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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, 2007 and 2006

LITTLE & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

**UNIVERSITY OF LOUISIANA
MONROE FACILITIES, INC.**

**AS OF AND FOR THE YEARS ENDED
JUNE 30, 2007 AND 2006**

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Independent Auditors' Report

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, 2007 and 2006, 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, 2007 and 2006, and the results of its activities and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Little + Associates, LLC

Monroe, Louisiana
August 22, 2007, except for Note 5, as
to which the date is December 4, 2007

Financial Statements

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2007 AND 2006

ASSETS

	2007	2006
CURRENT ASSETS		
Cash and Cash Equivalents - Restricted	$ 4,164,731	$ 7,211,642
Receivables:		
ULM - Student Rents, net	87,301	64,338
Laundry Contract	1,412	850
Accrued Interest - Notional (2004A Swap)	46,882	40,117
Accrued Interest - Notional (2004C Swap)	36,746	30,154
Prepaid Expenses	159,809	169,782
Total Current Assets	4,496,881	7,516,883
RESTRICTED ASSETS		
Cash and Cash Equivalents	822,767	402,630
Investments - MSFAI Promissory Notes	4,661,041	4,661,041
Total Restricted Assets	5,483,808	5,063,671
PROPERTY AND EQUIPMENT		
Leasehold Improvements:		
Buildings and Renovations	55,330,222	32,684,318
Furniture, Fixtures, & Equipment	3,803,430	2,375,884
Site Improvements	517,255	407,255
Total Depreciable Property	59,650,907	35,467,457
Less: Accumulated Depreciation	(2,775,587)	(921,218)
Net Depreciable Property and Equipment	56,875,320	34,546,239
Construction-in-Progress	1,277,075	20,542,405
Total Property and Equipment	58,152,395	55,088,644
OTHER ASSETS		
Interest Rate Swap Asset (Series 2004A)	132,033	554,459
Interest Rate Swap Asset (Series 2004C)	281,007	413,228
Debt Issuance Costs, net of Accumulated Amortization	1,493,548	1,452,631
Total Other Assets	1,906,588	2,420,318
TOTAL ASSETS	$ 70,039,672	$ 70,089,516

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

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2007 AND 2006

LIABILITIES AND NET ASSETS

	2007	2006
CURRENT LIABILITIES		
Accounts Payable	$ 218,827	$ -
Contracts Payable	623,011	1,304,290
Accrued Interest Payable	462,511	424,409
Current Portion of Long-Term Debt	740,400	485,000
ULM Parking Facility Advances	1,045,335	-
Construction Retainages Payable	32,402	852,950
Total Current Liabilities	3,122,486	3,066,649
LONG TERM LIABILITIES		
Note Payable - Series 2004A & B	34,760,000	34,985,000
Note Payable - Series 2004C & D	33,135,000	33,420,000
Note Payable - Series 2006	1,385,000	-
Note Payable - Regions Bank	461,750	-
Total Long-Term Liabilities	69,741,750	68,405,000
NET ASSETS		
Unrestricted Net Assets	(2,824,564)	(1,382,133)
Total Net Assets	(2,824,564)	(1,382,133)
TOTAL LIABILITIES AND NET ASSETS	$ 70,039,672	$ 70,089,516

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, 2007 AND 2006

	2007	2006
OPERATING REVENUES		
Rent Income	$ 6,024,961	$ 4,525,885
Other Income	50,990	14,808
Total Operating Revenues	6,075,951	4,540,693
OPERATING EXPENSES		
Administrative Expenses	18,628	42,276
Bad Debt Expense	28,573	8,842
Management Fees	386,319	223,200
Property Management Expenditures	2,202,680	1,879,293
Depreciation Expense	1,854,369	921,218
Total Operating Expenses	4,490,569	3,074,829
Net Operating Income	1,585,382	1,465,864
NONOPERATING REVENUES (EXPENSES)		
Interest Income	329,114	683,692
Interest Expense	(1,984,144)	(1,048,873)
Bond Related Fees	(3,635)	(6,708)
Bond Remarketing Fees	(85,860)	(86,112)
Letter of Credit Fees	(719,431)	(723,419)
ULM Auxiliary Reserve Expense	-	(500,000)
Unrealized Mark-to-Market - Interest Rate Swap	(554,647)	1,025,592
Amortization - Debt Issuance Costs	(9,210)	-
Total Nonoperating Revenues (Expenses)	(3,027,813)	(655,828)
Change in Net Assets	(1,442,431)	810,036
Net Assets (Deficit), Beginning of Year	(1,382,133)	(2,192,169)
Net Assets (Deficit), End of Year	$ (2,824,564)	$ (1,382,133)

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, 2007 AND 2006

	2007	2006
Cash Flows from Operating Activities		
Change in net assets	$ (1,442,431)	$ 810,036
Adjustments to Reconcile Change in Net Assets		
To Net Cash Provided by Operating Activities:		
Unrealized Mark-to-Market - Interest Rate Swap	554,647	(1,025,592)
Depreciation Expense	1,854,369	921,218
Amortization Expense - Debt Issuance Costs	9,210	
(Increase) Decrease in Receivables	(23,525)	(68,663)
(Increase) Decrease in Prepaid Expenses	9,973	58,003
Increase (Decrease) in Accounts Payable	213,327	(3,500)
Increase (Decrease) in Accrued Interest Payable	128,200	279,883
Net Cash Provided (Used) by Operating Activities	1,303,770	971,385
Cash Flows from Investing Activities		
Payments for Construction of Facilities	(6,517,903)	(23,467,752)
Net Cash Provided (Used) by Investing Activities	(6,517,903)	(23,467,752)
Cash Flows from Financing Activities		
Proceeds from Bond Issuance	1,500,000	-
Proceeds from Bank Loan	577,150	-
Principal Payments on Debt	(485,000)	-
Payments of Debt Issuance Costs	(50,126)	-
Advances from ULM for Parking Facility	1,045,335	-
Net Cash Provided (Used) by Financing Activities	2,587,359	-
Net Increase (Decrease) in Cash and Cash Equivalents	(2,626,774)	(22,496,367)
Cash and Cash Equivalents at Beginning of Year	7,614,272	30,110,639
Cash and Cash Equivalents at End of Year	$ 4,987,498	$ 7,614,272

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, 2007 AND 2006

	2007	2006
Supplemental Disclosure of Cash Flow Information		
Cash Paid During The Year For Interest:		
Capitalized	*$ 314,419*	*$ 1,289,561*
Expensed	1,857,257	818,158
Total	$ 2,171,676	$ 2,107,719
Schedule of Noncash Investing/Financing Activities		
Acquisition of Property and Equipment Through the Incurrence of Liabilities	$ 680,874	$ 2,280,656

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, 2007 AND 2006

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 – ULM Student Rents

Receivables – ULM Student Rents are due from ULM and are reported net of the allowance for doubtful accounts in the amount of $37,414 and $8,842 at June 30, 2007 and 2006, 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 – ULM Student Rents are considered to be past due when they are still owed as of the fourteenth class day of each semester. Receivables – ULM 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 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 its variable interest rate loan. Interest rate swap contracts designated and qualifying as cash flow hedges are reported at fair value. The gain or loss on the effective portion of the hedge is reported in the change in net assets. The Facilities documents its risk management strategy and hedge effectiveness at the inception of and during the term of each hedge. 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 $9,210 and $-0- as of June 30, 2007 and 2006, respectively

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Rental Income

Rental income is derived primarily form 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.

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

The Louisiana Local Government Environmental Facilities and Community Development Authority issued bonds that subsequently were loaned to the Facilities. The provisions of the Loan and Assignment Agreement, including its first amendment, 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. Restricted assets included cash and cash equivalents and certain investments at June 30, 2007 and 2006.

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 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, 2007, the Replacement Fund was adequately funded. The amount required to be funded on November 1, 2007, is estimated at $726,213.

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.

NOTE 4 – INVESTMENTS

Investments included in restricted assets are stated at fair value at June 30, 2007 and 2006, as follows:

(1) Morgan Stanley Flexible Agreements, Inc. ("MSFAI") Promissory Note in the amount of $2,616,279 bearing an annual interest rate of 3.18% and maturing on November 1, 2007, unless repayment of the note in accordance with the related MSFAI Investment Agreement is made prior to maturity; and

(2) Morgan Stanley Flexible Agreements, Inc. Promissory Note in the amount of $2,044,762 bearing an annual interest rate of 3.709% and maturing on November 3, 2008, unless repayment of the note in accordance with the related MSFAI Investment Agreement is made prior to maturity.

The carrying value of the Promissory Notes approximates fair value. In accordance with the MFSAI Promissory Notes and the related Investment Agreements, the Promissory Notes are unsecured.

NOTE 5 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS

Note Payable (Series 2004A, 2004B, 2004C, & 2004D Underlying Bonds)

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 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

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

between the Facilities and JPI Apartment Management, L.P., including all revenues received by the Facilities there under.

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
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	11/01/2012	11/1/2035	11/01/2010

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

Note Payable (Series 2006 Underlying Bonds)

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 if 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 Payable – Regions Bank

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 5 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (CONTINUED)

The aggregate maturities of long-term debt for each of the next five years and thereafter are as follows:

Year Ending June 30	Amount
2008	$ 740,400
2009	$ 685,400
2010	$ 835,400
2011	$ 1,005,400
2012	$ 1,180,550
Thereafter	$ 66,035,000

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.

As of June 30, 2007, Morgan Keegan is compensated at a rate of 0.125% per annum of the outstanding bonds bearing interest at the Weekly Interest Rate. However, effective November 1, 2007, Morgan Keegan is to be compensated at 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 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. Under the terms of the Reimbursement Agreement, Regions Bank is to be compensated in advance on a quarterly basis at a rate of 1.00% of the amount available under the Letter of Credit.

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

Subsequent to June 30, 2007, the existing Letter of Credit was terminated and a new Irrevocable Letter of Credit was issued by Regions Bank. Effective November 1, 2007, the maximum aggregate amount of the Letter of Credit is $70,364,579, the Letter of Credit Fee is 0.75%, and the Letter of Credit matures on November 20, 2009.

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"). The Swap Contracts are fixed rate swaps that are utilized to mitigate or eliminate the interest rate exposure of the variable rate bonds and qualify as a cash flow hedge. 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.

The fair values of the Swap Contracts are reported in other assets and long-term liabilities, as applicable. The gain or loss from changes in the fair values of the Swap Contracts is recorded in change in net assets. During the year ended June 30, 2007, the Facilities recorded a total loss of $554,952 on the Swap Contracts. During the year ended June 30, 2006, the Facilities recorded a total gain of $1,025,592 on the Swap Contracts. Also, amounts for the accrual of the net interest on the notionals due from Regions Bank under the Swap Contracts at June 30, 2007 and 2006, is recorded in current assets.

Subsequent to June 30, 2007, 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)	$32,415,000 (Series 2004C Bonds)
Fixed Rate Payer	ULM Facilities, Inc.	ULM Facilities, Inc.
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

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

Effective Date	November 1, 2007	November 1, 2007
Termination Date	November 1, 2012	November 1, 2012

NOTE 6 – CONCENTRATIONS OF CREDIT RISK

The Facilities has demand deposits and short-term investments (cash equivalents) held in 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 $100,000. The Facilities had uninsured deposit balances totaling $1,775,193 at June 30, 2007.

The Facilities has concentrations of credit risk relevant to receivables and investments in the MSFAI promissory notes receivables.

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.

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.

NOTE 7 – GROUND AND FACILITIES LEASE AGREEMENTS (CONTINUED)

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.

Intermodal Parking and Transit Facility and Parking Improvements

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") 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

NOTE 7 – GROUND AND FACILITIES LEASE AGREEMENTS (CONTINUED)

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.

Artificial Turf – Malone Stadium

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 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.

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.

The Management Agreement stipulates that the Manager is to be paid a monthly management fee as follows:

From July 1, 2004, through June 30, 2005	$15,750
From July 1, 2005 through June 30, 2006	$18,600

At the end of year two (June 30, 2006) and before each subsequent year, the Facilities and the Manager shall agree on a pro forma gross revenue figure for the upcoming year. The management fee for such upcoming year shall be fixed at 5.5% of the projected gross revenue figure. The gross revenue figure shall include a vacancy factor of 6.0%.

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 – CONSTRUCTION CONTRACTS

The Facilities has entered into a construction contract with Lincoln Builders, Inc. in the amount of $4,750,000 for the construction of the intermodal parking and transit facility and other campus parking improvements. Also, the Facilities entered into contracts with RD Owens Construction in the amount (including change orders) of $395,172 and ARMS Building & Maintenance, Inc. in the amount of $521,210 for the removal of the existing turf at Malone Stadium and the installation of the artificial turf.

NOTE 11 – 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 $840,463 and $508,335 for the years ended June 30, 2007 and 2006, respectively.

NOTE 12 – 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 13 – RECLASSIFICATIONS

Certain assets in the prior year's financial statements have been reclassified to conform to the current year's financial statement presentation.