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University of Louisiana
Monroe Facilities, Inc.

Independent Auditors' Report and
Financial Statements

As of and For the Years Ended
June 30, 2009 and 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12/16/09

UNIVERSITY OF LOUISIANA
MONROE FACILITIES, INC.

AS OF AND FOR THE YEARS ENDED
JUNE 30, 2009 AND 2008

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Independent Auditors' Report

LITTLE & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA
CHARLES R. MARCHBANKS, JR., CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
University of Louisiana Monroe Facilities, Inc.
Monroe, Louisiana

We have audited the accompanying statements of financial position of University of Louisiana Monroe Facilities, Inc. (the "Facilities") as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Facilities' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits 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 University of Louisiana Monroe Facilities, Inc. as of June 30, 2009 and 2008, and the results of its activities and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information presented in the Schedule of Revenues, Expenses, and Capitalized Expenditures Made to or on Behalf of ULM's Intercollegiate Athletics Program is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information in the Schedule of Revenues, Expenses, and Capitalized Expenditures Made to or on Behalf of ULM's Intercollegiate Athletics Program for the year ending June 30, 2009, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Little & Associates, LLC

Monroe, Louisiana
November 20, 2009

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Financial Statements

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2009 AND 2008

ASSETS

	2009	2008
CURRENT ASSETS		
Cash and Cash Equivalents - Restricted	$ 1,919,861	$ 2,209,618
Receivables:		
Student Rents, net	98,932	117,071
Laundry Contract	8,467	6,285
JPI Apartment Management, LP	-	73,899
Due From ULM - Student Rent Collections	198,739	220,697
Prepaid Expenses	42,655	50,589
Total Current Assets	2,268,654	2,678,159
RESTRICTED ASSETS		
Cash and Cash Equivalents - Noncurrent	6,854,040	4,337,636
Investments - MSFAI Promissory Notes	-	2,044,761
Total Restricted Assets	6,854,040	6,382,397
PROPERTY AND EQUIPMENT		
Leasehold Improvements:		
Buildings and Renovations	57,629,388	55,465,439
Furniture, Fixtures, & Equipment	4,381,287	3,803,430
Site Improvements	1,179,020	1,106,000
Campus Parking	1,370,081	1,370,081
Total Depreciable Property	64,559,776	61,744,950
Less: Accumulated Depreciation	(7,435,096)	(4,995,273)
Net Depreciable Property and Equipment	57,124,680	56,749,677
Construction-in-Progress	-	2,564,881
Total Property and Equipment	57,124,680	59,314,558
OTHER ASSETS		
Interest Rate Swap Asset (Series 2004A)	-	-
Interest Rate Swap Asset (Series 2004C)	-	-
Debt Issuance Costs, net of Accumulated Amortization	1,493,104	1,544,062
Total Other Assets	1,493,104	1,544,062
TOTAL ASSETS	$ 67,740,478	$ 69,919,176

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

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2009 AND 2008

LIABILITIES AND NET ASSETS

	2009	2008
CURRENT LIABILITIES		
Accounts Payable:		
Operations	$ 217,533	$ 41,205
Project Development	-	152,426
Deferred Revenues - Student Rents & Other	46,899	77,250
Contracts Payable	-	21,430
Accrued Interest Payable - Notes Payable	160,256	257,154
Accrued Interest Payable - 2004A & 2004C Swaps	338,948	178,317
Current Portion of Long-Term Debt	400,400	740,400
Construction Retainages Payable	-	113,115
Total Current Liabilities	1,164,036	1,581,297
LONG-TERM LIABILITIES		
Notes Payable:		
Series 2004A	33,365,000	33,365,000
Series 2004B	-	1,395,000
Series 2004C	32,330,000	32,415,000
Series 2004D	-	720,000
Series 2006	1,260,000	1,385,000
Series 2007	1,990,000	2,045,000
Regions Bank	1,590,192	461,750
Less: Current Portion of Long-Term Debt	(400,400)	(740,400)
Total Notes Payable, net of Current Portion	70,134,792	71,046,350
Interest Rate Swap Liability (Series 2004A)	1,851,996	725,760
Interest Rate Swap Liability (Series 2004C)	1,865,317	692,354
Total Long-Term Liabilities	73,852,105	72,464,464
TOTAL LIABILITIES	75,016,141	74,045,761
NET ASSETS		
Unrestricted Net Assets	(7,275,663)	(4,341,185)
Temporarily Restricted Net Assets	-	214,600
Total Net Assets	(7,275,663)	(4,126,585)
TOTAL LIABILITIES AND NET ASSETS	$ 67,740,478	$ 69,919,176

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

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
UNRESTRICTED NET ASSETS		
OPERATING REVENUES AND OTHER SUPPORT		
Student Rent Income	$ 6,435,747	$ 6,368,139
Student Fees	1,109,476	1,058,244
Other Income	17,817	15,635
Total Operating Revenues	7,563,040	7,442,018
NET ASSETS RELEASED FROM RESTRICTIONS		
Restrictions Satisfied by Payments	214,600	535,400
Total Unrestricted Operating Revenues and Other Support	7,777,640	7,977,418
OPERATING EXPENSES		
Program Services:		
Administrative Expenses	33,597	21,748
Bad Debt Expense	61,243	11,527
Management Fees	-	250,948
Property Management Expenditures	2,474,604	2,399,038
Depreciation Expense	2,439,823	2,219,687
Total Operating Expenses	5,009,267	4,902,948
Change in Net Assets From Operations	2,768,373	3,074,470
NONOPERATING REVENUES (EXPENSES)		
Interest & Dividend Income	84,403	206,744
Interest Expense	(2,862,177)	(2,416,349)
Bond Related Fees	(22,156)	(28,600)
Bond Remarketing Fees	(67,457)	(78,381)
Letter of Credit Fees	(485,308)	(596,331)
Unrealized Mark-to-Market - Interest Rate Swap	(2,299,198)	(1,831,155)
Amortization - Debt Issuance Costs	(50,958)	(13,693)
Total Nonoperating Revenues (Expenses)	(5,702,851)	(4,757,765)
Decrease in Unrestricted Net Assets	(2,934,478)	(1,683,295)

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

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
TEMPORARILY RESTRICTED NET ASSETS		
Contributions:		
ULM Foundation	-	750,000
Net Assets Released From Restrictions:		
Restrictions Satisfied by Payments	(214,600)	(535,400)
Increase (Decrease) in Temporarily Restricted Net Assets	(214,600)	214,600
Decrease in Net Assets	(3,149,078)	(1,468,695)
Net Assets, Beginning of Year	(4,126,585)	(2,657,890)
Net Assets, End of Year	$ (7,275,663)	$ (4,126,585)

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

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
Cash Flows from Operating Activities		
Decrease in net assets	$ (3,149,078)	$ (1,468,695)
Adjustments to Reconcile Decrease in Net Assets		
To Net Cash Provided by Operating Activities:		
Unrealized Mark-to-Market - Interest Rate Swap	2,299,198	1,831,155
Depreciation Expense	2,439,823	2,219,687
Amortization Expense - Debt Issuance Costs	50,958	13,693
(Increase) Decrease in Receivables	89,856	17,044
(Increase) Decrease in Prepaid Expenses	7,934	109,220
Increase (Decrease) in Accounts Payable	176,328	(172,122)
Increase (Decrease) in Deferred Revenue	(30,351)	77,250
Increase (Decrease) in Accrued Interest Payable	63,733	(27,040)
Net Cash Provided (Used) by Operating Activities	1,948,401	2,600,192
Cash Flows from Investing Activities		
Proceeds from MSFAI Promissory Note Maturity	2,044,761	2,616,279
(Increase) Decrease in Amount Due from ULM	21,958	(95,981)
Payments for Property & Equipment Construction and Acquisition	(536,915)	(3,755,791)
Net Cash Provided (Used) by Investing Activities	1,529,804	(1,235,493)
Cash Flows from Financing Activities		
Proceeds from Bond Issuance	-	2,045,000
Proceeds from Bank Loan	1,243,842	-
Principal Payments on Debt	(2,495,400)	(740,400)
Payments of Debt Issuance Costs	-	(64,208)
Advances from ULM for Parking Facility	-	(1,045,335)
Net Cash Provided (Used) by Financing Activities	(1,251,558)	195,057
Net Increase (Decrease) in Cash and Cash Equivalents	2,226,647	1,559,756
Cash and Cash Equivalents at Beginning of Year	6,547,254	4,987,498
Cash and Cash Equivalents at End of Year	$ 8,773,901	$ 6,547,254

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

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
Supplemental Disclosure of Cash Flow Information		
Cash Paid During The Year For Interest:		
Capitalized	$ 39,571	$ 126,234
Expensed	2,758,873	2,349,799
Total	$ 2,798,444	$ 2,476,033
Cash and Cash Equivalents are Presented as Follows in the Statement of Financial Position:		
Current Assets:		
Cash and Cash Equivalents - Restricted	1,919,861	2,209,618
Restricted Assets:		
Cash and Cash Equivalents - Noncurrent	6,854,040	4,337,636
Total	$ 8,773,901	$ 6,547,254
Schedule of Noncash Investing/Financing Activities		
Acquisition of Property and Equipment Through the Incurrence of Liabilities	$ -	$ 286,971

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

Notes to the Financial Statements

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
JUNE 30, 2009 AND 2008

NOTE 1 – ORGANIZATION

ULM Facilities, Inc. (the "Facilities"), a non-profit corporation, was organized under the laws of the State of Louisiana on February 27, 2004. The Facilities was formed for the benefit of the University of Louisiana at Monroe ("ULM") and its principal purpose is to coordinate, construct, and finance the development of facilities on the campus of ULM and to oversee the management of such facilities. Certain operations are regulated by the Board of Supervisors for the University of Louisiana System (the "Board"), the Louisiana Local Government Environmental Facilities and Community Development Authority (the "Authority"), and Regions Bank (the "Trustee") through the provisions of a ground and buildings lease agreement, a facilities lease agreement, a loan and assignment agreement, and a trust indenture, including amendments and supplements, as applicable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Accounting

The financial statements of the Facilities are prepared on the accrual basis of accounting and in accordance with U.S. generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Facilities is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Estimates

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Facilities considers all cash and all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables – Student Rents

Receivables – Student Rents are reported net of the allowance for doubtful accounts in the amount of $42,399 and $50,173 at June 30, 2009 and 2008, respectively. The allowance for doubtful accounts for student rent receivables is estimated by applying a historical percentage to the rents receivable due from former students. Receivables – Student Rents are considered to be past due when they are still owed as of the fourteenth class day of each semester. Receivables – Student Rents are charged-off if there is no activity for a three-year period from the date they are deemed uncollectible. The receivables are deemed uncollectible once the student is no longer enrolled at ULM.

Property, Equipment, and Depreciation

Project costs clearly associated with the acquisition, development, and construction/renovation of buildings, structures, and land improvements are capitalized. Indirect project costs that relate to several projects are capitalized and allocated to the projects to which the costs relate. Indirect costs that do not clearly relate to projects under development or construction, including general and administrative expenses, are charged to expense as incurred. Interest related to the development and construction of a project is allocated to the project's cost through the date of substantial completion of the project. Furniture, fixtures, equipment, and site improvements are recorded at acquisition cost. Donations of property and equipment are recorded as contributions at their estimated fair value.

Depreciation is provided for in amounts sufficient to relate the cost or fair value of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements that materially prolong the useful lives of assets are capitalized, while expenditures for normal maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

Derivative Instruments

The Facilities uses derivatives to manage its risks related to interest rate movements on certain of its variable interest rate loans. Interest rate swap contracts designated and qualifying as cash flow hedges are reported at fair value. The Facilities interest rate risk management strategy is to stabilize cash flow requirements by maintaining interest rate swap contracts to convert variable-rate debt to a fixed rate.

Amortization

Debt issuance costs are being amortized over the lives of the debt using the effective interest method. Debt issuance costs are reported net of accumulated amortization of $13,043 and $22,903 as of June 30, 2009 and 2008, respectively

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Student Rent Income

Student Rent Income is derived primarily from student rentals of the housing facilities and is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases for student housing are operating leases and do not exceed twelve months in duration.

Student Fees

Student Fees consists of a portion of the Student Health Center Fees, Student Union Fees, Student Activity Fees, Athletic Facility Fees, and Vehicle Fees, which are charged, as applicable, to the students at the time of enrollment in ULM. The Facilities records Student Fees in income at the time such fees are received by the Facilities. The Student Fees received from ULM are considered to be "rents" in accordance with the terms of each Agreement to Lease With Option to Purchase as described in Note 7 – Ground and Facilities Lease Agreements.

Advertising Costs

Advertising and marketing costs are expensed as incurred.

Income Taxes

The Facilities is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE 3 – RESTRICTED ASSETS - TRUSTEE FUNDS

The Louisiana Local Government Environmental Facilities and Community Development Authority has had several bond issues, the proceeds of which have been loaned to the Facilities. The provisions of the various Trust Indentures and Loan and Assignment Agreements between the Facilities and the Authority require the Facilities to establish various trust funds with the Trustee which are restricted in use for, among other things, debt service, capital projects, renovations, and operations. The Trustee Funds are included in cash and cash equivalents in the statement of financial position.

In accordance with the provisions of the Trust Indentures, the Facilities is required to fund a Replacement Fund on an annual basis. The Replacement Fund is to be used to (i) fund the cost of replacing any worn out, obsolete, inadequate, unsuitable or undesirable property, furniture, fixtures, or equipment placed upon or used in connection with those facilities which were funded through bond proceeds and (ii) maintain such facilities and to make all alterations, repairs, restorations, and replacements to such facilities as and when needed to preserve the facilities in good working order, condition, and repair. Funds in the Replacement Fund may, with the consent of the bondholders, also be used to pay debt service on the bonds in the event there are insufficient funds in the Debt Service Fund and Debt Service Reserve Fund on the date such payment of debt service is due.

The Series 2004A & 2004B Trust Indenture and the Series 2004C & 2004D Trust Indenture require the Facilities to fund the Replacement Fund on annual basis beginning on November 1, 2006. The annual amount

NOTE 3 – RESTRICTED ASSETS - TRUSTEE FUNDS (CONTINUED)

required to be funded is equal to one and one-half percent (1.5%) of the hard construction costs (not including professional services and fees) payable from the proceeds of the bonds.

The Series 2006 Trust Indenture requires the Facilities to fund the Replacement Fund on annual basis beginning on November 1, 2008. The annual amount required to be funded is equal to one-half percent (0.5%) of the hard construction costs (not including professional services and fees) payable from the proceeds of the bonds.

The Series 2007 Trust Indenture requires the Facilities to fund the Replacement Fund on annual basis beginning on November 1, 2009. The annual amount required to be funded is equal to one and one-half percent (1.5%) of the hard construction costs (not including professional services and fees) payable from the proceeds of the bonds.

As of June 30, 2009, the Replacement Fund was adequately funded. The amount required to be funded on November 1, 2009, is estimated at $772,732.

NOTE 4 – RESTRICTED ASSETS – INVESTMENTS

Investments included in restricted assets are stated at fair value at June 30, 2008, as follows:

(1) Morgan Stanley Flexible Agreements, Inc. Promissory Note in the amount of $2,044,762 bearing an annual interest rate of 3.709%. The note matured on November 3, 2008.

The carrying value of the Promissory Note approximates fair value. In accordance with the MFSAI Promissory Note and the related Investment Agreement, the Promissory Note is unsecured and uninsured.

NOTE 5 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS

Notes Payable - Series 2004A, 2004B, 2004C, & 2004D

On June 30, 2004, the Louisiana Local Government Environmental Facilities and Community Development Authority issued $33,365,000 in Tax-Exempt Variable Rate Revenue Bonds (Series 2004A) and $1,845,000 in Taxable Variable Rate Revenue Bonds (Series 2004B). On December 8, 2004, the Authority issued $32,515,000 in Tax-Exempt Variable Rate Revenue Bonds (Series 2004C) and $1,165,000 in Taxable Variable Rate Revenue Bonds (Series 2004D). The proceeds of the bond issues were loaned to ULM Facilities, Inc. for the following purposes: (i) to demolish eight (8) existing dormitories on the campus of the University of Louisiana at Monroe, (ii) to design, develop, and construct new on-campus student housing and to renovate and refurbish existing on-campus student housing, (iii) to design, develop, and construct a new on-campus student infirmary, (iv) to expand and renovate ULM's student center, (v) to pay off housing-related debt in the amount of $1,178,926, and (vi) to fund various reserves and to pay bond issuance costs. The Series 2004A and Series 2004B bond proceeds were loaned to the Facilities pursuant to a Loan and Assignment Agreement by and between the Facilities and the Authority dated June 1, 2004. The Series 2004C and 2004D bond proceeds were loaned to the Facilities pursuant to a First Amendment to Loan and Assignment Agreement by and

NOTE 5 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (CONTINUED)

between the Facilities and the Authority dated December 1, 2004.

The principal and interest payments on the loan are required to be the amount equal to the principal and interest amounts of the underlying bonds. To secure the payment of the bonds by the Trustee, a Letter of Credit, as amended, has been issued in favor of the Trustee. In accordance with a Reimbursement Agreement, as amended (the "Reimbursement Agreement"), the Facilities is required to pay the Trustee all amounts that are drawn under the Letter of Credit, together with interest, if any. To further secure the Facilities' obligations under the Loan and Assignment Agreement, as amended, the Facilities transferred, assigned, and pledged unto the Authority, all right, title, and interest of the Facilities in, to and under the Amended and Restated Agreement to Lease With Option to Purchase between the Facilities and the Board of Supervisors for the University of Louisiana System, all rents and receipts derived from occupancy of the on-campus facilities, and any and all additional revenues received by the Facilities. In order to additionally secure the Facilities obligation to repay the loan, the Facilities transferred, assigned, and pledged unto the Authority, all right, title, and interest of the Facilities in, to and under the Property Management and Leasing Agreement by and between the Facilities and JPI Apartment Management, L.P., including all revenues received by the Facilities there under. The Property Management and Leasing Agreement with JPI Apartment Management, L.P. was terminated by the Facilities on June 30, 2008.

Terms of the loan are as follows:

	UNDERLYING BONDS			
	Series A Bonds	Series B Bonds	Series C Bonds	Series D Bonds
Original loan amount	\$33,365,000	\$1,845,000	\$32,515,000	\$1,165,000
Annual Interest Rate	Variable With Option To Convert to a Fixed Rate	Variable With Option To Convert to a Fixed Rate	Variable With Option To Convert to a Fixed Rate	Variable With Option To Convert to a Fixed Rate
Interest Payments Due – Variable Rate	February 1 May 1 August 1 November 1	February 1 May 1 August 1 November 1	February 1 May 1 August 1 November 1	February 1 May 1 August 1 November 1
Interest Payments Due – Fixed Rate	May 1 November 1	May 1 November 1	May 1 November 1	May 1 November 1
Commencing	08/01/2004	08/01/2004	02/01/2005	02/01/2005

NOTE 5 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (CONTINUED)

Principal Payments Due	November 1	November 1	November 1	November 1
Commencing	11/01/2012	11/01/2006	11/01/2007	11/01/2006
Maturity Date	11/01/2034	Paid in Full	11/1/2035	Paid in Full

On February 1, 2009, the Facilities entered into a conventional loan agreement with Regions Bank for the purpose of replacing the indebtedness represented by the Series 2004B Bonds. In addition, during the year ended June 30, 2009, the indebtedness represented by the Series 2004D Bonds was paid in full.

During the year ended June 30, 2009, Regions Bank acquired Series 2004A Bonds totaling $33,365,000 and Series 2004C Bonds totaling $22,330,000 utilizing draws on the Letter of Credit with Regions Bank. These bonds, referred to as *bank bonds*, were tendered by the bondholders to Regions Bank upon the failure of the remarketing of the bonds. At June 30, 2009, the total amount of Series 2004A Bonds and Series 2004C Bonds outstanding was $65,695,000, which included $55,695,000 of bank bonds outstanding. As provided in the Second Supplement to Reimbursement Agreement, the interest rate on the bank bonds is variable and is equal to (i) an index (the "Index") which is the one (1) month London Interbank Offered Rate (LIBOR), plus (ii) 1.500 percentage points over the Index. The Index is subject to change from time to time as of the date of determination by the Regions Bank, but such changes will not occur more often than each day. At June 30, 2009, the amount that had been drawn against the Letter of Credit totaled $55,794,874.

On September 16, 2009, the Facilities accepted a Commitment from Regions Bank for term refinancing of the Series 2004A and Series 2004C bonds. Some of the significant terms of the Commitment are described below:

Use of Proceeds:	The proceeds will be used exclusively to effect a reissuance of the LCDA tax exempt variable rate revenue bonds (University of Louisiana Monroe Facilities, Inc. Project) Series 2004 A and Series 2004 C.
Commitment:	Facility 1 - $30,000,000 (Series 2004 A) Facility 2 - $30,000,000 (Series 2004 C) Facility 3 - $ 5,718,145 (Series 2004 A/C)
Commitment Type:	Facility 1 – Bank Qualified Tax Exempt Term Facility 2 – Bank Qualified Tax Exempt Term Facility 3 – Taxable Term The Facility 1 and the Facility 2 Bonds will be designated as "bank qualified" tax-exempt obligations under Code Section 265(b) as recently supplemented/amended by the American Recovery and Reinvestment Act of 2009. The Facility 3 Bonds will not be so designated.
Funding Date:	Facility 1 – Prior to December 31, 2009 Facility 2 – After December 31, 2009, but before January 31, 2010 Facility 3 – Prior to December 31, 2009

NOTE 5 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (CONTINUED)

Repayment:	Borrower will pay interest quarterly and principal annually, in accordance with attached redemption schedule.
Maturity Date:	Facility 1– One/Three/Five year options Facility 2 – One/Three/Five year options (not to exceed maturity of Facility 1) Facility 3 – One year *Please note that the maturity dates will be implemented via a put option to preserve the long term structure of the bond instrument.*
Interest Rate*:	Facility 1 – 59.8% of 1-month Libor + 180 (5-year), 59.8% of 1-month Libor + 1.60% (3-year), or 59.8% of 1-month Libor + 1.50% (1-year) Facility 2 – Same as Facility 1 Facility 3 – 1-month Libor + 1.50% **This interest rate is in addition to the current swap rate on the Bonds. The current swap rates are 3.50% (covers $32,330,000) and 3.55% (covers $31,065,000); the swaps mature Nov 2012.* *It is anticipated that the swap index will be changed from SIFMA to a % of Libor index.*

Note Payable - Series 2006

On November 29, 2006, the Louisiana Local Government Environmental Facilities and Community Development Authority issued $1,500,000 in Revenue Bonds (Series 2006). The proceeds of the bond issue were loaned to ULM Facilities, Inc. for the following purposes: (i) to finance a portion of the design, development, construction, and equipping of an Intermodal Transit Facility and the improvement of existing parking lots or construction of new parking lots for students, faculty, staff and the public on the campus of the University of Louisiana at Monroe; (ii) to fund a deposit to a debt service reserve fund, if necessary; and (iii) to pay bond issuance costs. The Series 2006 bond proceeds were loaned to the Facilities pursuant to a Loan and Assignment Agreement by and between the Facilities and the Authority dated November 29, 2006.

The principal and interest payments on the loan are required to be the amount equal to the principal and interest amounts of the underlying bonds. As such, the loan bears interest at a rate of 5.06% per annum and matures on November 1, 2016. Interest is payable on the loan on May 1st and November 1st of each year and principal is payable on November 1st of each year. To secure the Facilities' obligations under the Loan and Assignment Agreement, the Facilities transferred, assigned, and pledged unto the Authority, all right, title, and interest of the Facilities in, to and under the Agreement to Lease With Option to Purchase dated November 29, 2006, between the Facilities and the Board of Supervisors for the University of Louisiana System, and any leases, subleases and use agreements or other similar agreements relating to the Intermodal Transit Facility, all rents, issues, receipts and profits derived from the use or occupancy of the Intermodal Transit Facility, and any and all additional revenues, income, receipts and other payments, including but not limited to, insurance proceeds, grants, donations, sale proceeds received by the Facilities for or relating to the Intermodal Transit Facility.

NOTE 5 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (CONTINUED)

Note Payable – Regions Bank (Artificial Turf)

On April 17, 2007, the Facilities entered into a $577,150 loan agreement with Regions Bank for the purpose of replacing the football field turf with an artificial surface. The loan bears interest at a rate of 6.00% and matures on April 15, 2012. The loan is to be repaid in nine (9) principal payments of $57,700 and one (1) final principal payment of $57,850. The first principal payment is due on October 15, 2007, and all subsequent principal payments are due on the same say of each half-year after that. In addition, the Facilities will pay regular semi-annual payments of all accrued unpaid interest due as of each payment date beginning on October 15, 2007, with all subsequent interest payments to be due on the same day of each half-year after that. The loan is collateralized by the Student Athletic Fees paid by each student at the University of Louisiana at Monroe.

Note Payable - Series 2007

On October 1, 2007, the Louisiana Local Government Environmental Facilities and Community Development Authority issued $2,045,000 in Revenue Bonds (Series 2007). The proceeds of the bond issue were loaned to ULM Facilities, Inc. for the following purposes: (i) demolishing and/or renovating certain existing buildings and developing, constructing, and equipping a student learning enhancement facility [the Clarke M. Williams Student Success Center (the "Student Success Center")], related facilities, and other campus improvements; and (ii) to pay bond issuance costs. The Series 2007 bond proceeds were loaned to the Facilities pursuant to a Loan and Assignment Agreement by and between the Facilities and the Authority dated October 1, 2007.

The principal and interest payments on the loan are required to be the amount equal to the principal and interest amounts of the underlying bonds. As such, the loan bears interest at a rate of 5.40% per annum and matures on October 1, 2027. Interest is payable on the loan on April 1st and October 1st of each year and principal is payable on October 1st of each year. To secure the Facilities' obligations under the Loan and Assignment Agreement, the Facilities transferred, assigned, and pledged unto the Authority, all right, title, and interest of the Facilities in, to and under the Agreement to Lease With Option to Purchase dated October 1, 2007, between the Facilities and the Board of Supervisors for the University of Louisiana System, and any leases, subleases and use agreements or other similar agreements relating to the Student Success Center, all rents, issues, receipts and profits derived from the use or occupancy of the Student Success Center, and any and all additional revenues, income, receipts and other payments, including but not limited to, insurance proceeds, grants, donations, sale proceeds received by the Facilities for or relating to the Student Success Center.

Note Payable – Regions Bank (Series 2004B Bonds Refinancing)

On February 1, 2009, the Facilities entered into a $1,243,842 loan agreement with Regions Bank for the purpose of replacing the indebtedness represented by the Series 2004B Bonds. The loan bears interest at a rate of LIBOR plus 2.50% and matures on January 31, 2010. The loan is to be repaid as follows: (i) payments of interest only on May 1, August 1, and November 1 beginning May 1; (ii) a principal reduction payment of $230,000 on November 1, 2009; and (iii) payment of all remaining principal and unpaid interest at maturity. Regions Bank has confirmed its intention to renew this loan at maturity for a period of up to three years. The loan will be repaid at the amortization established in the original underlying bond documents. The interest rate

NOTE 5 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (CONTINUED)

and other terms are expected to be substantially the same as under the current loan agreement. To secure the Facilities obligations under the loan agreement, the Facilities mortgaged, assigned, and pledged unto Regions Bank, the Facilities' leasehold interest in the Ground Lease and in the buildings and improvements. In addition, to further secure the Facilities' obligations under the loan agreement, the Facilities transferred, assigned, and pledged unto Regions Bank, all right, title, and interest of the Facilities in and to all leases and subleases affecting the mortgaged property.

Aggregate Maturities of Long-Term Debt

The aggregate maturities of long-term debt for each of the next five years and in five-year increments thereafter, assuming all of the bonds are remarketed, are as follows:

Years Ending June 30,	Interest Rate Swaps	Principal	Interest	Totals
2010	$ 280,029	$ 400,400	$ 2,220,176	$ 2,900,606
2011	279,412	505,400	2,198,062	2,982,874
2012	277,795	840,550	2,167,744	3,286,089
2013	92,370	1,055,000	2,128,630	3,276,000
2014	-	1,540,000	2,081,084	3,621,084
2015 - 2019	-	9,765,000	9,464,088	19,229,088
2020 - 2024	-	12,035,000	7,703,340	19,738,340
2025 - 2029	-	15,345,000	5,489,592	20,834,592
2030 - 2034	-	18,995,000	2,799,352	21,794,352
2035 - 2036	-	8,810,000	227,592	9,037,592
	$ 929,607	$ 69,291,350	$ 36,479,660	$ 106,700,617

Remarketing Agreement

The Facilities, Regions Bank (as Trustee), and Morgan Keegan and Company, Inc. ("Morgan Keegan") entered into two remarketing agreements whereby Morgan Keegan was appointed to serve as the Remarketing Agent under the Trust Indenture (Series 2004A and 2004B bonds) and the First Supplemental Indenture (Series 2004C and 2004D bonds), collectively, the "Indentures". The duties of Morgan Keegan as the Remarketing Agent include the computation of the variable interest rates on the bonds. The variable interest rates are computed on a weekly basis and are referred to in the Indentures as the Weekly Interest Rate. The Weekly Interest Rate is applied to those bonds outstanding that have not been converted to a fixed interest rate. Such bonds are defined as Weekly Rate Bonds in the Indentures.

Thru October 1, 2007, Morgan Keegan was compensated at a rate of 0.125% per annum of the outstanding bonds bearing interest at the Weekly Interest Rate. Effective November 1, 2007, Morgan Keegan's

NOTE 5 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (CONTINUED)

remarketing fee was adjusted to a rate of 0.100% per annum of the outstanding bonds bearing interest at the Weekly Interest Rate.

Irrevocable Letter of Credit and Reimbursement Agreement

Regions Bank established an Irrevocable Letter of Credit, as amended, ("Letter of Credit") to the favor of Regions Bank as Trustee for the benefit of the bondholders. Under the terms of the Letter of Credit, the Trustee is authorized to draw on Regions Bank a maximum aggregate amount of $71,290,769, which consists of $68,890,000, the principal portion of the bonds, and $2,400,769, which represents 106 days accrued interest on the principal amount of the bonds calculated at the rate of 12% per annum on the basis of a 365 day year. The Facilities agreed, in accordance with the terms of the Reimbursement Agreement by and between the Facilities and Regions Bank to reimburse Regions Bank, plus interest if applicable, for any amounts paid by Regions Bank pursuant to the Letter of Credit. As security for the payment of any amounts paid under the Letter of Credit, the Facilities has pledged, assigned, hypothecated, and transferred to Regions Bank, and grants to Regions Bank a security interest in, its right, title, and interest in and to the bonds purchased with the Letter of Credit. The expiration date of the Letter of Credit and the Reimbursement Agreement is November 20, 2009, unless terminated earlier through other provisions of the Letter of Credit. At June 30, 2009, the amount available under the Letter of Credit totaled $10,000,000 principal and $348,493 in interest.

Under the terms of the Reimbursement Agreement, thru October 1, 2007, Regions Bank was compensated in advance on a quarterly basis at a rate of 1.00% of the amount available under the Letter of Credit. Effective November 1, 2007, the Letter of Credit was amended to adjust the Letter of Credit Fee to 0.75% per annum of the amount available (up to a maximum of $68,890,000) under the Letter of Credit.

Interest Rate Swaps

The Louisiana Local Government Environmental Facilities and Community Development Authority and Regions Bank have entered into two interest rate swap contracts ("Swap Contracts") on its Series 2004A and Series 2004C bonds.

Objective of the Interest Rate Swaps: The Swap Contracts are fixed rate swaps that are utilized to mitigate or eliminate the interest rate exposure of the variable rate bonds. In essence, the Swap Contracts effectively have converted the existing variable rate bonds into fixed rate bonds. In accordance with the Swap Contracts, the Facilities pays interest computed on a notional amount using a fixed rate to Regions Bank and receives interest computed on the notional amount using a standard variable rate index.

Terms: During the year ended June 30, 2008, the Authority and Regions Bank terminated the existing Swap Contracts and entered into two new Swap Contracts. The significant terms of these Swap Contracts are summarized as follows:

Notional Amount	$31,065,000 (Series 2004A Bonds)	$32,330,000 (Series 2004C Bonds)
Fixed Rate Payer	ULM Facilities, Inc.	ULM Facilities, Inc.

NOTE 5 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (CONTINUED)

Fixed Rate	3.5500%	3.5025%
Fixed Rate Payer Payment Dates	1st Business Day of February, May, August, and November	1st Business Day of February, May, August, and November
Floating Rate Payer	Regions Bank	Regions Bank
Floating Rate	USD-SIFMA Municipal Swap Index	USD-SIFMA Municipal Swap Index
Floating Rate Payer Payment Dates	1st Business Day of February, May, August, and November	1st Business Day of February, May, August, and November
Effective Date	November 1, 2007	November 1, 2007
Termination Date	November 1, 2012	November 1, 2012

Fair Values: The fair values of the Swap Contracts are reported in other assets and long-term liabilities, as applicable. At June 30, 2009, the fair values of the Swap Contracts were in Regions Bank's favor. The gain or loss from changes in the fair values of the Swap Contracts is reported in change in net assets. During the year ended June 30, 2009, the Facilities recorded a total loss of $2,299,198 on the Swap Contracts. During the year ended June 30, 2008, the Facilities recorded a total loss of $1,831,155 on the Swap Contracts. Also, amounts for the accrual of the net interest on the notionals due to Regions Bank under the Swap Contracts at June 30, 2009 and 2008, is recorded in current liabilities.

Credit Risk: Credit risk is the exposure that a counterparty will not fulfill its obligations. At June 30, 2009, the Facilities is not exposed to credit risk since the fair values of the Swap Contracts are in Regions Bank's favor. However, should interest rates change and the fair values of the Swap Contracts become in the Facilities' favor, then the Facilities would be exposed to credit risk in the amount of the derivative's fair value.

Interest Rate Risk: Interest rate risk is the risk that an adverse change in variable interest rates will increase the overall cost of borrowing for the Facilities. Interest rate swap agreements used to hedge variable rate bonds that extend through maturity of the related debt effectively eliminate the interest rate risk, unless the swap agreement is terminated before maturity.

Basis Risk: Basis risk arises when the variable interest rates on an interest rate swap and an associated bond are based on different indices. The Facilities is not exposed to basis risk since the interest rates received on the Swap Contracts are fixed in amount.

Termination Risk: Termination risk is the risk that an unscheduled early termination of the Swap Contracts will result in a significant payment to Regions Bank. The Facilities or Regions Bank may terminate the Swap Contracts if the other party fails to perform under the terms of the contracts. If the Swap Contracts are terminated, the variable-rate bonds would no longer carry a synthetic fixed interest rate. Also, if at the time of termination a swap has a fair value in favor of Regions Bank, the Facilities would be liable to Regions Bank

NOTE 5 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (CONTINUED)

for a payment equal to the swap's fair value. The Facilities Management does not intend to terminate the Swap Contract prior to the Termination Date noted above.

Rollover Risk: Rollover risk is the risk that a derivative associated with an entity's debt does not extend to the maturity of that debt. When the derivative terminates, the associated debt will no longer have the benefit of the derivative. The Facilities is exposed to rollover risk with respect to its Swap Contracts. The Swap Contracts terminate on November 1, 2012, and the Series 2004A and Series 2004C bonds mature on November 1, 2034 and November 1, 2035, respectively. As a result, the Facilities will lose the benefit of the Swap Contracts upon the termination of the Swap Contracts.

NOTE 6 – CONCENTRATIONS OF CREDIT RISK

The Facilities has demand deposits and short-term investments (cash equivalents) held in trust, as well as separately from the trust, by Regions Bank. The short-term investments are collateralized by U. S. Treasury securities. The demand deposits, in total, are insured by the Federal Deposit Insurance Corporation in an amount up to $250,000. The Facilities had uninsured deposit balances totaling $1,661,994 at June 30, 2009.

The Facilities has concentrations of credit risk relevant to its receivables for student rents and the laundry contract.

The Facilities does not require collateral to support financial instruments subject to credit risk.

NOTE 7 – GROUND AND FACILITIES LEASE AGREEMENTS

Student Housing, Student Health Center, and Student Union

Ground Lease Agreement

The Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into an Amended and Restated Ground and Buildings Lease Agreement (the "Ground Lease") on June 1, 2004. Under the terms of the Ground Lease, the Board leases certain tracts of land and buildings owned by the Board and located on the campus of ULM to the Facilities for the sum of $1 per year. The Facilities entered into the Ground Lease for the purpose of demolishing certain existing facilities and renovating, developing, and constructing student housing and related facilities, a student union and an infirmary. The Board owns all of the facilities included in the Ground Lease subject to the Facilities rights under the Ground Lease and leases back the student housing and related facilities, student union, and infirmary from the Facilities for the support, maintenance, and benefit of the Board and ULM. See Facilities Lease below.

Unless terminated sooner as provided in the Ground Lease, the lease will terminate on the earlier of (i) November 1, 2044, or (ii) the date on which the Bonds issued on behalf of the Facilities to pay for construction of the student housing and related facilities have been paid or have been deemed to have been paid in full.

NOTE 7 – GROUND AND FACILITIES LEASE AGREEMENTS (CONTINUED)

Facilities Lease

The Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into an Amended and Restated Agreement to Lease With Option to Purchase (the "Facilities Lease") on June 1, 2004. Under the terms of the Facilities Lease, the Facilities leases the student housing and related facilities to the Board, and the Board agrees, upon completion of renovation and construction of the student housing and related facilities, to accept possession of such housing and facilities.

Under the terms of the Facilities Lease, the Board is required to pay a base rental and an additional rental to the Facilities for the use and occupancy of the student housing and facilities. The base rental is due on the dates that principal and/or interest are due and payable on the bonds and in amounts equal to the principal and/or interest due and payable. The base rental also includes payments made to meet the reserve funding requirements of the Indentures. The Board agrees to pay as additional rental any and all expenses incurred by the Facilities on behalf of the Board and/or by the Board or ULM in the management, operation, and/or maintenance of the student housing and related facilities, to the extent such expenses are paid by a management company under a management contract.

Unless terminated sooner as provided in the Facilities Lease, the lease will terminate on the earlier of (i) November 1, 2044, or (ii) the date that all amounts owed under the Indentures have been paid.

<u>Intermodal Parking and Transit Facility and Parking Improvements</u>

Ground Lease Agreement

The Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into a Ground and Buildings Lease Agreement (the "Ground Lease") on November 29, 2006. Under the terms of the Ground Lease, the Board leases certain tracts of land owned by the Board and located on the campus of ULM to the Facilities for the sum of $1 per year. The Facilities entered into the Ground Lease for the purpose of developing and constructing an intermodal parking and transit facility, related facilities, and other campus parking improvements. The Board owns all of the facilities included in the Ground Lease subject to the Facilities rights under the Ground Lease and, upon completion, will lease back the intermodal parking and transit facility, related facilities, and other campus parking improvements from the Facilities for use by the students, faculty, and staff of ULM and such other persons as set forth in the Facilities Lease described below.

Unless terminated sooner as provided in the Ground Lease, the lease will terminate on the earlier of (i) November 1, 2021, or (ii) the date on which the Bonds issued on behalf of the Facilities to pay for construction of the intermodal parking and transit facility, related facilities, and other campus parking improvements have been paid or have been deemed to have been paid in full.

Facilities Lease

The Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into an Agreement to Lease With Option to Purchase (the "Facilities Lease")

NOTE 7 – GROUND AND FACILITIES LEASE AGREEMENTS (CONTINUED)

Facilities Lease

on November 29, 2006. Under the terms of the Facilities Lease, the Facilities will lease, upon completion, the intermodal parking and transit facility, related facilities, and other campus parking improvements to the Board, and the Board agrees, upon completion of construction of the parking projects to accept possession of the parking facility and improvements. Under the terms of the Facilities Lease, the Board is required to pay a base rental and an additional rental to the Facilities for the use of the parking and transit facility, related facilities, and other campus parking improvements. The base rental is due on the 15th day of the month preceding the dates that principal and/or interest are due and payable on the bonds and in amounts equal to the principal and/or interest due and payable. The base rental also includes payments made to meet the Replacement Fund funding requirements of the Indenture. The Board agrees to pay as additional rental any and all expenses incurred by the Facilities on behalf of the Board and/or by the Board or ULM in the management, operation, and/or maintenance of the parking projects.

Unless terminated sooner as provided in the Facilities Lease, the lease will terminate on the earlier of (i) November 1, 2021, or (ii) the date that all amounts owed under the Indentures have been paid.

<u>Artificial Turf – Malone Stadium</u>

Ground Lease Agreement

The Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into a Ground Lease Agreement (the "Ground Lease") on April 17, 2007. Under the terms of the Ground Lease, the Board leases the field surface at Malone Stadium to the Facilities for the sum of $1 per year. The Facilities entered into the Ground Lease for the purpose of removing the existing field surface at Malone Stadium and installing artificial turf. The Board owns all of the facilities included in the Ground Lease subject to the Facilities rights under the Ground Lease and, upon completion, will lease back the artificial field surface from the Facilities for use by the students, faculty, and staff of ULM and such other persons as set forth in the Facilities Lease described below.

Unless terminated sooner as provided in the Ground Lease, the lease will terminate on the earlier of (i) April 16, 2012, or (ii) the date on which the loan issued on behalf of the Facilities to pay for the removal of the existing surface and installation of the artificial surface has been paid or has been deemed to have been paid in full.

Facilities Lease

The Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into an Agreement to Lease With Option to Purchase (the "Facilities Lease") on April 17, 2007. Under the terms of the Facilities Lease, the Facilities will lease, upon completion, the artificial surface at Malone Stadium to the Board, and the Board agrees, upon completion of installation of the artificial surface to accept possession of the artificial surface. Under the terms of the Facilities Lease, the Board is required to pay a base rental and an additional rental to the Facilities for the use of the artificial surface. The base rental is due monthly, on the 1st day of the month preceding the next interest and principal

NOTE 7 – GROUND AND FACILITIES LEASE AGREEMENTS (CONTINUED)

Facilities Lease

payment date, in an amount equal to the amount necessary to pay the principal and interest due and payable on the loan on the following principal payment date. In addition to the base rental, the Board agrees to pay as additional rental any and all expenses incurred by the Facilities on behalf of the Board and/or by the Board or ULM in the management, operation, and/or maintenance of the parking projects.

Unless terminated sooner as provided in the Facilities Lease, the lease will terminate on the earlier of (i) April 16, 2012, or (ii) the date that all amounts owed under the loan have been paid.

Student Success Center

Ground Lease Agreement

The Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into a Ground and Buildings Lease Agreement (the "Ground Lease") on October 25, 2007. Under the terms of the Ground Lease, the Board leases certain tracts of land owned by the Board and located on the campus of ULM to the Facilities for the sum of $1 per year. The Facilities entered into the Ground Lease for the purpose of demolishing and/or renovating certain existing buildings and developing, constructing, and equipping the Clarke M. Williams Student Success Center, related facilities, and other campus improvements. The Board owns all of the facilities included in the Ground Lease subject to the Facilities rights under the Ground Lease and, upon completion, will lease back the Clarke M. Williams Student Success Center, related facilities, and other campus improvements from the Facilities for use by the students, faculty, and staff of ULM and such other persons as set forth in the Facilities Lease described below.

Unless terminated sooner as provided in the Ground Lease, the lease will terminate on the earlier of (i) October 25, 2032, or (ii) the date on which the Bonds issued on behalf of the Facilities to pay for construction of the Clarke M. Williams Student Success Center, related facilities, and other campus improvements have been paid or have been deemed to have been paid in full.

Facilities Lease

The Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into an Agreement to Lease With Option to Purchase (the "Facilities Lease") on October 25, 2007. Under the terms of the Facilities Lease, the Facilities will lease, upon completion, the Clarke M. Williams Student Success Center, related facilities, and other campus improvements to the Board, and the Board agrees, upon completion of construction of such projects to accept possession of the projects.

Under the terms of the Facilities Lease, the Board is required to pay a base rental and an additional rental to the Facilities for the use of the Clarke M. Williams Student Success Center, related facilities, and other campus improvements. The base rental is due on the 15^{th} day of the month preceding the dates that principal and/or interest are due and payable on the bonds and in amounts equal to the principal and/or interest due and payable. The base rental also includes payments made to meet the Replacement Fund funding requirements of the Indenture. The Board agrees to pay as additional rental any and all expenses incurred by the Facilities on

NOTE 7 – GROUND AND FACILITIES LEASE AGREEMENTS (CONTINUED)

Facilities Lease

behalf of the Board and/or by the Board or ULM in the management, operation, and/or maintenance of the aforementioned projects.

Unless terminated sooner as provided in the Facilities Lease, the lease will terminate on the earlier of (i) October 1, 2032, or (ii) the date that all amounts owed under the Indentures have been paid.

NOTE 8 – PROPERTY MANAGEMENT AGREEMENT

On July 1, 2004, the Facilities entered into a Property Management and Lease Agreement (the "Management Agreement") with JPI Apartment Management, L.P. (the "Manager"). Under the terms of the Management Agreement, the Manager is responsible for managing and leasing the student housing projects located on the campus of ULM. The initial term of the Management Agreement is for a period of three years and terminates on June 30, 2007. The Management Agreement will automatically renew for additional one year terms unless (a) either party provides written notice to the other party of such party's intent to terminate the Management Agreement at least 90 days prior to the expiration of the initial term or any renewal term, or (b) the Management Agreement has been terminated in accordance with other provisions therein contained. On May 7, 2007, the Management Agreement was extended through June 30, 2008. Effective July 1, 2008, the Management Agreement was terminated by the Facilities, and ULM became the property manager.

The Management Agreement stipulates that the Manager is to be paid a monthly management fee as follows for the year ended June 30, 2008:

> During the extension period from July 1, 2007 through June 30, 2008, the management fee will be 3.65% of Gross Potential Income (assuming a 6.0% vacancy rate). JPI will provide a $15,000 incentive in the form of a reduction in the first month's management fee to enhance the University's need-based scholarship awards or for any other purpose the University deems appropriate.

NOTE 9 – LAUNDRY ROOM LEASE

On February 10, 2005, the Facilities and Caldwell & Gregory, Inc. ("CGI") entered into a Laundry Room Lease agreement, which was subsequently amended to reflect an effective date of July 15, 2006. Under the terms of the lease agreement, CGI has agreed to install, maintain, and service coin-operated drying and laundry equipment on the campus of ULM. In addition, CGI has agreed to pay the Facilities 85% of all revenues over a $32.50 average per machine per month. The payments are to be made at a rate of $850 per month with an accounting and a settlement to be made on an annual basis. The duration of the lease agreement is for a period of ten years from July 15, 2006, and will automatically renew under the same terms, conditions, and length unless cancelled by either party not less than 30 days and not more than 180 days prior to the expiration of the then current term.

NOTE 10 – RELATED PARTY TRANSACTIONS

The Facilities reimburses ULM for certain operating expenses incurred by ULM on behalf of the Facilities. The amount of reimbursable expenses totaled $2,411,987 and $959,688 for the years ended June 30, 2009 and 2008, respectively. At June 30, 2009, the Facilities owed $217,533 to ULM for reimbursable expenses.

NOTE 11 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of the Facilities have been summarized on a functional basis in the statement of activities. Accordingly, all costs of the Facilities are deemed to be program related expenses.

NOTE 12 – PRIOR PERIOD RESTATEMENT

The Statement of Activities for the year ended June 30, 2008, has been restated to reflect the correction of an error. At June 30, 2007, the accounts receivable for student rents and the amount due from ULM for student rents collected but not remitted to the Facilities were understated in total by $184,656 in the Statement of Financial Position. As a result, this amount was recorded in the June 30, 2008, Statement of Activities, which resulted in an overstatement of $184,656 in student rent income and a related overstatement of bad debt expense of $17,982.

NOTE 13 – SUBSEQUENT EVENTS

The Facilities has evaluated subsequent events through November 20, 2009, the date which the financial statements were available for issue.

Supplemental Information

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

SCHEDULE OF REVENUES, EXPENSES, AND
CAPITALIZED EXPENDITURES MADE TO OR ON BEHALF OF
ULM'S INTERCOLLEGIATE ATHLETICS PROGRAM

FOR THE YEAR ENDED JUNE 30, 2009

	2009
Revenues Contributed To or On Behalf of ULM's Intercollegiate Athletics Program	$ -
Expenses Paid To or On Behalf of ULM's Intercollegiate Athletics Program	$ -
Capital Expenditures Paid To or On Behalf of ULM's Intercollegiate Athletics Program	$ -

Other Reports

LITTLE & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA
CHARLES R. MARCHBANKS, JR., CPA

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors of
University of Louisiana Monroe Facilities, Inc.
Monroe, Louisiana

We have examined the accompanying Schedule of Representations of the University of Louisiana Monroe Facilities, Inc. (the "Corporation") for the year ended June 30, 2009, based on criteria established by the Board of Supervisors of the University of Louisiana System. The University of Louisiana Monroe Facilities, Inc.'s management is responsible for the Schedule of Representations. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the Schedule of Representations and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents, in all material respects, the representations of the University of Louisiana Monroe Facilities, Inc. based on criteria established by the Board of Supervisors of the University of Louisiana System.

This report is intended solely for the information and use of the University of Louisiana Monroe Facilities, Inc. and the Board of Supervisors of the University of Louisiana System and is not intended to be and should not be used by anyone other than these specified parties.

Little & Associates, LLC

Monroe, Louisiana
August 17, 2009

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UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.
SCHEDULE OF REPRESENTATIONS
FOR THE YEAR ENDED JUNE 30, 2009

REPRESENTATION 1

Board of Directors

a) The officers and members of the Corporation's Board of Directors, with a brief biography of each, and the expiration of their term are as follows:

See Attachment A

b) A schedule of board meetings held during the year ended June 30, 2009, are as follows:

- August 20, 2008
- January 12, 2009
- March 24, 2009
- June 9, 2009

REPRESENTATION 2

Corporate and/or Statutory Responsibilities

a) There were no changes made to either the Articles of Incorporation and/or the Bylaws during the year being audited.

b) The Corporation has not submitted the annual IRS Form 990 for the year being audited (June 30, 2009). The annual IRS Form 990 will be submitted at the time the Board of Directors approves the annual audit report. The annual IRS Form 990 for the year ended June 30, 2008, was submitted timely.

c) The Corporation is in good standing with the Secretary of State (i.e., has filed required annual reports).

d) The Corporation did not deposit any public funds during the year ended June 30, 2009, and did not hold any public funds at June 30, 2009.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.
SCHEDULE OF REPRESENTATIONS
FOR THE YEAR ENDED JUNE 30, 2009

REPRESENTATION 3

Contracts

a) The Corporation does not have any lease, lease-back, financing, or any other agreements with the University of Louisiana at Monroe. However, the Corporation has the following Ground Lease and Agreement to Lease With Option to Purchase agreements with the Board of Supervisors of the University of Louisiana System on behalf of the University of Louisiana at Monroe:

Student Housing, Student Health Center, Student Union Building

Intermodal Parking and Transit Facility and Parking Improvements

Field Surface Lease at Malone Stadium

Clarke M. Williams Student Success Center

b) All debt service payments for which the Corporation is responsible have been made timely to Regions Bank, Trustee and to Regions Bank, as applicable.

c) Payments due to the University of Louisiana at Monroe have been properly calculated, paid, and recorded in the financial statements in accordance with the applicable contracts/agreements.

d) Fees and other sources of revenue have been deposited timely and in the appropriate accounts when collected.

REPRESENTATION 4

Relationship to University

a) There are no contracts between the Corporation and any member of its Board of Directors, any member of the UL System Board of Supervisors, any UL System employee, or any university employee.

b) There are no payments for supplemental compensation and/or benefits for a UL System or University employee paid during the fiscal year being audited.

REPRESENTATION 5

Repair and Replacement Reserve Accounts

a) The Repair and Replacement Reserve Account is funded annually.

b) There have not been any years in which a contribution to the reserve account did not occur.

c) The total amount held in the Replacement Reserve Account at June 30, 2009, was $1,812,615.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.
SCHEDULE OF REPRESENTATIONS
FOR THE YEAR ENDED JUNE 30, 2009

ATTACHMENT A

BOARD MEMBERS, OFFICERS, AND EXECUTIVE DIRECTOR

	Term Expiration
Mr. Richard Scott McDonald President of Corporation Senior Vice President, Retail Development Ouachita Independent Bank Monroe, Louisiana ULM Alumnus	July 2009
Dr. Don Skelton Vice Chairman of Board Vice President for University Advancement and External Affairs – ULM Monroe, Louisiana	March 2010
Mr. Don Weems Secretary/Treasurer Owner, Waterfront Grill Restaurant Monroe, Louisiana ULM Alumnus	July 2009
Mr. David C. Nicklas Director Vice President for Business Affairs - ULM Monroe Louisiana	November 2011
Mr. L. J. Holland Director President Bancorp South Monroe Louisiana	March 2011
Gail Parker Executive Director – ULMFI Budget & Investment Officer - ULM Monroe, Louisiana	

LITTLE & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA
CHARLES R. MARCHBANKS, JR., CPA

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors of
University of Louisiana Monroe Facilities, Inc.
Monroe, Louisiana

We have examined the accompanying Schedule of Supplemental Assurances of the University of Louisiana Monroe Facilities, Inc. (the "Corporation") for the year ended June 30, 2009, based on criteria included in the University of Louisiana System's *Policy on University Foundations & Other Affiliate Organizations (Policy Number: FB-IV.(4)a)*. The University of Louisiana Monroe Facilities, Inc.'s management is responsible for the Schedule of Supplemental Assurances. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the Schedule of Assurances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents, in all material respects, the assurances of the University of Louisiana Monroe Facilities, Inc. , based on criteria included in the University of Louisiana System's *Policy on University Foundations & Other Affiliate Organizations (Policy Number: FB-IV.(4)a)*.

This report is intended solely for the information and use of the University of Louisiana Monroe Facilities, Inc., the University of Louisiana at Monroe, and the Board of Supervisors of the University of Louisiana System and is not intended to be and should not be used by anyone other than these specified parties.

Little & Associates, LLC

Monroe, Louisiana
August 17, 2009

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MAILING ADDRESS: P. O. BOX 4058 • MONROE, LA 71211-4058

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.
SCHEDULE OF SUPPLEMENTAL ASSURANCES
FOR THE YEAR ENDED JUNE 30, 2009

ASSURANCE 1

The University of Louisiana Monroe Facilities, Inc. (the "Affiliate") did not make loans to or allocate any net earnings or assets to the benefit of its directors, officers, or other private persons. Any payments made to these persons were for reasonable compensation for services rendered or reimbursement for reasonable travel expenses.

ASSURANCE 2

The University of Louisiana Monroe Facilities, Inc. made no political contributions nor reimbursed any employee for politically-related expenses that would violate IRS guidelines for 501(C)(3) organizations [for example, IRS Fact Sheet 2006-17]. Accordingly, the Affiliate did not provide funds to or on behalf of university employees to endorse political parties or candidates, attend political fund-raisers, participate in lobbying activities, etc.

ASSURANCE 3

The University of Louisiana Monroe Facilities, Inc. has not received any endowments since its inception.

ASSURANCE 4

The University of Louisiana Monroe Facilities, Inc.'s policy is to record donations in the accounting records in accordance with donor intent (i.e. unrestricted vs. restricted funds/endowments). The University of Louisiana Monroe Facilities, Inc. did not receive any donations during the year ended June 30, 2009.

ASSURANCE 5

The University of Louisiana Monroe Facilities, Inc. did not deposit or hold public funds at any time during the year ended June 30, 2009.

ASSURANCE 6

The University of Louisiana Monroe Facilities, Inc. did not have any contracts with any member of its Board of Directors, any member of the UL System Board of Supervisors, any UL System employee, or any university employee.

ASSURANCE 7

The University of Louisiana Monroe Facilities, Inc. did not pay any supplemental compensation and/or benefits for a UL System or University employee. Thus, no funds for supplemental compensation and/or benefits for a UL System or University employee were paid to the System Office or University for disbursement to the employee, and no supplemental payments were made directly to an employee.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.
SCHEDULE OF SUPPLEMENTAL ASSURANCES
FOR THE YEAR ENDED JUNE 30, 2009

ASSURANCE 8
The University of Louisiana Monroe Facilities, Inc. did not make any payments of $1,000 or more to or on behalf of any individual university employee. Thus, the requirement to report quarterly to the University all single payments of $1,000 or more made to or on behalf of any individual university employee was not applicable to the Affiliate during the year ended June 30, 2009.

ASSURANCE 9
The University of Louisiana Monroe Facilities, Inc. did not make any payments of less than $1,000 to or on behalf of any individual university employee. Thus, the requirement to review a sample of disbursements less than $1,000 made to or on behalf of university employees for compliance with the policies contained in the Affiliation Agreement, "Affiliate Funding and Administration," Section 4 is not applicable to the Affiliate.

ASSURANCE 10
The accompanying financial statements include a supplementary schedule of all revenues, expenses and capitalized expenses made to or on behalf of the university's intercollegiate athletics program. This schedule is fairly stated in relation to the financial statements taken as a whole.