount of the Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of the Bonds purchased or sold by each Existing Owner or Potential Owner on such Auction Date shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Bonds on such Auction Date.

(d) If, as a result of the undertakings described in Section 2.05(c) above, any Potential Owner would be required to purchase less than an Authorized Denomination in principal amount of the Bonds on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate the Bonds for purchase among Potential Owners so that the principal amount of the Bonds purchased on such Auction Date by any Potential Owner shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Potential Owners not purchasing the Bonds on such Auction Date.

Section 2.06. Notice of Auction Period Rate. (a) On each Auction Date, the Auction Agent shall notify each Broker-Dealer that participated in the Auction held on such Auction Date by Electronic Means acceptable to the Auction Agent and the applicable Broker-Dealer of the following, with respect to each Series of Bonds for which an Auction was held on such Auction Date:

(i) the Auction Period Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected and the number of Units of Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected and the number of Units of Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate number of Units of the Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate number of Units of Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the number of Units of Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and

(vi) the amount of dividend or interest payable per Unit on each Interest Payment Date with respect to such Auction Period; and

(vii) the immediately succeeding Auction Date.

(b) On each Auction Date, with respect to each Series of Bonds for which an Auction was held on such Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall: (i) if requested by an Existing Owner or a Potential Owner, advise such Existing Owner or Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Period Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of such Owner was accepted or rejected and (C) the immediately succeeding Auction Date; (ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the number of Units of Bonds to be purchased pursuant to such Bid (including, with respect to the Bonds in a daily Auction Period, accrued interest if the purchase date is not

an Interest Payment Date for such Bond) against receipt of such Bonds; and (iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the number of Units of Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

(c) The Auction Agent shall give notice of the Auction Rate to the Issuer, and Trustee by mutually acceptable Electronic Means and the Trustee shall promptly give notice of such Auction Rate to the Securities Depository.

Section 2.07. Index.

(a) If for any reason on any Auction Date the Index shall not be determined as provided in Schedule I, the Index shall be the Index for the prior Business Day.

(b) The determination of the Index as provided in Schedule I and herein shall be conclusive and binding upon the Issuer, the Trustee, the Broker-Dealers, the Auction Agent and the Owners of the Bonds.

Section 2.08. Miscellaneous Provisions Regarding Auctions.

(a) In this Exhibit, each reference to the purchase, sale or holding of Bonds shall refer to beneficial interests in Bonds, unless the context clearly requires otherwise.

(b) During an ARS Rate Period with respect to each Series of Bonds, the provisions of the Authorizing Document and the definitions contained therein and described in this Exhibit, including without limitation the definitions of All Hold Rate, Index, Interest Payment Date, Maximum Rate, Auction Period Rate and Auction Rate, may be amended pursuant to the Authorizing Document by obtaining the consent of the owners of all affected Outstanding Bonds bearing interest at the Auction Period Rate as follows: If on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice of such proposed amendment to the registered owners of the affected Outstanding Bonds as required by the Authorizing Document, (i) the Auction Period Rate which is determined on such date is the Winning Bid Rate or the All Hold Rate and (ii) there is delivered to the Issuer and the Trustee an opinion of Bond Counsel to the effect that such amendment shall not adversely affect the validity of the Bonds or any exemption from federal income taxation to which the interest on the Bonds would otherwise be entitled, the proposed amendment shall be deemed to have been consented to by the registered owners of all affected Outstanding Bonds bearing interest at an Auction Period Rate.

(c) If the Securities Depository notifies the Issuer that it is unwilling or unable to continue as registered owner of the Bonds or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor to the Securities Depository is not appointed by the Issuer within 90 days after the Issuer receives notice or becomes aware of such condition, as the case may be, the Auctions shall cease and the Issuer shall execute and the Trustee shall authenticate and deliver certificates representing the Bonds. Such Bonds shall be registered in such names and Authorized Denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the Issuer and the Trustee.

During an ARS Rate Period, so long as the ownership of the Bonds is maintained in book-entry form by the Securities Depository, an Existing Owner or a beneficial owner may sell, transfer or otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions, such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-

Dealer remains the Existing Owner of the Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

(d) Unless specifically provided otherwise in Schedule I, the Auction Agent shall continue to implement the Auction Procedures notwithstanding the occurrence of an Event of Default under the Authorizing Document.

Section 2.09. Changes in Auction Period or Auction Date.

(a) Changes in Auction Period.

(i) During any ARS Rate Period, the Issuer, may, from time to time on the Interest Payment Date immediately following the end of any Auction Period, change the length of the Auction Period with respect to all of the Bonds of a Series among daily, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Bonds. The Issuer shall initiate the change in the length of the Auction Period by giving written notice to the Trustee, the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period.

(ii) Any such changed Auction Period shall be for a period of one day, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period and shall be for all of the Bonds of such Series.

(iii) The change in length of the Auction Period shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for such new Auction Period. For purposes of the Auction for such new Auction Period only, except to the extent any Existing Owner submits an Order with respect to such Bonds of any Series, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Bonds of such Series if the change is to a longer Auction Period and a Hold Order if the change is to a shorter Auction Period. If there are not Sufficient Clearing Bids for the first Auction Period, the Auction Rate for the new Auction Period shall be the Maximum Rate, and the Auction Period shall be a seven-day Auction Period.

(b) Changes in Auction Date. During any ARS Rate Period, the Auction Agent, at the direction of the Issuer, may specify an earlier or later Auction Date (but in no event more than five Business Days earlier or later) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne by the Bonds. The Auction Agent shall provide notice of the Issuer's direction to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee and the Broker-Dealers with a copy to the Securities Depository. In the event the Auction Agent is instructed to specify an earlier or later Auction Date, the days of the week on which an Auction Period begins and ends, the day of the week on which an Auction Period ends and the Interest Payment Dates relating to such Auction Period shall be adjusted accordingly.

(c) Changes Resulting from Unscheduled Holidays. If, in the opinion of the Auction Agent and the Broker-Dealers, there is insufficient notice of an unscheduled holiday to allow the efficient implementation of the Auction Procedures set forth herein, the Auction Agent and the Broker-Dealers may, as they deem appropriate, set a different Auction Date and adjust any Interest Payment Dates and Auction Periods affected by such unscheduled holiday. In the event there is not agreement among the Broker-Dealers, the Auction Agent shall set the different Auction Date and make such adjustments as directed by the Broker-Dealer for a majority of the outstanding Units (based on the number of Units for which a Broker-Dealer is listed as the Broker-Dealer in the Existing Owner Registry maintained by the Auction Agent pursuant to Section 2.2(a) of the

Auction Agreement), and, if there is not a majority so directing, the Auction Date shall be moved to the next succeeding Business Day following the scheduled Auction Date, and the Interest Payment Date and the Auction Period shall be adjusted accordingly.

SCHEDULE I

to

AUCTION PROCEDURES

In the event of any conflict between this Schedule I and Exhibit B, this Schedule I shall prevail.

Definitions

“**All Hold Rate**” means, as of any Auction Date, ___% of the Index in effect on such Auction Date for any Bond the interest on which is not includable in gross income of the beneficial owner of such Bond for federal income tax purposes and ___% of the Index in effect on such Auction Date for any Bond the interest on which is includable in gross income of the beneficial owner of such Bond for federal income tax purposes.

“**Auction Agent**” shall initially be _____.

“**Auction Date**” shall include as part of the definition the first Auction Date which shall be _____ for the Series _____ Bonds, _____ for the Series _____ Bonds, _____ for the Series _____ Bonds and _____ for the Series _____ Bonds.

“**Auction Period**” shall include in the *Six-month Auction Period* either March 31 or September 30.

“**Authorized Denomination**” means \$25,000 unless another amount is specified here.

“**Authorizing Document**” means the Amended and Restated Trust Indenture, dated as of October 1, 2007, between the Issuer and Commerce Bank, National Association.

“**Bonds**” means the Series _____ Bonds.

“**Broker-Dealer**” shall initially be _____.

“**Index**” means on any Auction Date with respect to Bonds in any Auction Period of 35 days or less _____ [Note: To be provided by Broker-Dealer]. The Index with respect to Bonds in any Auction Period of more than 35 days shall be the rate on United States Treasury Securities having a maturity which most closely approximates the length of the Auction Period as last published in The Wall Street Journal or such other source as may be mutually agreed upon by [Trustee/Issuer] and the Broker-Dealers. If either rate is unavailable, the Index shall be an index or rate agreed to by all Broker-Dealers and consented to by the Issuer [and the Issuer]. For the purpose of this definition an Auction Period of 35 days or less means a 35-day Auction Period or shorter Auction Period, i.e. a 35-day Auction Period which is extended because of a holiday would still be considered an Auction Period of 35 days or less.

“**Initial Period**” means the period from the Closing Date to but not including _____, with respect to the Series _____ Bonds, _____ with respect to the Series _____ Bonds, _____ with respect to the Series _____ Bonds and _____ with respect to the Series _____ Bonds. Following an ARS Conversion Date the Initial Period shall mean the period specified as the “Initial Period” in the notice of conversion to an ARS Rate Period.

“**Initial Period Rate**” means (a) for an Initial Period commencing on the date of initial delivery of the Bonds, the rate set by the managing underwriter prior to delivery of the Bonds and (b) for an Initial Period commencing on an ARS Conversion Date the lowest rate which, in the judgment of the Broker-Dealer, is necessary to enable the Bonds to be remarketed at a price equal to the principal amount thereof, plus accrued interest, if any, on the ARS Conversion Date. Such determination shall be conclusive and binding upon the Issuer, the Trustee, the Auction Agent [I, the Insurer] and the Bondholders. Not later than 5:00 p.m., New York City time, on the date of determination of the Initial Period Rate, the Broker-Dealer shall notify the Trustee, the Borrower and the Auction Agent of the Initial Period Rate by Electronic Means.

“**Interest Payment Date**” includes the first Interest Payment Date which shall be _____, for the Series _____ Bonds, _____, for the Series _____ Bonds, _____, for the Series _____ Bonds, _____, for the Series _____ Bonds.

“**Issuer**” means the entity named as such in the heading of the Authorizing Document.

“**Maximum Rate**” means _____.

“**Person**” has the meaning given to such term in the Authorizing Document.

Auction Procedures

Determination of Auction Period Rate. The percentage of the Index in Section 2.04(c) is ___% for any Bond the interest on which is not includable in gross income of the beneficial owner of such Bond for federal income tax purposes and ___% for any Bond the interest on which is includable in gross income of the beneficial owner of such Bond for federal income tax purposes.

APPENDIX D
FORM OF BOND COUNSEL OPINION

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October 31, 2007

The University Athletic Association, Inc.
West Stadium, Gale Lemerand Drive
Gainesville, Florida 32604

**Re: \$10,000,000 The University Athletic Association, Inc.
Athletic Program Revenue Bonds, Series 2007 (the "Bonds")**

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance of the above captioned Bonds by The University Athletic Association, Inc. ("UAA") for and on behalf of The University of Florida Board of Trustees (the "University Board"). In that capacity, we have reviewed copies of (i) an Amended and Restated Trust Indenture, dated as of October 1, 2007 (the "Indenture"), between UAA and Commerce Bank, National Association, as trustee (as the "Trustee"); (ii) the resolution of the University Board, dated June 15, 2007 (the "University Board Resolution"), relating to the Bonds; (iii) the resolution of the Board of Governors of the State of Florida (the "Board of Governors"), dated August 9, 2007 (the "Board of Governors Resolution"), relating to the Bonds; (iv) the resolution of the Board of Directors of UAA, dated June 4, 2007 (the "UAA Resolution") (the University Board Resolution, the Board of Governors Resolution and the UAA Resolution are collectively referred to as, the "Resolutions"); and (v) such other documents, certificates and other proofs as we have deemed necessary for the purposes hereof. UAA has previously issued its Capital Improvement Revenue Bonds, Series 1990, in two installments in the original aggregate principal amounts of \$10,715,000 and \$17,300,000, respectively, (the "Series 1990 Bonds"), Athletic Program Revenue Bonds, Series 2001, in the original aggregate principal amount of \$57,400,000 (the "Series 2001 Bonds") and Athletic Program Revenue Bonds, Series 2005, in the original aggregate principal amount of \$10,000,000 (the "Series 2005 Bonds" and collectively with the Series 1990 Bonds and the Series 2001 Bonds, the "Prior Bonds") all pursuant to the Indenture. Each of the Bonds and the Prior Bonds are secured under the Indenture.

The Bonds and the Prior Bonds are general obligations of UAA, except for Athletic Fee Revenues as defined in Section 1009.24(12), Florida Statutes (2007), and are additionally secured by a lien upon the Trust Estate under the Indenture. The Bonds and the Prior Bonds are additionally secured by an irrevocable, direct-pay letter of credit (the "Letter of Credit") issued by SunTrust Bank (the "Bank") in favor of the Trustee and in connection therewith UAA and the

Bank have entered into a Third Amended and Restated Letter of Credit Agreement, dated as of October 1, 2007 (the "Reimbursement Agreement") and a Third Amended and Restated Pledge and Security Agreement, dated as of October 1, 2007 (the "Pledge Agreement," together with the Letter of Credit and Reimbursement Agreement, collectively, the "Security Documents"). The UAA Resolution, the Indenture and the Security Documents are collectively referred to herein as the "Documents." We have examined the law and such certified proceedings of UAA and other proofs as we deemed necessary to render this opinion. Capitalized terms not defined herein shall have the meaning assigned to them in the Indenture.

In rendering the opinions expressed herein, we have assumed, with your permission, the accuracy of the factual matters represented, warranted or certified by UAA and the University Board in the Documents, the Non-Arbitrage and Tax Exemption Certificate with respect to the Bonds, dated October 31, 2007 (the "Non-Arbitrage Certificate" and together with the Indenture, the "Financing Documents"), and its certified proceedings without having made any independent investigation. We have further assumed, with your permission, the accuracy of the factual matters represented, warranted or certified in the certified proceedings of the Board of Governors without having made any independent investigation. We have assumed compliance by UAA with all covenants and agreements contained in the Documents and the Non-Arbitrage Certificate, as applicable, including without limitation all covenants and agreements, compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in the gross income of the holders thereof for federal income tax purposes.

In rendering the opinion in paragraph numbered 2 we have, with your permission, relied on the opinion of the Office of General Counsel of the University delivered by the Associate Vice President and Deputy General Counsel of the University, acting as counsel to UAA of even date herewith, as to the adoption of the UAA Resolution and the due authorization, execution and delivery of the Financing Documents and the Security Documents to which UAA is a party. In rendering the opinion in paragraph numbered 3 we have, with your permission, relied on the opinion of the Office of General Counsel of the University delivered by the Associate Vice President and Deputy General Counsel of the University, acting as counsel to the University Board, of even date herewith, as to the adoption of the University Board Resolution and the due authorization, execution and delivery of the Financing Documents to which the University Board is a party.

We have assumed, without independent investigation, that all documents submitted to us as originals are authentic and all signatures thereon (other than those of the University Board and UAA) are genuine, all documents submitted to us as copies conform to the originals, and all such documents have been duly executed and delivered by each party (other than the University Board and UAA) pursuant to due authorization. We also have assumed that the execution and delivery of the Documents are free from any form of fraud, misrepresentation, mistake of fact,

duress or criminal activity. The validity, binding effect and enforceability of the Documents may be limited or otherwise affected by (i) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar statutes, laws, rules, regulations or other laws affecting the enforcement of creditors' rights and remedies generally; (ii) the unavailability of, or limitation on the availability of, a particular right or remedy (whether in a proceeding in equity or at law) because of an equitable principle or a requirement as to commercial reasonableness, conscionability or good faith or (iii) limitations under federal and state securities laws on the indemnification of a person for his own wrongdoing.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. The opinions expressed herein may be affected by actions taken or omitted or events (including changes in law) occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any actions are taken or omitted, events occur, laws are changed or any other matters come to our attention after the date hereof that may affect the opinions expressed herein, and we disclaim any obligation to update our opinions at any time.

Certain agreements, requirements and procedures contained or referred to in the Documents may be changed and certain actions (including without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon of the effect of any such change or action taken or omitted upon the advice or approval of counsel other than ourselves or without our express written review and approval.

We express no opinion herein as to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the Documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in, or subject to any lien granted in, the Documents or the accuracy or sufficiency of the description of any such property contained therein.

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

We are licensed to practice law only in the State of Florida, and nothing herein shall be construed to be an opinion as to the effect of the laws of any jurisdiction other than the State of Florida and the federal laws of the United States of America.

The opinions expressed in this letter are limited to the matters stated herein and no opinions may be implied or inferred beyond the matters stated herein.

Based solely on the foregoing, and subject to the qualifications and limitations stated in this letter, we are of the opinion that:

1. The Bonds constitute legal and valid and binding obligations of UAA enforceable against UAA and are secured by a valid prior lien upon the Trust Estate as set forth in the Indenture. The Bonds do not constitute obligations of the University Board, the Board of Governors, or the State of Florida or any political subdivision or instrumentality thereof. Neither the faith and credit nor the taxing power of the State of Florida or any political subdivision or agency thereof is pledged for the payment of the Bonds. Under existing law, regulations, rulings and court decisions, the issuance and sale of the Bonds will not result in interest on any of the Prior Bonds becoming includable in the gross income of the holders thereof for federal income tax purposes.

2. UAA is a Florida not for profit corporation incorporated under the Florida Not For Profit Corporation Act. UAA has (i) the corporate power (a) to adopt the UAA Resolution authorizing the issuance of the Bonds, (b) enter into the Financing Documents and Security Documents to which it is a party and to perform its obligations thereunder and (c) to issue the Bonds; (ii) duly adopted the UAA Resolution by all necessary corporate action; and (iii) duly authorized each of the Financing Documents and the Security Documents and assuming the due authorization, execution and delivery thereof by the other parties thereto and subject to the limitations contained herein, each of the Financing Documents and the Security Documents constitute valid and binding obligations of UAA enforceable against UAA.

3. The University Board is a public body corporate of the State of Florida authorized to act for and on behalf of the University and has the authority to adopt the University Board Resolution. The University Board has duly adopted the University Board Resolution by all necessary corporate action.

4. The Board of Governors is a public instrumentality of the State of Florida, charged with the oversight of Florida's State University System and it possesses the power to adopt the Board of Governors Resolution. The Board of Governors has duly adopted the Board of Governors Resolution by all necessary corporate action.

5. The interest on the Bonds is, under existing laws, regulations and court decisions, excluded from gross income for federal income tax purposes, and the Bonds and the income thereon are also exempt from taxation under the laws of the State of Florida, except estate taxes imposed by Chapter 198, Florida Statutes, and net income and franchise taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, banks and savings associations, all as defined in Chapter 220, Florida Statutes. Moreover, such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for the purpose of computing

the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in the preceding two sentences are subject to the condition that UAA and the University Board comply with all requirements of the Internal Revenue Code of 1986, as amended, and the Regulations thereunder, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. UAA and the University Board have covenanted to comply with such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal or state tax consequences arising with respect to the Bonds.

Respectfully submitted,

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APPENDIX E

FORM OF CREDIT FACILITY

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FORM OF LETTER OF CREDIT

October __, 2007

IRREVOCABLE LETTER OF CREDIT NO. _____

Commerce Bank, National
Association, as Trustee
7545 Centurion Parkway, Suite 402
Jacksonville, Florida 32256

Attention: Corporate Trust Department

At the request and on the instructions of our customer, The University Athletic Association, Inc., a not for profit educational organization and Florida corporation (the "Issuer") we hereby establish in your favor, as Trustee under the Amended and Restated Trust Indenture, dated as of October 1, 2007 (the "Indenture"), between the Issuer and you pursuant to which (i) \$19,600,000 in aggregate principal amount of the Issuer's Capital Improvement Revenue Bonds, Series 1990 (in multiple series) (the "Series 1990 Bonds"), \$53,815,000 in aggregate principal amount of the Issuer's Athletic Program Revenue Bonds, Series 2001 (the "Series 2001 Bonds") and \$10,000,000 in the aggregate principal amount of the Issuer's Athletic Program Revenue Bonds, Series 2005 (the "Series 2005 Bonds") have previously been issued and are currently outstanding, and (ii) \$10,000,000 in aggregate principal amount of the Issuer's Athletic Program Revenue Bonds, Series 2007 (the "Series 2007 Bonds" and collectively with the Series 1990 Bonds, the Series 2001 Bonds, and the Series 2005 Bonds, the "Bonds") are being issued on the date hereof, this direct pay Irrevocable Letter of Credit in the initial amount of \$94,629,395 (hereinafter, as reduced from time to time in accordance with the provisions hereof, the "Stated Amount") of which (x) an amount not exceeding \$93,415,000 (as reduced from time to time in accordance with the terms hereof, the "Principal Component"), may be drawn upon with respect to payment of the unpaid principal amount or the portion of purchase price corresponding to principal of the Bonds, and (y) an amount not exceeding \$1,214,395 (as reduced from time to time in accordance with the terms hereof, the "Interest Component") may be drawn upon with respect to payment of interest accrued or the portion of purchase price corresponding to interest accrued on the Bonds on or prior to their stated maturity date, effective immediately and expiring on October 15, 2012, unless terminated earlier in accordance with the provisions hereof or unless otherwise extended. All drawings under this Letter of Credit will be paid with our own funds.

Funds under this Letter of Credit will be made available to you against receipt by us of the following items at the time required below: (A) if the drawing is being made with respect to the payment of the portion of the purchase price of outstanding Bonds pursuant to Sections 3.08, 3.09, 3.10, 3.11 or 4.01 of the Indenture, corresponding to the principal thereof (an "A Drawing"), receipt by us of your written certificate in the form of Exhibit A attached hereto appropriately completed and signed by an Authorized Officer (as defined herein); (B) if the drawing is being made with respect to the payment of principal of the Bonds upon maturity or as a result of acceleration or redemption of the Bonds, whether the redemption is optional or mandatory (a "B Drawing"), receipt by us of your written certificate in the form of Exhibit B attached hereto appropriately completed and signed by an Authorized Officer; and (C) if the drawing is being made with respect to the payment of interest, or the portion of purchase price corresponding to interest, on the Bonds (a "C Drawing"), receipt by us of your written certificate in the form of Exhibit C attached hereto appropriately completed and signed by an Authorized Officer. Presentation of such certificate(s) and acknowledgement of receipt of Pledged Bonds shall be made at our office located at SunTrust Bank, 25 Park Place, 16th Floor, Atlanta, Georgia 30303, Attention: Letters of Credit Department, or at any other office which may be designated by us by written notice delivered to you.

If a drawing is made by you hereunder at or prior to 11:30 AM, New York City time, on a business day, and provided that the requirement set forth above has been strictly satisfied and that such drawing and the documents and other items presented in connection therewith conform to the terms and conditions hereof, then payment shall be made to you, or to your designee, of the amount specified in immediately available funds, not later than 2:00 P.M., New York City time, on the same business day or not later than 2:00 P.M., New York City time, on such later business day as you may specify. If requested by you, payment under this Letter of Credit will be made by deposit of immediately available funds into a designated account that you maintain with us. If a demand for payment made by you hereunder does not, in any instance, conform to the terms and conditions of this Letter of Credit, we shall give you prompt notice that the demand for payment was not effected in accordance with the terms and conditions of this Letter of Credit, stating the reasons therefor and that we will upon your instructions hold any documents at your disposal or return the same to you. Upon being notified that the demand for payment was not effected in conformity with this Letter of Credit, you may attempt to correct any such non-conforming demand for payment to the extent that you are entitled to do so.

Demands for payment hereunder honored by us shall not, in the aggregate, exceed the Stated Amount, as the Stated Amount may be reduced from time to time, or may be reinstated by us as provided in the next paragraph. Subject to the preceding sentence, each "A Drawing" and each "B Drawing" honored by the Bank hereunder shall pro tanto reduce the principal Component, and each "C Drawing" honored by the Bank hereunder shall pro tanto reduce the Interest Component; any such reduction shall result in a corresponding reduction in the Stated Amount, it being understood that after the

effectiveness of any such reduction you shall no longer have any right to make a drawing hereunder in respect of the amount of such principal and/or interest on the Bonds or the payment of purchase price corresponding thereto.

No drawings under this Letter of Credit shall be permitted for the payment of principal of, or interest on Pledged Bonds, Bank Owned Bonds, or Bonds registered in the name of the Issuer. Upon release by us of any Pledged Bonds, the Principal component shall be reinstated automatically by the amount of such Pledged Bonds which are released; provided, however, that release of the security interest in Pledged Bonds in conjunction with a conversion to Bank Owned Bonds (as defined in the Indenture) as provided in the Indenture shall not cause the Principal Component to be reinstated by the amount of Pledged Bonds converted to Bank Owned Bonds, unless and until such Bank Owned Bonds are subsequently remarketed under and pursuant to the terms of the Indenture. The Principal Component shall be permanently reduced by the amount of any "B Drawing" at the time of such drawing. In addition, (a) the Interest Component shall be reinstated automatically and immediately by the amount of such "C Drawing" on the date of the payment of such drawing, and (b) upon the release by us or on our behalf of any Pledged Bonds or the successful remarketing of Bank Owned Bonds, the Interest Component shall be reinstated automatically by the amount of the "C Drawing" made to pay the portion of the Purchase Price corresponding to interest on such Pledged Bonds (unless the Interest Component previously has been reinstated with respect to such "C Drawing"); provided, however, that in no event shall the Interest Component be reinstated to an amount in excess of 39 days' interest (such amount computed as set forth in the second next succeeding paragraph) on the sum of the then applicable Principal Component plus the aggregate principal amount of any Pledged Bonds.

Only you or your successor as Trustee may make a drawing under this Letter of Credit. Upon the payment to you, to your designee or to your account of the amount demanded hereunder, we shall be fully discharged on our obligation under this Letter of Credit with respect to such demand for payment, and we shall not thereafter be obligated to make any further payments under this Letter of Credit in respect of such demand for payment to you or any other person who may have made to you or makes to you a demand for payment of principal of, purchase price of, or interest on, any Bond. By paying to you an amount demanded in accordance herewith, we make no representation as to the correctness of the amount demanded.

This Letter of Credit applies only to the payment of principal or the portion of purchase price of the Bonds corresponding to principal, and up to 39 days' interest accruing on the Bonds (computed at a rate of up to 12% per annum), from the Date of Issuance through the Termination Date, computed on the basis of a 360-day year, actual days elapsed, notwithstanding the actual rate borne from time to time by the Bonds and does not apply to any interest that may accrue thereon or any principal, premium or other amounts which may be payable with respect to the Bonds subsequent to the expiration of this Letter of Credit.

Upon the earliest of (i) the making by you of the final drawing available to be made hereunder, (ii) receipt of a certificate signed by an Authorized Officer and a duly authorized officer of the Issuer stating that "(a) the conditions precedent to the acceptance of an Alternate Credit Facility (as defined in the Indenture) have been satisfied, (b) the Trustee has accepted the Alternate Credit Facility, and (c) on the effective date of the Alternate Credit Facility, and after receipt by SunTrust Bank of this certificate, SunTrust Bank Irrevocable Letter of Credit No. _____ shall terminate," (iii) receipt of a certificate signed by an Authorized Officer stating that no Bonds remain Outstanding (as defined in the Indenture), (iv) fifteen days after the Fixed Rate Conversion Date (as defined in the Indenture) and (v) the stated expiration date hereof, this Letter of Credit shall automatically terminate and be delivered to us for cancellation.

Communications with respect to this Letter of Credit shall be in writing and shall be addressed to us at SunTrust Bank, 25 Park Place, 16th Floor, Atlanta, Georgia 30303, Attention: Letters of Credit Department, specifically referring thereon to this Letter of Credit by number.

This Letter of Credit may not be transferred or assigned, either in whole or in part, except to a successor trustee properly appointed and qualified pursuant to Article TX of the Indenture. We agree to issue a substitute letter of credit to any such successor trustee (and to successively replace any such substitute letter of credit) upon the return to us for cancellation of the original of the letter of credit to be replaced, accompanied by a request relating to such letter of credit, which (i) shall be substantially in the form of Exhibit D attached hereto with the blanks appropriately completed, (ii) shall be signed by an Authorized Officer, (iii) shall specify where indicated therein the same letter of credit number as the number of the letter of credit to be replaced, and (iv) shall state the name and address of the successor trustee. Each substitute letter of credit will be in substantially the form of this Letter of Credit except for the date and letter of credit number.

As used herein (a) "Authorized Officer" shall mean any person signing as one of your Vice Presidents, Assistant Vice Presidents, Trust Officers or Assistant Trust Officers; (b) "purchase price" shall mean the principal amount of any Bonds to be purchased in accordance with Section 3.08, 3.09, 3.10, or 3.11 of the Indenture, and shall mean the principal amount of, together with accrued interest on, any Bonds to be purchased in accordance with Section 4.01 of the Indenture; and (c) "business day" shall mean any day except (i) a Saturday or Sunday, (ii) a day on which the New York Stock Exchange is closed, or (iii) a day on which commercial banks in (A) New York, New York, (B) the city or cities in which the principal corporate trust office of the Trustee are located, or (C) Atlanta, Georgia (or if a Alternate Credit Facility is issued, the city or cities in which the office of the provider of such Alternate Credit Facility at which demands may be made for payment on such Alternate Credit Facility), are authorized or permitted by law to close.

Irrevocable Letter of Credit No. _____

October ____, 2007

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This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Bonds), except only the certificate(s) referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except for such certificate(s).

This credit is subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce, Publication No. 500 (the "Uniform Customs"); provided, however, that (i) if this Letter of Credit would have otherwise expired by its terms during a period when our business has been interrupted by Acts of God or other events not within our control, our obligations hereunder shall continue for a maximum of five business days after resumption of our business, notwithstanding Article 19 of the UCP, and (ii) to the extent this Letter of credit requires draws within particular periods of time, failure to make such draws during such periods shall not cause this Letter of Credit to expire or funds hereunder be unavailable, notwithstanding Article 45 of the UCP. This Letter of Credit shall be deemed to be a contract made under the laws of the State of Florida and shall, as to matters not governed by the Uniform customs, be governed by and construed in accordance with the laws of such State.

Very truly yours,

SUNTRUST BANK

By: _____

Name: _____

Title: _____

CERTIFICATE FOR "A DRAWING"

[Date]

SunTrust Bank
25 Park Place, 16th Floor
Atlanta, Georgia 30303

Attention: Letters of Credit Department

Re: Irrevocable Letter of Credit No. _____

The undersigned, a duly authorized officer of Commerce Bank, National Association (the "Trustee"), hereby certifies to SunTrust Bank (the "Bank") that:

(1) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(2) The Trustee is making a drawing under the above-referenced Letter of Credit in the amount of \$ _____ with respect to payment of the portion of the purchase price of Bonds corresponding to the principal amount thereof, which Bonds are to be purchased pursuant to Section [3.08] [3.09] [3.10] [3.11] [4.01] of the Indenture.

(3) The amount demanded hereby does not exceed the amount available on the date hereof to be drawn under the above-referenced Letter of Credit in respect of the portion of the purchase price of Bonds corresponding to the principal amount thereof.

(4) The amount demanded hereby does not include any amount in respect of the purchase of any Pledged Bonds, Bank Owned Bonds, or Bonds registered in the name of the Issuer.

(5) Upon receipt by the undersigned of the amount demanded hereby, (a) the undersigned will apply the same directly to the payment when due of the principal amount owing on account of the purchase of Bonds pursuant to the Indenture and will promptly cause to be issued and delivered to the Trustee the Pledged Bonds or Bank Owned Bonds, as the case may be, in an aggregate principal amount equal to the amount demanded hereby, (b) no portion of said amount shall be applied by the undersigned for any other purpose and (c) no portion of said amount shall be commingled with other funds held by the undersigned.

As used herein, the terms "Indenture", "Bonds", "Pledged Bonds," "Bank Owned Bonds" and "purchase price" shall have the respective meanings assigned to such terms in the above-referenced Letter of Credit.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the _____ day of _____.

Commerce Bank, National Association, as
Trustee

By: _____

Title: _____

CERTIFICATE FOR "B DRAWING"

[Date]

SunTrust Bank
25 Park Place, 16th Floor
Atlanta, Georgia 30303

Attention: Letters of Credit Department

Re: Irrevocable Letter of Credit No. _____

The undersigned, a duly authorized officer of Commerce Bank, National Association (the "Trustee"), hereby certifies to SunTrust Bank (the "Bank") that:

(1) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(2) The Trustee is making a drawing under the above-referenced Letter of Credit in the amount of \$ _____ with respect to the payment of principal of the Bonds, which amount has, or will, within five business days, become due and payable pursuant to the Indenture, upon maturity or as a result of acceleration or redemption of the Bonds.

(3) The amount demanded hereby does not include any amount in respect of the principal amount of any Pledged Bonds, Bank Owned Bonds, or Bonds registered in the name of the Issuer.

(4) The amount demanded hereby, together with the aggregate of all prior payments made pursuant to "B Drawings" under the above-referenced Letter of Credit, does not exceed \$

(5) The amount demanded hereby does not exceed the amount available on the date hereof to be drawn under the above-referenced Letter of Credit in respect of the principal of the Bonds.

(6) If the amount demanded hereby is to be used for the optional redemption of Bonds, the Trustee has, or will prior to or simultaneously with the draw demanded hereby, transfer to the Bank from the Redemption Account for the Bonds, collected funds in the amount demanded hereby.

(7) Upon receipt by the undersigned of the amount demanded hereby, (a) the undersigned will apply the same directly to the payment when due of the principal amount owing on account of the Bonds pursuant to the Indenture, (b) no portion of said amount shall be applied by the undersigned for any other purpose and (c) no portion of said amount shall be commingled with other funds held by the undersigned.

As used herein, the terms "Indenture", "Bonds", "business day", "B Drawing", "Pledged Bonds" and "Bank Owned Bonds" shall have the respective meanings assigned to such terms in the above-referenced Letter of Credit.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ____ day of ____.

Commerce Bank, National Association, as
Trustee

By: _____

Title: _____

CERTIFICATE FOR "C DRAWING"

[Date]

SunTrust Bank
25 Park Place, 16th Floor
Atlanta, Georgia 30303

Attention: Letters of Credit Department

Re: Irrevocable Letter of Credit No. _____

The undersigned, a duly authorized officer of Commerce Bank, National Association (the "Trustee"), hereby certifies to SunTrust Bank (the "Bank") that:

(1) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(2) The Trustee is making a drawing under the above-referenced Letter of Credit in the amount of \$ _____ with respect to payment of [the portion of the purchase price of \$ _____ in principal amount of the Bonds corresponding to the accrued interest thereon, which Bonds are to be purchased pursuant to Section _____ of the Indenture] [interest on the Bonds, which amount has accrued and become due and payable pursuant to the Indenture, upon a stated interest payment date or as a result of a mandatory tender, acceleration or redemption of the Bonds].

(3) The amount demanded hereby does not exceed the amount available on the date hereto to be drawn under the above-referenced Letter of Credit in response of interest on the Bonds.

(4) The amount demanded hereby does not include any amount in respect of the interest on any Pledged Bonds, Bank Owned Bonds, or Bonds registered in the name of the Issuer.

(5) Upon receipt by the undersigned of the amount demanded hereby, (a) the undersigned will apply the same directly to the payment when due of the [interest owing on account of the Bonds pursuant to the Indenture] [portion of the purchase price of Bonds pursuant to Section _____ of the Indenture corresponding to accrued interest thereon], (b) no portion of said amount shall be applied by the undersigned for any other purpose and (c) no portion of said amount shall be commingled with other funds held by the undersigned.

As used herein, the terms "Indenture", "Bonds", "business day", "Pledged Bonds", "Bank Owned Bonds" and "purchase price" shall have the respective meanings assigned to such terms in the above-referenced Letter of Credit.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the _____ day of _____.

Commerce Bank, National Association, as
Trustee

By: _____

Title: _____

INSTRUCTION TO ISSUE SUBSTITUTE LETTER OF CREDIT

[Date]

SunTrust Bank
25 Park Place, 16th Floor
Atlanta, Georgia 30303

Attention: Letters of Credit Department

Re: Irrevocable Letter of Credit No. _____

Gentlemen:

Reference is made to (i) the above-referenced letter of credit (the "Old Letter of Credit") and (ii) the Amended and Restated Trust Indenture, dated as of October 1, 2007 (the "Indenture") between The University Athletic Association, Inc. and us.

[Name and address of successor trustee] (the "Successor Trustee") has been appointed successor trustee under the Indenture. You are hereby requested to issue, in accordance with the terms of the Old Letter of Credit, a new letter of credit to the Successor Trustee having the same terms and providing for the same Stated Amount as the Old Letter of Credit.

We submit herewith for cancellation the original of the Old Letter of Credit.

The individual signing below on our behalf hereby represents that he or she is duly authorized to so sign on our behalf.

Very truly yours,

[_____] , as Trustee

By: _____

Title: _____

APPENDIX F

CERTAIN INFORMATION REGARDING SUNTRUST BANK

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SunTrust Bank

SunTrust Banks, Inc., with assets of \$180.3 billion on June 30, 2007, is one of the nation's largest and strongest financial holding companies.

Through its banking subsidiaries, the Company provides deposit, credit, and trust and investment services to a broad range of retail, business and institutional clients. Other subsidiaries provide mortgage banking, credit-related insurance, asset management, brokerage and capital market services.

SunTrust enjoys leading market positions in some of the highest-growth markets in the United States and also serves customers in selected markets nationally. The Company's priorities include consistency in financial performance, quality in customer service and a strong commitment to all segments of the communities it serves.

The company operates 1,685 retail and specialized service branches and 2,533 ATMs in Alabama, Arkansas, Florida, Georgia, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia and the District of Columbia. In addition, SunTrust provides customers with a full range of technology-based banking channels including Internet, PC and Automated Telephone Banking.

Debt Ratings as of June 30, 2007

	Moody's Investors	Standard & Poors	Fitch
Corporate Ratings			
<u>Long Term Debt Ratings</u>			
Senior Debt	Aa3	A+	A+
Subordinated Debt	A1	A	A
<u>Short Term</u>			
Commercial Paper	P-1	A-1	F1
Bank Ratings			
<u>Long Term Debt Ratings</u>			
Senior Debt	Aa2	AA-	A+
Subordinated Debt	Aa3	A+	A
<u>Short Term</u>	P-1	A-1+	F1+
Ratings Outlook:	Stable	Stable	Stable

SunTrust Banks, Inc. is subject to the informational requirements of the Securities and Exchange Act of 1934 and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). The file number of SunTrust Banks, Inc. with the Commission is No. 1-8918. Such reports, proxy statements and other information can be inspected and copied at the Public Reference Room of the Commission, Room 2120, 450 Fifth Street, NW, Judiciary Plaza, Washington, D.C. 20549, and at the Commission's Regional Offices in Chicago (Room 1204, Everett McKinley Dirksen Building, at 219 South Dearborn Street, Chicago, Illinois 60604), and New York (Room 1100, 26 Federal Plaza, New York, New York 10278). Copies of such material can be obtained from the Public Reference Section of the Commission, Washington, D.C. 20549 at prescribed rates.

SunTrust Banks, Inc. has agreed, upon written request, to provide without charge to each person to whom a copy of this Official Statement has been delivered a copy of the most recent Annual Report on Form 10-K, any subsequent reports on Form 10-Q, and any required reports on Form 8-K (in each case as filed with the Commission pursuant to the Securities Exchange Act of 1934), and the most recent publicly available portions of the quarterly Call Reports of SunTrust Bank delivered to the Comptroller of the Currency. Any such request should be directed to:

SunTrust Banks, Inc.
Post Office Box 4418
MC-0634
Atlanta, Georgia 30302-4625
Attention: Investor Relations
Telephone: 1-800-324-8083

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