UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

FINANCIAL STATEMENTS

June 30, 2011 and 2010
with
INDEPENDENT AUDITORS' REPORT

CONTENTS

Horton, Lee, Burnett, Peacock, Cleveland & Grainger, P.C.

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Independent Auditors' Report

The Board of Directors
University Facilities, Inc.
Hammond, Louisiana

We have audited the accompanying statements of financial position of University Facilities, Inc., (the Organization) as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 provides 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 University Facilities, Inc. as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Horton, Lee, Burnett, Peacock,
Cleveland & Grainger, P.C.

October 4, 2011

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UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

ASSETS

	2011	2010
Current assets:		
Cash	$ 245,653	$ 338,988
Investment - bond reserves	4,989,933	4,430,037
Investment - capital reserves	40,486,646	6,655,056
Accounts receivable - other	1,878,695	875,415
Inventory	25,823	-
Deferred charges	3,168	3,100
Prepaid insurance	21,664	29,871
Total current assets	47,651,582	12,332,467
Restricted for debt service:		
Investment - debt service reserves	7,688,051	5,761,116
Property and equipment, net	58,707,588	60,643,776
Other assets:		
Construction in progress	1,933,369	552,183
Debt issuance costs, net	4,057,647	3,268,815
Total other assets	5,991,016	3,820,998
	$ 120,038,237	$ 82,558,357

LIABILITIES AND NET ASSETS

	2011	2010
Current liabilities:		
Accounts payable and other accrued expenses	$ 100,519	$ 184,206
Construction cost payable	443,000	443,000
Unearned income	984,219	79,744
Interest payable	1,561,461	1,247,263
Current maturities of long term debt	2,100,000	1,480,000
Total current liabilities	5,189,199	3,434,213
Long-term liabilities:		
Tax-exempt bonds payable, net	101,251,346	77,476,443
Taxable bonds payable	5,345,000	-
Bond premium, net	159,729	207,259
Total long-term liabilities	106,756,075	77,683,702
Net assets, unrestricted	8,092,963	1,440,442
	$ 120,038,237	$ 82,558,357

See accompanying notes.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2011 and 2010

	2011	2010
Revenues		
Housing rental income	$ 10,881,837	$ 10,283,343
Other rental income	7,363,865	2,238,798
Interest income	21,576	19,700
Other income	492,445	531,607
Total revenues	18,759,723	13,073,448
Expenses		
Amortization expense	133,634	133,634
Depreciation expense	1,935,122	1,935,655
Grounds/building maintenance	858,582	857,275
Insurance	444,501	448,595
Interest expense	3,005,611	3,083,769
Payroll expenses	1,691,240	1,563,064
Professional fees	161,862	336,472
Rental	482,536	360,441
Surplus expense	1,913,970	3,017,775
Telephone	737,514	834,994
Travel	3,695	5,606
Utilities	738,935	645,980
Total expenses	12,107,202	13,223,260
Change in net assets	6,652,521	(149,812)
Net assets		
Beginning of the year	1,440,442	1,590,254
End of the year	$ 8,092,963	$ 1,440,442

See accompanying notes.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2011 and 2010

	2011	2010
Operating activities		
Change in net assets	$ 6,652,521	$ (149,812)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	2,068,756	2,069,290
Loss on disposal of asset	1,067	-
Donation of weight room	-	1,043,290
Amortization of bond premium	(48,376)	(53,229)
(Increase) decrease in accounts receivable - other	(1,003,280)	555,253
(Increase) in inventory	(25,823)	-
(Increase) in deferred charges	(68)	(57)
Decrease in prepaid insurance	8,207	1,660
(Decrease) increase in accounts payable and other accrued expenses	(83,687)	123,006
Increase (decrease) in unearned income	904,475	(772)
Increase (decrease) in accrued interest payable	314,198	(59,091)
Total adjustments	2,135,469	3,679,350
Net cash provided by operating activities	8,787,990	3,529,538
Investing activities		
Net (purchases) sales of short term investments	(36,318,421)	575,826
Payments for construction in progress	(1,358,195)	(477,669)
Net cash provided by (used in) investing activities	(37,676,616)	98,157
Financing activities		
Proceeds from bond issuance	31,218,782	-
Bond issue costs	(943,491)	-
Repayment of bonds payable	(1,480,000)	(3,480,000)
Net cash provided by (used in) financing activities	28,795,291	(3,480,000)
Net (decrease) increase in cash and cash equivalents	(93,335)	147,695
Cash and cash equivalents		
Beginning of year	338,988	191,293
End of year	$ 245,653	$ 338,988
Supplemental disclosure of cash flow information		
Cash paid for interest from operating activities	$ 3,573,980	$ 3,196,090

See accompanying notes.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 1 – FORMATION, OWNERSHIP AND BUSINESS OF THE ORGANIZATION

The Organization

University Facilities, Inc. (the "Organization") is a private nonprofit organization and is formed to promote, assist, and benefit the mission of Southeastern Louisiana University (the "University") through the acquisition, construction, development, management, leasing or otherwise assisting in the acquisition, construction, development, management, leasing of student housing or other facilities on the campus of Southeastern Louisiana University. The facilities of the Organization are currently operated under the management of the University.

The Organization is a nonprofit organization as described in Section 501(c) (3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Series 2004 Bonds

In 2004, the Organization participated in bond issuance by borrowing money from The Louisiana Local Government Environmental Facilities and Community Development Authority (the "Issuer") who issued $76,910,000 in revenue bonds (Series 2004) which will be payable solely from the revenues of the Organization. The revenue bonds were issued pursuant to a Trust Indenture dated August 1, 2004, between the Issuer and the Bond Trustee. The proceeds of the primarily tax-exempt bonds were loaned to the Organization pursuant to a Loan Agreement dated as of August 1, 2004 between the Issuer and the Organization and were used to construct the facilities. To secure the Organization's obligations to repay the moneys loaned, the Organization executed a Mortgage, Assignment of Leases and Security Agreement. The Organization granted to the Trustee, first mortgage lien on its leasehold interest in the property, equipment, furnishings and other intangible property included in the facilities and first priority security interest in the leases and subleases affecting the facilities, including, without limitation, the facilities lease agreement and all revenue rentals, and other sums due or becoming due under the leases. The underlying property on which the housing project is located is leased to the Organization by a Ground and Building Lease Agreement. The facilities are leased to the Board of Supervisors for the University of Louisiana System (the "Board") under a facilities lease agreement. At such time as the financing for the Organization is paid in full, the obligation is cancelled and the interest in the facility and the underlying property is conveyed to the University.

Series 2007 Bonds

In 2007, the Organization participated in a second bond issuance with The Louisiana Local Government Environmental Facilities and Community Development Authority (the "Issuer") who issued $8,035,000 in revenue bonds (Series 2007). The proceeds from the issuance of the Series 2007 Revenue bonds were used to finance a portion of the cost of construction of a new intermodal parking facility ("Phase Four Facilities") on the campus of Southeastern Louisiana University. The revenue bonds were issued pursuant to a Trust Indenture dated March 1, 2007, between the Issuer and the Bond Trustee. The proceeds of the tax-exempt bonds were loaned to the Organization pursuant to a Loan Agreement dated as of March 1, 2007 between the Issuer and the Organization and were used to construct the facilities. To secure the Organization's obligations to repay the moneys loaned, the Organization executed an Assignment of Agreements and Documents. The Organization granted to the Trustee, first

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 1 – FORMATION, OWNERSHIP AND BUSINESS OF THE ORGANIZATION (CONTINUED)

Series 2007 Bonds (continued)

priority security interest in the leases and subleases affecting the Phase Four Facilities, including, without limitation, the Phase Four Facilities Lease and all revenue rentals, and other sums due or becoming due under the leases. The underlying property on which the Phase Four Facilities and the Stadium Expansion is located is leased to the Organization by the Board pursuant to the First Amendment to Ground and Building Lease Agreement dated March 1, 2007. The Phase Four Facilities will be leased back to the Board pursuant to the First Amendment to Agreement to Lease with Option to Purchase, as amended and dated March 1, 2007. At such time as the financing for the Phase Four Facilities is paid in full, the obligation is cancelled and the interest in the Intermodal facility and the underlying property is conveyed to the University.

Series 2010 Bonds

In November 2010, the Organization participated in a bond issuance with The Louisiana Local Government Environmental Facilities and Community Development Authority (the "Issuer") who issued $25,470,000 in tax-exempt revenue bonds (Series 2010) and $5,785,000 in taxable revenue bonds. The proceeds from the issuance of the Series 2010 Revenue bonds, together with an extraodinary rental payment will be used for the renovation and expansion of the University's Student Union Center (the " Facilities") on the campus of Southeastern Louisiana University. The revenue bonds were issued pursuant to a Trust Indenture dated November 1, 2010, between the Issuer and the Bond Trustee. The proceeds of the bonds were loaned to the Organization pursuant to a Loan Agreement dated as of November 1, 2010 between the Issuer and the Organization and will be used to construct the facilities. To secure the Organization's obligations to repay the moneys loaned, the Organization executed a Mortgage, Assignment of Leases and Security Agreement. The Organization granted to the Trustee, first mortgage lien on its leasehold interest in the property, equipment, furnishings and other intangible property included in the facilities and first priority security interest in the leases and subleases affecting the facilities, including, without limitation, the facilities lease agreement and all revenue rentals, and other sums due or becoming due under the leases. The land on which the Student Union project will be located has been leased to the Organization by the Board by a Ground and Building Lease Agreement. The facilities are leased to the Board of Supervisors for the University of Louisiana System (the "Board") under a facilities lease agreement. At such time as the financing for the Organization is paid in full, the obligation is cancelled and the interest in the facility and the underlying property is conveyed to the University.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned; expenses and costs are recognized when incurred.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tenant accounts receivable

The University maintains the tenant accounts receivable and allowance for doubtful accounts for the Organization. The University collects rents from students and remits the estimated revenues to the Organization based on occupancy. Uncollectible accounts are absorbed by the University and are not recognized by the Organization. The University bears all risks of the collections of the tenant accounts. Based on these factors, there is no tenant accounts receivable outstanding at June 30, 2011 and 2010.

Unrestricted net assets

None of the Organization's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as unrestricted net assets in accordance with generally accepted accounting principles.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates; however, in the opinion of management such differences will not be material to the financial statements.

Revenue recognition

The Organization leases residential beds based on annual lease agreements. Tenants are billed at the beginning of the semester for the semester's portion of the lease and the Organization recognizes revenue at that time. The Organization also leases the intermodal facilities to the University under a "Facilities Lease" agreement. The University is billed monthly and the Organization recognizes revenue at that time.

The Organization also leases space in the Student Union for the Center for Student Excellance, the Health Center, the food service areas and the bookstore to the University under a facilities lease agreement. During the year ended June 30, 2011, the University made an "extraordinary rental payment" to fund a portion of the capital costs of the renovation and expansion of the Student Union and related facilities in the amount of $5,831,600 which is included in these financial statements as "Other rental income". There were no extraordinary rental payments during the year ended June 30, 2010.

Cash and cash equivalents

For the purposes of the Statement of Cash Flows, the Organization considers all unrestricted cash on hand and unrestricted temporary investments purchased with an initial maturity of three months or less, except for Treasury bills, commercial paper, and other short-term financial instruments included in the Organization's investment account which are primarily held for investment in long-term assets, to be cash and cash equivalents. The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of these financial instruments.

UNIVERSITY FACILITIES, INC.
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NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

The Organization capitalized all property and equipment acquisitions in excess of $5,000. Property and equipment are capitalized at cost and are being depreciated over the estimated useful life of the respective asset. Maintenance and repairs are charged to expense as incurred while additions and betterments are capitalized. Depreciation is computed using the straight-line method with estimated useful lives of thirty and forty years for buildings and seven years for furniture and equipment.

Property and equipment is comprised of the following at June 30, 2011 and 2010:

	Cost	Accumulated Depreciation	Net Book Value
June 30, 2011:			
Capital assets			
Building and building improvements	$ 58,483,395	$ 15,562,973	$ 42,920,422
Land improvements	2,791,647	-	2,791,647
Stadium and intermodal parking facilities	13,986,209	990,690	12,995,519
Furniture and equipment	58,637	58,637	-
	$ 75,319,888	$ 16,612,300	$ 58,707,588
June 30, 2010:			
Capital assets			
Building and building improvements	$ 58,483,395	$ 13,977,506	$ 44,505,889
Land improvements	2,791,647	-	2,791,647
Stadium and intermodal parking facilities	13,986,209	641,035	13,345,174
Furniture and equipment	58,637	58,637	-
Portable building	5,332	4,266	1,066
	$ 75,325,220	$ 14,681,444	$ 60,643,776

Depreciation expense was $1,935,122 and $1,935,655 for the years ended June 30, 2011 and 2010, respectively.

Construction in progress

Construction in progress consists of development costs, direct and indirect construction costs and capitalized interest. The costs are accounted for as construction in progress until such time as the project is complete and the assets are placed into service. The assets are then classified as property and equipment and depreciated accordingly.

Capitalized interest is recorded based upon interest expense incurred on the Organization's borrowings, offset by the investment income earned on the related bond proceeds. Capitalized interest during the year ended June 30, 2011 amounted to $836,157 and are included in these financial statements in "Construction in progress". There was no capitalized interest for the year ended June 30, 2010.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction in progress (continued)

Cash paid for interest, for purposes of the statement of cash flows, is disclosed net of the amount capitalized.

Construction costs incurred in the student union renovation and expansion project during for the years ended June 30, 2011 and 2010 amounted to $1,933,369 and $552,183, respectively, and are included in these financial statement as "Construction in progress".

Debt issuance costs, net

Costs incurred in connection with the issuance of the bonds are amortized using the straight-line method over the lives of the associated bonds. These costs are shown net of accumulated amortization of $893,187 and $738,528 at June 30, 2011 and 2010, respectively. A portion of the amortization of these costs is reflected as part of the overall construction costs of the Organization, until the related assets are placed in service.

Income taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax exempt purpose is subject to taxation as unrelated business income. For the years ended June 30, 2011 and 2010, the Organization did not have unrelated business income. The Organization believes that it has appropriate support for any tax positions taken and as such, does not have any uncertain tax positions that are material to the financial statements.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values based on quoted prices in active markets (all Level 1 measurements) in the Statement of Financial Position.

Subsequent events

The Organization has evaluated subsequent events through the date these financial statements were available to be issued, which is the same date as the Independent Auditors' report.

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances with various financial institutions located in Louisiana. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. Periodically, the Organization maintains deposits in excess of federally insured limits. The Organization requires the banks with which it does business to provide collateral for amounts exceeding federal insurance coverage. At June 30, 2011 and 2010, there were no uninsured or uncollateralized demand and time deposit balances. The balances in investments – bond reserves are invested according to bond documents, which work to mitigate the credit risk of those investments.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 4 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Investments are carried at fair value based on quoted prices in active markets (all Level 1 Measurements) and consist of the following at June 30, 2011 and 2010:

	Quoted Prices in Active Markets For Identical Assets (Level 1)	
	Assets at Fair Value as of June 30, 2011	Assets at Fair Value as of June 30, 2010
Assets:		
Investment - bond reserves		
Money Market Funds	$ 4,989,933	$ 4,430,037
Investment - capital reserves		
Money Market Funds	$ 40,486,646	$ 6,655,056
Investment - debt service reserves		
Money Market Funds	$ 7,688,051	$ 5,761,116

Financial assets and liabilities are valued using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exits, therefore requiring an entity to develop its own assumptions. The Organization does not have any financial assets or liabilities measured at fair value on a recurring basis as Level 2 or Level 3, and there were no transfers in and out of Level 2 or Level 3 during the years ended June 30, 2011 and 2010.

Under the terms of the Trust Indentures and Loan Agreements, various funds such as Project, Capitalized Interest, Replacement, and Debt Service must be established and maintained for each of the projects. These documents govern the types of investments and requirements for collateralization. The funds held by the Bond Trustee consist of money market investments, securities that are primarily issued by the U.S. Government and various other financial instruments.

The bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum bond coverage.

During the construction period, investment income is used to offset capitalized interest for the project. Once the project becomes operational, investment income is reported as a change in net assets. Information necessary to report the proceeds of sales and purchases of investments for the statement of cash flows is not meaningful due to the nature of the investments and the large volume of transactions.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 5 - ACCOUNTS RECEIVABLE - OTHER

Accounts receivable - other consist of the following at June 30, 2011 and 2010:

		2011		2010
Due from University	$	1,871,899	$	870,063
Laundry commission		6,796		5,352
	$	1,878,695	$	875,415

NOTE 6 - GROUND LEASE

Pursuant to the First Amendment to Ground and Buildings Lease Agreement between the Organization and the Board dated March 1, 2007, the Organization (the Lessee) leases the land on which the housing facilities and the intermodal facilities are located from the Board of Supervisors of the University of Louisiana System (the Lessor), for the term beginning March 1, 2007 through August 1, 2047. The lease requires $1 annually in advance.

Pursuant to a Ground and Buildings Lease Agreement between the Organization and the Board dated January 1, 2010, the Organization (the Lessee) leases the land on which the Student Union and related facilities are located from the Board of Supervisors of the University of Louisiana System (the Lessor), for the term beginning January 1, 2010 through January 1, 2050. The lease requires $1 annually in advance.

NOTE 7 – FACILITIES LEASE

Student Housing and Related Facilities; Intermodal Parking Facility and Football Stadium Improvements

Under the Agreement to Lease with Option to Purchase dated as of August 1, 2004 (the "Facilities Lease"), as amended by the First Amendment to the Agreement to Lease with Option to Purchase, dated March 1, 2007 (the "Phase Four Facilities Lease"), the Organization will lease the housing facilities and the intermodal facilities to the Board for a term of forty (40) years. The rental payment under the Facilities Lease will be supported by the Board and will be equal to any "shortfall" in the payment of the principal and interest due on the Series 2004 and the Series 2007 Bonds, the amounts required to be deposited in the various funds or accounts established under the Trust Indentures, and all other expenses arising out of or relating to the ownership or operation of the certain facilities or the issuance of the Series 2004 and Series 2007 Bonds, but only to the extent of Auxiliary Revenues as designated by the Board in its budget process. The Organization's rights under the Facilities Lease will be assigned to the Trustee as security for the payment of the Series 2004 and Series 2007 Bonds.

Base rental payments received under the Facilities Lease amounted to $4,370,433 and $4,203,001 for the housing facilities for the years ended June 30, 2011 and 2010, respectively, and is included in these financial statements in "Housing rental income".

Base rental payments received under the Phase Four Facilities Lease for the intermodal parking facilities amounted to $447,779 and $431,380 for the years ended June 30, 2011 and 2010 and is included in these financial statements in "other rental income".

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 7 – FACILITIES LEASE (CONTINUED)

Student Union Renovation and Expansion

Under the Agreement to Lease with Option to Purchase dated as of January 1, 2010, as amended by the First Amendment to the Agreement to Lease with Option to Purchase, dated November 1, 2010 (the "2010A and 2010B Facilities Lease"), the Organization leases the Student Union and related facilities to the Board for a term of forty (40) years. The rental payment under the 2010A ansd 2010B Facilities Lease will be supported by the Board and will be equal to any "shortfall" in the payment of the principal and interest due on the Series 2010 Bonds, the amounts required to be deposited in the various funds or accounts established under the Trust Indenture, and all other expenses arising out of or relating to the ownership or operation of the 2010A and 2010B Facilities or the issuance of the Series 2010 Bonds, but only to the extent of Capital Funds and Student Fees as designated by the Board. The Organization's rights under the 2010A and 2010B Facilities Lease will be assigned to the Trustee as security for the payment of the Series 2010 Bonds.

Base rental payments received under the 2010A and 2010B Facilities Lease amounted to $499,025 for the Student Union and related facilities for the year ended June 30, 2011 and is included in these financial statements in "Other rental income".

NOTE 8 – LONG-TERM DEBT

Bonds payable

On August 13, 2004, the Louisiana Local Government Environmental Facilities and Community Development Authority (the Issuer) issued $76,910,000 of taxable and non-taxable Series 2004 Bonds pursuant to an Indenture of Trust between the Issuer and The Bank of New York Trust Company, N.A. (the Trustee). The issuance of both tax-exempt and taxable bonds was due to the percentage limitation on the amount of tax-exempt bond proceeds that can be used to pay transaction expenses and still maintain a tax-exempt status.

On March 14, 2007, the Louisiana Local Government Environmental Facilities and Community Development Authority (the Issuer) issued $8,035,000 of non-taxable Series 2007 Bonds pursuant to an Indenture of Trust between the Issuer and The Bank of New York Trust Company, N.A. (the Trustee).

On November 1, 2010, the Louisiana Local Government Environmental Facilities and Community Development Authority (the Issuer) issued $31,255,000 of taxable and non-taxable Series 2010 Bonds pursuant to an Indenture of Trust between the Issuer and Regions Bank, N.A. (the Trustee). The issuance of both tax-exempt and taxable bonds was due to the percentage limitation on the amount of tax-exempt bond proceeds that can be used to pay transaction expenses and still maintain a tax-exempt status.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 8 – LONG-TERM DEBT (CONTINUED)

Pursuant to loan agreements between the Issuer and the Organization, the Issuer has loaned the proceeds of the Series 2004, Series 2007 and Series 2010 Bonds to the Organization. The proceeds the Series 2004 Bonds financed the construction of a new residential facility and renovation of an existing student housing facility owned by the Organization, provided working capital for marketing and operation the new and renovated facilities, funded interest on the bonds during the construction and renovation period, funded a Debt Service Reserve Fund, and paid the cost of issuing the bonds. The proceeds the Series 2007 Bonds financed the construction of a new intermodal parking facility, funded a Debt Service Reserve Fund, and paid the cost of issuing the bonds. The proceeds the Series 2010 Bonds will be used to finance the renovation and expansion of the Student Union Center and related facilities, fund a Debt Service Reserve Fund, and fund the cost of issuing the bonds.

Pursuant to security agreements, leasehold deeds to secure debt, assignment of contract documents and assignment of rents between the Organization and the Trustees, the Organization grants to the Trustee first lien security title in the leasehold estates created by the ground leases and a security interest in the revenues and accounts generated by the operations of the facilities of the Organization. The Organization also assigned to the Trustee its rights under various agreements and contracts. Pursuant to the Indentures, the Issuer assigned all of their interest in the loan agreements to the Trustee to secure the Bonds.

Long-term debt consists of the following at June 30, 2011 and 2010:

	2011	2010
\$5,545,000 tax-exempt term bonds payable dated March 14, 2007; due at various intervals through February 1, 2031; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 4.2029%; secured by leasehold deed and assignment of rents.	\$ 3,515,000	\$ 3,670,000
\$2,490,000 tax-exempt term bonds payable dated March 14, 2007; due at various intervals through February 1, 2037; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 4.3750%; secured by leasehold deed and assignment of rents.	1,745,000	1,745,000
\$60,985,000 tax-exempt term bonds payable dated August 1, 2004; due at various intervals through August 1, 2031; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 4.0000%; secured by leasehold deed and assignment of rents.	57,295,000	58,620,000

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NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 8 – LONG-TERM DEBT (CONTINUED)

	2011	2010
$15,000,000 tax-exempt auction rate bonds payable dated August 1, 2004; due at various intervals through August 1, 2034; payable in weekly installments of interest and annual installments of principal; interest rate based on 175% of the SIFMA rate as determined weekly; secured by leasehold deed and assignment of rents.	$ 15,000,000	$ 15,000,000
$25,470,000 tax-exempt term bonds payable dated November 1, 2010; due at various intervals through October 1, 2040; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 4.7473%; secured by leasehold deed and assignment of rents.	25,470,000	-
Less unamortized discount on bonds payable	(113,654)	(78,557)
	102,911,346	78,956,443
Less current maturities	(1,660,000)	(1,480,000)
	$ 101,251,346	$ 77,476,443
$5,785,000 taxable term bonds payable dated November 1, 2010; due at various intervals through October 1, 2020; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 3.3827%; secured by leasehold deed and assignment of rents.	$ 5,785,000	$ -
Less current maturities	(440,000)	-
	$ 5,345,000	$ -

Net unamortized discount

The net bond discount recognized upon the issuance of the bonds is being amortized over the life of the bonds using the effective interest method.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 8 – LONG-TERM DEBT (CONTINUED)

Maturities of tax-exempt bonds payable at June 30, 2011 are as follows:

	Series 2004 Tax-exempt bonds payable	Series 2007 Tax-exempt bonds payable	Series 2010 Tax-exempt bonds payable
2012	$ 1,500,000	$ 160,000	$ -
2013	1,680,000	170,000	-
2014	1,885,000	175,000	-
2015	1,960,000	185,000	-
2016	2,040,000	190,000	-
2017 and thereafter	63,230,000	4,380,000	25,470,000
	$ 72,295,000	$ 5,260,000	$ 25,470,000

Maturities of taxable bonds payable at June 30, 2011 are as follows:

	Series 2010 Taxable bonds payable
2012	$ 440,000
2013	600,000
2014	610,000
2015	625,000
2016	640,000
2017 and thereafter	2,870,000
	$ 5,785,000

NOTE 9 – BOND PREMIUM PAYABLE

The bond premium received upon the issuance of the 2004 bonds is being amortized over the life of the bonds using the effective interest method. Annual amortization will be charged against "Interest Expense". The bond premium is shown net of accumulated amortization of $307,118.

UNIVERSITY FACILITIES, INC.
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NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 10 – DEBT SERVICE COVERAGE RATIOS

Student Housing and Related Facilities

Under the terms of Facilities Lease Agreement between the Board of Supervisors for the University of Louisiana System on behalf of Southeastern Louisiana University and the Organization dated August 1, 2004, the Board covenants and agrees to operate the student housing and related facilities (the "Facilities") as revenue producing facilities sufficient to produce a Debt Service Coverage Ratio for the Facilities of at least 1.10:1.00 in each fiscal year. In the event that either of the Debt Service Coverage Ratio for the Facilities falls below 1.10:1.00 or the Debt Service Coverage Ratios for the University falls below 1.25:1.00, the Board will use its best efforts to raise rates and/or reduce expenses related to the Facilities so that within two full semesters after either of the Debt Service Coverage Ratios becomes deficient, the Debt Service Coverage Ratio for the Facilities equals 1.10:1.00 and the Debt Service Coverage Ratio for the University equals 1.25:1.00. If, at that time, either of the Debt Service Coverage Ratios are still deficient, the Board must employ an outside consultant, approved by the Bond Insurer, for the purpose of recommending changes in the operating and management policies of the Facilities designed to maintain the debt service coverage ratio. For the year ended June 30, 2011, the debt service coverage ratio for the Facilities was 1.63:1.00. For the year ended June 30, 2010, the debt service coverage ratio for the Facilities was 1.52:1.00.

Intermodal Parking Facility and Football Stadium

Under the terms of the First Amendment to the Facilities Lease Agreement between the Board of Supervisors for the University of Louisiana System on behalf of Southeastern Louisiana University and the Organization dated March 1, 2007 (the "Phase Four Facilities Lease"), the board covenants and agrees to operate the Intermodal Parking Facility and Football Stadium ("Phase Four Facilities") as revenue producing facilities sufficient to meet the Phase Four Debt Service Coverage Ratio of at least 1.25:1.00 in each fiscal year. Revenues are determined by student fees collected and held by the University. In the event such Phase Four Debt Service Coverage Ratio is not met, the Board will use its best efforts to raise fees relating to the Phase Four Facilities sufficient to meet the debt coverage ratio within the following two semesters. If, at that time, the Phase Four Facilities Debt Service Coverage Ratio is still deficient, the Board must employ an outside consultant for the purpose of recommending changes in the operating and management of the Phase Four Facilities designed to maintain the debt service coverage ratio. For the year ended June 30, 2011, the debt service coverage ratio for the Phase Four Facilities was 1.70:1.00. For the year ended June 30, 2010, the debt service coverage ratio for the Phase Four Facilities was 1.45:1.00.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 10 – DEBT SERVICE COVERAGE RATIOS (CONTINUED)

Student Union Renovation and Expansion

Under the terms of Facilities Lease Agreement between the Board of Supervisors for the University of Louisiana System on behalf of Southeastern Louisiana University and the Organization dated January 1, 2010 and the First Amendment to the Facilities Lease Agreement dated November 1, 2010 (the "2010A and 2010B Facilities Lease"), the board covenants and agrees to operate the Student Union Center and related facilites (the "2010A and 2010B Facilities"), as revenue producing facilities sufficient to meet a Debt Service Coverage Ratio of at least 1.20:1.00 in each fiscal year. Revenues are determined by capital funds held by the University and student fees collected and held by the University. In the event such Debt Service Coverage Ratio is not met, the Board will use its best efforts to raise fees relating to the 2010A and 2010B Facilities sufficient to meet the debt coverage ratio within the following two semesters. If, at that time, the Debt Service Coverage Ratio is still deficient, the Board must employ an outside consultant for the purpose of recommending changes in the operating and management of the 2010A and 2010B Facilities designed to maintain the debt service coverage ratio. For the year ended June 30, 2011, the debt service coverage ratio for the 2010A and 2010B Facilities was 3.65:1.00.

NOTE 11 – SURPLUS

Under the terms of the Trust Indenture for the Series 2004 Bonds, any amounts remaining in the Receipts Fund on August 1st of each fiscal year, after all required transfers are made, are to be transferred to the Surplus Fund. These funds will then be transferred to the University if the debt coverage ratio for the Facilities is met and the Board and Organization has met all of the debt covenants. During for the year ended June 30, 2011, the June 30, 2010 surplus of $1,913,970, was transferred to the University. During for the year ended June 30, 2010, the June 30, 2009 surplus of $3,017,775, was transferred to the University. These amounts are included in the statement of activities as "Surplus expense".

NOTE 12 – ARBITRAGE REBATE LIABILITY

The arbitrage rebate liability amount for the $75,985,000 Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds Series 2004A and 2004B is an amount calculated based on an analysis of the dollar profit earned from arbitrage that must be paid to the United States Department of Treasury. This amount is recomputed every five years beginning at the "computation date" (the date the bonds are delivered) until the bonds are retired and is based on the excess future value of the investment receipts over the investment payments. At each five-year installment date, the Organization must calculate the arbitrage rebate and yield restriction amounts. The Organization hired a consultant to analyze the first interim computation period which was August 13, 2004 through August 1, 2009. Based on the consultant's calculations, there was no arbitrage rebate or yield restriction liability amount due for the period ended August 1, 2009. The next calculation of the arbitrage rebate and yield restriction amounts will be for the second interim period ending August 1, 2014.

The $8,035,000 Series 2007A & B Revenue Bonds issued by the Louisiana Local Government Environmental Facilities and Community Development Authority are also subject to an arbitrage rebate liability calculation which may result in arbitrage being due to the United States Department of Treasury. The first calculation date of the arbitrage rebate for the Series 2007 Bonds is the last day of the fifth bond year, or February 1, 2012.