NEW ISSUE
BOOK-ENTRY ONLY

RATINGS:
Moody's: Aa3
Standard & Poor's: A+
(See "RATINGS" herein)

THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ALABAMA

$24,455,000 University of Alabama in Huntsville General Fee Revenue Bonds, Series 2013-A2

Issuer of the Bonds. The Series 2013-A2 Bonds are being issued by The Board of Trustees of The University of Alabama, a public corporation and instrumentality of the State of Alabama (the "Board"), for the benefit of its division The University of Alabama in Huntsville ("UAHuntsville").

Authorizing Document. The Series 2013-A2 Bonds will be issued under that certain Trust Indenture dated November 1, 1989, as amended and supplemented (the "Indenture") between the Board and U.S. Bank National Association, as trustee.

Use of Proceeds. Proceeds of the Series 2013-A2 Bonds will be used by the Board to finance certain improvements to the UAHuntsville campus in Huntsville, Alabama and costs of issuance of the Series 2013-A Bonds. See "THE PLAN OF FINANCING".

Source of Payment. The Series 2013-A2 Bonds will be limited obligations of the Board payable solely from, and secured by a pledge of, the General Fees to be derived by the Board from the operation of UAHuntsville, on a parity of lien with certain indebtedness of the Board outstanding under the Indenture, as more particularly described herein.

The Series 2013-A2 Bonds will not be obligations or debts of the State of Alabama, nor are the full faith and credit of the State of Alabama pledged for the payment thereof, and neither the principal of nor the interest on the Series 2013-A2 Bonds will be paid out of any moneys provided for or appropriated to or on behalf of the Board by the State of Alabama.

Pricing and Payment Terms. See "PRICING AND PAYMENT TERMS" on the inside cover page.

Form and Date of Delivery. The Series 2013-A2 Bonds are being issued in book-entry form under the rules and regulations of The Depository Trust Company (the "Securities Depository"). The Series 2013-A2 Bonds are expected to be delivered on or about April 4, 2013.

Legal Counsel. Balch & Bingham LLP has served as bond counsel and disclosure counsel to the Board and will deliver its opinions with respect to the Series 2013-A2 Bonds in substantially the form attached as Appendix D. Certain legal matters will be passed upon for the Board by University Counsel.

Financial Advisor. Public Financial Management, Inc., Huntsville, Alabama, is serving as Financial Advisor to UAHuntsville.

Tax Status. Interest on the Series 2013-A2 Bonds (i) will not be included in gross income of the holders for purposes of federal income taxation and (ii) will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, subject to limitations or exceptions described under "TAX STATUS". The opinion of bond counsel will address these aspects of the tax status of the Series 2013-A2 Bonds and should be read in its entirety for a complete understanding of the scope of the opinion and the conclusions expressed.

Risk Factors. For a description of certain risk factors involved in an investment in the Series 2013-A2 Bonds, see "RISK FACTORS".

Date of Official Statement. The date of this Official Statement is March 20, 2013.

Underwriting. The Series 2013-A2 Bonds were purchased at a competitive sale conducted by the Board on March 20, 2013. See "UNDERWRITING".

PRICING AND PAYMENT TERMS

$24,455,000 University of Alabama in Huntsville General Fee Revenue Bonds, Series 2013-A2

$16,445,000 Serial Bonds

Year April 1	Principal Amount	Interest Rate	Price	Yield*	CUSIP**
2024	$820,000	4.00%	112.624%	2.56%	914025 CS8
2025	855,000	4.00	110.579	2.78	914025 CT6
2026	890,000	4.00	108.577	3.00	914025 CU3
2027	925,000	4.00	106.795	3.20	914025 CV1
2028	960,000	4.00	105.567	3.34	914025 CW9
2029	1,000,000	4.00	105.046	3.40	914025 CX7
2030	1,040,000	4.00	104.528	3.46	914025 CY5
2031	1,080,000	4.00	104.099	3.51	914025 CZ2
2032	1,125,000	4.00	103.757	3.55	914025 DA6
2033	1,170,000	4.00	102.992	3.64	914025 DB4
2034	1,215,000	4.00	102.570	3.69	914025 DC2
2035	1,265,000	4.00	102.150	3.74	914025 DD0
2036	1,315,000	4.00	101.732	3.79	914025 DE8
2037	1,365,000	4.00	101.317	3.84	914025 DF5
2038	1,420,000	4.00	100.903	3.89	914025 DG3

$8,010,000 Term Bond

Year April 1	Principal Amount	Interest Rate	Price	Yield	CUSIP**
2043	$8,010,000	4.00%	98.452%	4.09%	914025 DM0

Maturities and Interest Rates for Series 2013-A2 Bonds. The Series 2013-A2 Bonds mature on April 1 in the years and amounts and bear interest at the applicable rate per annum set forth in the tables above.

Date of Series 2013-A2 Bonds. The Series 2013-A2 Bonds will be dated as of the date of their original delivery.

Interest Payment Dates. Interest on the Series 2013-A Bonds is payable on April 1 and October 1 of each year, beginning October 1, 2013.

Authorized Denominations. The Series 2013-A2 Bonds may be issued in denominations of $5,000 or any integral multiple thereof.

Redemption Prior to Maturity. The Series 2013-A2 Bonds are subject to redemption prior to maturity, including scheduled mandatory redemption of Term Bonds. See "THE SERIES 2013-A2 BONDS—Redemption".

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*Yield to the first call date of April 1, 2023.

**CUSIP is a registered trademark of the American Bankers Association. CUSIP data contained herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of the McGraw Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services.

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE

President
Dr. Robert A. Altenkirch

Vice President for Finance and Administration
Ray M. Pinner

FINANCIAL ADVISOR

Public Financial Management, Inc.
Huntsville, Alabama

BOND COUNSEL

Balch & Bingham LLP
Birmingham, Alabama

This Official Statement is not to be construed as a contract or agreement between the Board and the purchasers or holders of any of the Series 2013-A2 Bonds.

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions.

The information in this Official Statement has been obtained from sources which are considered dependable and which are customarily relied upon in the preparation of similar official statements, but such information is not guaranteed as to accuracy or completeness.

All estimates and assumptions contained herein are believed to be reasonable, but no representation is made that such estimates or assumptions are correct or will be realized.

No person, including any broker, dealer or salesman, has been authorized to give any information or to make any representation other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Board.

The Trustee makes no representation or warranty as to, and has no responsibility for the accuracy or completeness of, the information contained in this Official Statement.

This Official Statement does not constitute an offer to sell the Series 2013-A2 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

The Series 2013-A2 Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities laws and will not be listed on any stock or other securities exchange, and neither the Securities and Exchange Commission nor any federal, state, municipal or other governmental agency will pass upon the accuracy, completeness or adequacy of this Official Statement.

The order and placement of material in this Official Statement, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all material in this Official Statement, including its appendices, must be considered in its entirety.

Any information or expressions of opinion are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create an implication that there has been no change as to the affairs of the Board since the date hereof.

In connection with the offering of the Series 2013-A2 Bonds, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Series 2013-A2 Bonds at levels above which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

In making an investment decision investors must rely on their own examination of the facts concerning the board, as disclosed herein, and the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

The information contained in this Official Statement has been obtained from representatives of the Board, public documents, records and other sources considered to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the Federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The delivery of this Official Statement at any time does not imply that any information herein is correct as of any time subsequent to its date. Any statements in this Official Statement involving estimates, assumptions and matters of opinion, whether or not so expressly stated, are intended as such and not representations of fact.

This Official Statement contains forward-looking statements, which can be identified by the use of the future tense or other forward-looking terms such as "may," "intend," "will," "expect," "anticipate," "plan," "management believes," "estimate," "continue," "should," "strategy," or "position" or the negatives of those terms or other variations on them or by comparable terminology. In particular, any statements, express or implied, concerning future operating results or the ability to generate Pledged Revenues or cash flow to service indebtedness are forward-looking statements. Investors are cautioned that reliance on any of those forward-looking statements involves risks and uncertainties and that, although the Board's management believes that the assumptions on which those forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate. As a result, the forward-looking statements based on those assumptions also could be incorrect, and actual results may differ materially from any results indicated or suggested by those assumptions. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Official Statement should not be regarded as a representation by the Board that its plans and objectives will be achieved. All forward-looking statements are expressly qualified by the cautionary statement contained in this paragraph. The Board undertakes no duty to update any forward-looking statements.

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OFFICIAL STATEMENT
Regarding

$24,455,000
The University of Alabama in Huntsville
General Fee Revenue Bonds, Series 2013-A2

issued by
The Board of Trustees
of The University of Alabama

INTRODUCTION

This Official Statement (including all Appendices hereto) is furnished by The Board of Trustees of The University of Alabama (the "Board") to provide information in connection with the issuance by the Board of the bonds referenced above (the "Series 2013-A2 Bonds") pursuant to a Trust Indenture dated November 1, 1989, as amended and supplemented (the "Indenture"), between the Board and U.S. Bank National Association, as trustee (the "Trustee").

Copies of the Indenture are available for inspection and copying at personal expense during normal business hours at the Office of the Vice President for Finance and Administration, of The University of Alabama in Huntsville, 188 Sparkman Drive, Huntsville, Alabama 35899 and at the office of UAHuntsville's Financial Advisor, Public Financial Management, Inc., 116 Jefferson Street South, Suite 301, Huntsville, Alabama 35801.

The Board and UAHuntsville

The Board is a public corporation and instrumentality of the State of Alabama under Section 264 of the Constitution of Alabama of 1901, as amended, and Chapter 47 of Title 16 of the Code of Alabama of 1975. The Board governs three university campuses located in Tuscaloosa, Birmingham and Huntsville, in the State of Alabama. Each campus is operated as a division by the Board.

The University of Alabama in Huntsville ("UAHuntsville") is a division of the Board whose campus is located in Huntsville, Alabama.

For a description of UAHuntsville, see APPENDIX A.

Purpose of the Issue

The Series 2013-A2 Bonds are issued for the purposes described hereinafter under "THE PLAN OF FINANCING".

Limited Obligations

The Series 2013-A2 Bonds will be limited obligations of the Board payable solely out of the General Fees. The Series 2013-A2 Bonds will not be debts or obligations of the State of Alabama, and debt service on the Series 2013-A2 Bonds will not be payable out of any money provided or appropriated to the Board by the State of Alabama. See "SECURITY AND SOURCE OF PAYMENT".

Financing Plan and Results of Competitive Sale

The Board offered two series of bonds at a competitive sale held on March 20, 2013: (i) its Series 2013-A1 Bonds and (ii) its Series 2013-A2 Bonds. The competitive sale was structured to permit participation by banks and other financial institutions as well as broker dealers.

The successful bidder for the Series 2013-A1 Bonds was Compass Mortgage Corporation. Compass Mortgage Corporation elected to take delivery in the form of a direct loan, as permitted by the notice of sale. The loan being made by Compass Mortgage Corporation is referred to in this Official Statement as the "Series 2013-A1 Loan". A single bond (the Series 2013-A1 Bond) is being delivered to Compass Mortgage Corporation to evidence and secure its loan.

The Series 2013-A1 Bond will constitute an "Additional Bond" issued under the Indenture and will be secured on a parity with the Series 2013-A2 Bonds offered pursuant to this Official Statement. The Series 2013-A1 Bond will be held by Compass Mortgage Corporation and is not being reoffered; therefore, the terms of the Series 2013-A1 Bond are not described in this Official Statement.

The Series 2013-A1 Loan is a fixed rate loan fully amortizing over its term and does not include put options, a balloon maturity or other similar early payment terms. The Series 2013-A1 Loan does not include financial covenants or default provisions that are different from the Indenture terms described in APPENDIX C. For debt service requirements on the Series 2013-A1 Bond see "DEBT SERVICE REQUIREMENTS ON BONDS SECURED BY A PLEDGE OF THE GENERAL FEES".

Additional Bonds

The Indenture permits the Board to issue Additional Bonds ("Additional Bonds") that will be secured on a parity with the Series 2013-A2 Bonds and any other bonds issued thereunder. For a description of bonds already outstanding under the Indenture that are secured on a parity with the Series 2013-A2 Bonds, see "DEBT STRUCTURE OF UAHUNTSVILLE". For a description of the terms of the Indenture for the issuance of Additional Bonds in the future, see "SECURITY AND SOURCE OF PAYMENT."

GLOSSARY

This section of the Official Statement contains the definitions of certain capitalized terms used frequently in this Official Statement. In addition, certain capitalized terms used in this Official Statement and not defined in this section are defined in "APPENDIX C – SUMMARY OF THE INDENTURE".

"**Enabling Law**" means Section 16-3-28 of the Code of Alabama 1975.

"**General Fees**" means all fees and charges now or hereafter levied against students enrolled at UAHuntsville, including without limitation, general tuition and course fees, registration fees, laboratory fees, out-of-state fees and building fees.

"**Indenture**" means that certain Trust Indenture dated November 1, 1989, as amended by a First Supplemental Indenture dated July 1, 1992, a Second Supplemental Indenture dated May 1, 1993, a Third Supplemental Indenture dated December 1, 1999, a Fourth Supplemental Indenture dated December 1, 2002, a Fifth Supplemental Indenture dated February 1, 2003, a Sixth Supplemental Indenture dated October 1, 2005, a Seventh Supplemental Indenture dated May 1, 2009, an Eighth Supplemental Indenture dated February 1, 2012, a Ninth Supplemental Indenture dated September 1, 2012 and a Tenth Supplemental Indenture dated April 1, 2013, between the Board and the Trustee.

"**Internal Revenue Code**" means the Internal Revenue Code of 1986, as amended.

"**Board**" means The Board of Trustees of The University of Alabama, an Alabama public corporation.

"**Series 2004-A Student Housing Bonds**" means the Board's $13,130,000 Student Housing Revenue Bonds, Series 2004-A, that were issued pursuant to a Trust Indenture dated September 1, 2004 between the Board and Regions Bank, as trustee, and are outstanding as of January 1, 2013 in the aggregate principal amount of $11,010,000.

"**Series 2004-B Student Housing Bonds**" means the Board's $7,515,000 Student Housing Revenue Bonds, Series 2004-B, Trust Indenture dated June 1, 1991, as amended and supplemented, between the Board and Regions Bank, as trustee, and are outstanding as of January 1, 2013 in the aggregate principal amount of $2,900,000.

"**Series 2005-A Bonds**" means the Board's $8,580,000 General Fee Revenue Refunding Bonds, Series 2005-A, that were issued pursuant to the Indenture and are outstanding as of January 1, 2013 in the aggregate principal amount of $6,185,000.

"**Series 2009-A Bonds**" means the Board's $8,115,000 The University of Alabama in Huntsville General Fee Revenue Bonds, Series 2009-A, that were issued pursuant to the Indenture and are outstanding as of January 1, 2013 in the aggregate principal amount of $7,215,000.

"**Series 2010-A Student Housing Bonds**" means the Board's $27,990,000 Student Housing Revenue Bonds (Taxable Direct-Pay Build America Bonds), Series 2010-A, that were issued pursuant to a Trust Indenture dated July 1, 2010 between the Board and Regions Bank, as trustee, all of which were outstanding as of January 1, 2013.

"**Series 2012-A Bonds**" means the Board's $11,170,000 The University of Alabama in Huntsville General Fee Revenue Refunding Bonds, Series 2012-A, that were issued pursuant to the Indenture and are outstanding as of January 1, 2013 in the aggregate principal amount of $11,170,000.

"**Series 2012-B Bonds**" means the Board's $13,700,000 The University of Alabama in Huntsville General Fee Revenue Refunding Bonds, Series 2012-B, that were issued pursuant to the Indenture and are outstanding as of January 1, 2013 in the aggregate principal amount of $13,700,000.

"**Series 2013-A Bonds**" means the Series 2013-A1 Bond and the Series 2013-A2 Bonds.

"**Series 2013-A1 Bond**" means the Board's $7,550,000 The University of Alabama in Huntsville General Fee Revenue Bond, Series 2013-A1 evidencing the Series 2013-A1 Loan.

"**Series 2013-A1 Loan**" means the direct loan to be evidenced by the Series 2013-A1 Bond.

"**Series 2013-A2 Bonds**" means the Board's Series 2013-A2 Bonds offered by this Official Statement.

"**Trustee**" means U.S. Bank National Association, a national banking association, as successor to SouthTrust Bank.

"**UAHuntsville**" means The University of Alabama in Huntsville, a division of the Board.

THE SERIES 2013-A2 BONDS

General Description of the Series 2013-A2 Bonds

The principal amount of the Series 2013-A2 Bonds to be issued is $24,455,000. The Series 2013-A2 Bonds will bear interest from their date and will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. The Series 2013-A2 Bonds will be issuable only as fully registered bonds without coupons in the denomination of $5,000 or any integral multiple thereof. The Series 2013-A2 Bonds will bear interest at the applicable rate per annum set forth on the inside cover page of this Official Statement. All Series 2013-A2 Bonds with the same maturity and CUSIP number will bear interest at the same rate.

Interest on the Series 2013-A2 Bonds will be payable on each April 1 and October 1, beginning October 1, 2013, and will be calculated on the basis of a 360-day year with 12 months of 30 days each.

The Series 2013-A2 Bonds will be issued in book-entry only form, as described below under "Book-Entry Only System", and the method and place of payment will be as provided in the book-entry only system. The provisions set forth in this section below will apply in the event that the use of the Book-Entry Only System for the Series 2013-A2 Bonds is discontinued.

Payment of interest due on each interest payment date will be made by check or draft mailed on such interest payment date to the persons who are registered holders of the Series 2013-A2 Bonds on the regular record date for such interest payment date, which will be the 15th day of the month preceding such interest payment date. Payment of principal (and premium, if any) on the Series 2013-A2 Bonds and payment of accrued interest on the Series 2013-A2 Bonds due upon redemption on any date other than an interest payment date will be made only upon surrender of the Series 2013-A2 Bonds at the corporate trust office of the Trustee in Birmingham, Alabama. The holder of any Series 2013-A2 Bond in a principal amount of $1,000,000 or more may, upon the terms and conditions of the Indenture, request payment of debt service by wire transfer to an account of such holder maintained at a bank in the continental United States or by any other method providing for payment in same-day funds that is acceptable to the Trustee.

The Trustee is also bond registrar and paying agent. Its corporate trust office for transacting business in its capacity as bond registrar and paying agent under the Indenture is located at 2204 Lakeshore Drive, Suite 302, Birmingham, Alabama 35209.

Redemption of Series 2013-A2 Bonds

The Series 2013-A2 Bonds will be subject to optional or mandatory redemption, as follows:

Optional Redemption. The Series 2013-A2 Bonds maturing on or after April 1, 2024 shall be subject to redemption prior to maturity, at the option of the Board, as a whole or in part, in Authorized Denominations, on April 1, 2023, or on any date thereafter, at a purchase price equal to 100% of the principal amount to be redeemed plus accrued interest to the redemption date.

Scheduled Mandatory Redemption of Term Bonds. The Series 2013-A2 Bonds maturing in 2043 (the "Series 2013-A2 Term Bonds") shall be redeemed, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, on dates and in principal amounts (after credit as provided below) as follows:

Term Bonds Maturing in 2043

Redemption Date (April 1)	**Principal Amount to be Redeemed**
2039	$1,480,000
2040	1,535,000
2041	1,600,000
2042	1,665,000
2043	(maturity) 1,730,000

Not later than the date on which notice of scheduled mandatory redemption is to be given, the Trustee shall select affected Series 2013-A2 Term Bonds for redemption by lot; provided, however, that the Board may, by timely notice delivered to the Trustee, direct that any or all of the following amounts be credited against the principal amount of Series 2013-A2 Term Bonds scheduled for redemption on such date: (i) the principal amount of Series 2013-A2 Term Bonds of the same maturity delivered by the Board to the Trustee for cancellation and not previously claimed as a credit; (ii) the principal amount of Series 2013-A2 Term Bonds of the same maturity previously redeemed (other than Series 2013-A2 Term Bonds of such maturity redeemed pursuant to the scheduled mandatory redemption requirement) and not previously claimed as a credit; and (iii) the principal amount of Series 2013-A2 Term Bonds of such maturity defeased and not previously claimed as a credit.

Partial Redemption of Series 2013-A2 Bonds. Except as otherwise provided with respect to mandatory redemption of Series 2013-A2 Term Bonds, if less than all Series 2013-A2 Bonds are to be redeemed, the principal amount of Series 2013-A2 Bonds of each maturity to be redeemed may be specified by the Board by written notice to the Trustee, or, in the absence of timely receipt by the Trustee of such notice, shall be selected by the Trustee by lot or by such other method as the Trustee shall deem fair and appropriate; provided, however, that the principal amount of Series 2013-A2 Bonds of each maturity to be redeemed must be a multiple of the smallest authorized denomination of the Series 2013-A2 Bonds. If less than all Series 2013-A2 Bonds of the same maturity are to be redeemed, the particular Series 2013-A2 Bonds of such maturity to be redeemed shall be selected by the Trustee by lot or by such other method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to the smallest authorized denomination of the Series 2013-A2 Bonds, or a multiple thereof) of the principal amount of Series 2013-A2 Bonds of such maturity of a denomination larger than the smallest authorized denomination.

Effect of Redemption. The Series 2013-A2 Bonds (or portions thereof as aforesaid) for whose redemption and payment provision is made in accordance with the Indenture shall thereupon cease to be entitled to the lien of the Indenture and shall cease to bear interest from and after the date fixed for redemption.

Notice of Redemption. Any notice of redemption will be given by mailing a copy of the redemption notice at least 30 days prior to the date fixed for redemption by registered or certified mail, postage prepaid, to each registered owner of each Series 2013-A2 Bond (or portion thereof) to be redeemed at his address shown on the registration books.

The Trustee will, to the extent practicable under the circumstances, comply with the standards set forth in the Securities and Exchange Commission's Exchange Act Release No. 23856 dated December 3, 1986, regarding redemption notices, but failure to do so shall not in any manner defeat the effectiveness of a call for redemption if notice by registered or certified mail is given as required by the Indenture.

Registration and Exchange

The Series 2013-A2 Bonds will be issued in book-entry only form, as described below under "Book-Entry Only System", and the method for registration and exchange of the Series 2013-A2 Bonds will be as provided in the book-entry only system. The provisions set forth in this section below will apply in the event that the use of the Book-Entry Only System for the Series 2013-A2 Bonds is discontinued.

The Series 2013-A2 Bonds are transferable only on the Bond Register maintained at the corporate trust office of the Trustee in Birmingham, Alabama. Upon surrender of a Series 2013-A2 Bond to be transferred, properly endorsed, a new Series 2013-A2 Bond of the same series and maturity will be issued to the designated transferee.

The Series 2013-A2 Bonds will be issued in denominations of $5,000 or any integral multiple thereof and, subject to the provisions of the Indenture, may be exchanged for other Series 2013-A2 Bonds of the same series and maturity, of any authorized denominations and of a like aggregate principal amount, as requested by the holder surrendering the same.

The Trustee may not be required (i) to transfer or exchange any Series 2013-A2 Bond for a period of 15 days next preceding the mailing of a notice of redemption of Series 2013-A2 Bonds or (ii) to transfer or exchange any Series 2013-A2 Bond selected for redemption in whole or in part.

Book-Entry Only System

Information concerning The Depository Trust Company, New York, NY ("*DTC*") and the Book-Entry System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Board, the Underwriters or the Trustee.

Bonds in Book-Entry Form. Beneficial ownership in the Series 2013-A2 Bonds will be available to Beneficial Owners (as described below) only by or through DTC Participants via a book-entry system (the "*Book-*

Entry System") maintained by DTC. If the Series 2013-A2 Bonds are taken out of the Book-Entry System and delivered to owners in physical form, as contemplated hereinafter under "Discontinuance of DTC Services," the following discussion will not apply.

DTC and Its Participants. DTC will act as securities depository for the Series 2013-A2 Bonds. The Series 2013-A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each maturity of the Series 2013-A2 Bonds in the aggregate principal amount of each such maturity and will be deposited with DTC. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*" and together with Direct Participants, "*Participants*"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series 2013-A2 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2013-A2 Bonds on DTC's records. The ownership interest of each actual purchaser of a Series 2013-A2 Bond ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in Series 2013-A2 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2013-A2 Bonds, except in the event that use of the book-entry system for such Series 2013-A2 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2013-A2 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2013-A2 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2013-A2 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2013-A2 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Series 2013-A2 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2013-A2 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an omnibus proxy (the "*Omnibus Proxy*") to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2013-A2 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on and payment of the redemption price of the Series 2013-A2 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Board or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and, if applicable, the relevant Indirect Participants.

Discontinuance of DTC Services. DTC may discontinue providing its services as depository with respect to the Series 2013-A2 Bonds at any time by giving reasonable notice to the Board and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be authenticated and delivered.

The Board may, as provided in the Indenture, decide to discontinue use of the Book-Entry System through DTC (or a successor securities depository). In that event, Series 2013-A2 Bond certificates will be printed and delivered to DTC.

Use of Certain Terms in Other Sections of the Official Statement. In reviewing this Official Statement it should be understood that while the Series 2013-A2 Bonds are in the Book-Entry System, reference in other sections of this Official Statement to owners of such Series 2013-A2 Bonds should be read to include any person for whom a Participant acquires an interest in Series 2013-A2 Bonds, but (i) all rights of ownership, as described herein, must be exercised through DTC and the Book-Entry System and (ii) notices that are to be given to registered owners by the Trustee will be given only to DTC. DTC is required to forward (or cause to be forwarded) the notices to the Participants by its usual procedures so that such Participants may forward (or cause to be forwarded) such notices to the Beneficial Owners.

Disclaimer. Neither the Board nor the Trustee has any responsibility or obligation to any Direct Participants or Indirect Participants or the Persons for whom they act with respect to (1) the accuracy of any records maintained by DTC or any Direct or Indirect Participant; (2) the payment by any relevant Participant of any amount due to any relevant Beneficial Owner in respect of the principal of or interest or premium, if any, on the Series 2013-A2 Bonds; (3) the delivery by any relevant Direct Participant or relevant Indirect Participant of any notice to any relevant Beneficial Owner that is required or permitted under the terms of the Indenture to be given to the holders of the Series 2013-A2 Bonds; (4) the selection of the relevant Beneficial Owners to receive payment in the event of any partial redemption of the Series 2013-A2 Bonds; or (5) any consent given or other action taken by DTC as holder of the Series 2013-A2 Bonds.

Authority for Issuance

The Series 2013-A2 Bonds are being issued pursuant to Section 16-3-28 of the Code of Alabama 1975 (the "Enabling Law"). The Enabling Law authorizes each public corporation that conducts one or more state educational institutions under its supervision to borrow money for the purchase, construction, enlargement or alteration of its facilities and to issue interest-bearing securities in evidence of such borrowing. The borrowing public corporation may pledge to the payment of such securities the fees from students levied and to be levied by or for such institution and any other moneys and revenues not appropriated by the State of Alabama to such institution. The borrowing corporation is also authorized by the Enabling Law to agree to maintain its charges and fees at such rates and in such amounts as will produce money sufficient to pay debt service on the securities with respect to which any such pledge is made and to create and maintain any required reserve therefor. The Enabling Law also authorizes refunding securities payable from the same or different sources as the securities to be refunded.

The Enabling Law provides that neither the securities issued thereunder, nor any pledge or agreement that may be made with respect to such securities, shall be or constitute an obligation of any nature whatsoever of the State of Alabama, and that neither such securities nor any obligation arising from any such pledge or agreement shall be payable out of any moneys appropriated by the State of Alabama to the institution with respect to which such securities are issued or such pledge or agreement is made.

Legal Investment Status

The Enabling Law provides that bonds, notes and other securities issued under the Enabling Law shall be eligible for the investment of trust or other fiduciary funds in the exercise of prudent judgment by those making such investment.

SECURITY AND SOURCE OF PAYMENT

Source of Payment

The Series 2013-A2 Bonds will be special or limited obligations of the Board payable solely out of all fees and charges now or hereafter levied against students enrolled at UAHuntsville, including without limitation, general tuition and course fees, registration fees, laboratory fees, out-of-state fees and building fees (herein referred to as the "General Fees"). The General Fees include the General Tuition Fees and the Building Fees.

For a description of the general operations of UAHuntsville, see "APPENDIX A – GENERAL DESCRIPTION OF THE UNIVERSITY OF ALABAMA IN HUNTSVILLE".

The Series 2013-A2 Bonds will not be general obligations of the Board and shall never constitute or give rise to a charge against funds appropriated to the Board by the State of Alabama.

Security for Payment

Pursuant to the Indenture the Board has pledged and assigned to the Trustee the General Fees and money and investments in the funds and accounts established under the Indenture. For a description of such funds and accounts, see "APPENDIX C – SUMMARY OF THE INDENTURE". Such pledge and assignment is for the benefit of all Bonds issued under the Indenture. The Series 2013-A1 Bond and the Series 2013-A2 Bonds will be the eleventh and twelfth series of bonds, respectively, issued under the Indenture. After issuance of the Series 2013-A Bonds, the Series 2005-A Bonds, the Series 2009-A Bonds, the Series 2012-A Bonds, the Series 2012-B Bonds and the Series 2013-A Bonds will be the only bonds outstanding under and secured by the Indenture. The Indenture authorizes the issuance of additional bonds under the Indenture secured on a parity with the Series 2005-A Bonds, the Series 2009-A Bonds, the Series 2012-A2 Bonds, the Series 2012-B Bonds and the Series 2013-A Bonds, subject to the terms and conditions specified in the Indenture.

The Board has also issued its Series 2004-A Student Housing Bonds, its Series 2004-B Student Housing Bonds and its Series 2010-A Student Housing Bonds. The General Fees are pledged for the payment of such bonds, with the pledge and assignment being expressly subject and subordinate to the pledges of the General Fees under the Indenture.

The Board, acting through its division UAHuntsville, has other miscellaneous indebtedness, but such indebtedness is not secured by a pledge or assignment of the General Fees.

For a description of the debt service requirements with respect to obligations secured by a pledge or assignment of the General Fees, see "DEBT SERVICE REQUIREMENTS ON BONDS SECURED BY A PLEDGE OF THE GENERAL FEES".

Additional Bonds

In the Indenture the Board has reserved the right to issue Additional Bonds secured by a pledge and assignment of the General Fees equally and ratably with the Series 2005-A Bonds, the Series 2009-A Bonds, the Series 2012-A Bonds, the Series 2012-B Bonds and the Series 2013-A Bonds. For a discussion of the terms of issuance of such additional bonds see "APPENDIX C – SUMMARY OF THE INDENTURE—Additional Bonds".

Remedies

The Board is exempt from all suits under the doctrine of sovereign immunity, but agents and employees of the Board may, by mandamus, be compelled to apply the General Fees to the payment of the Series 2013-A2 Bonds in accordance with the terms of the Indenture. An action for mandamus and the rights of the holders of the Series 2013-A2 Bonds and the enforceability thereof and of the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and general principles of equity, including the exercise of judicial discretion in appropriate cases.

The United States Bankruptcy Code

Provisions of the United States Bankruptcy Code permit political subdivisions of a state and certain state and local public agencies or instrumentalities that are insolvent or unable to meet their debts to file petitions for relief in the Federal Bankruptcy Court if authorized by state law. While there is no legislation currently in effect in Alabama authorizing the Board to file such a petition for relief, there is no assurance that legislation authorizing the Board to file a petition for relief under the Bankruptcy Code will not be enacted in the future.

Bankruptcy proceedings by the Board could have additional adverse effects on holders of Series 2013-A2 Bonds, including (a) delay in the enforcement of their remedies; (b) subordination of their claims or charges on the aforesaid pledged revenues to claims of those supplying goods and services to the Board after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings; (c) subordination of liens; (d) avoidance of liens or preferential transfers; (e) the issuance, with the approval of the Court, of certificates of indebtedness having priority over pre-existing obligations; and (f) imposition without their consent of a reorganization plan reducing or delaying or extinguishing payment on the Series 2013-A2 Bonds. The Bankruptcy Code contains provisions intended to insure that, in any reorganization plan not accepted by the holders of at least a majority in aggregate principal amount of the Series 2013-A2 Bonds, the holders of the Series 2013-A2 Bonds will have the benefit of their original claim or charge on the aforesaid pledged revenues or the "indubitable equivalent." The effect of these and other provisions of the Bankruptcy Code cannot be predicted with any certainty and may be significantly affected by judicial interpretation.

THE PLAN OF FINANCING

Proceeds of the Series 2013-A2 Bonds together with proceeds of the Series 2013-A1 Loan and UAHuntsville funds, will be used to finance (i) the acquisition, construction and equipping of a new Charger Union facility at UAHuntsville, (ii) the construction and equipping of a Nursing Building expansion and related renovations to existing facilities at UAHuntsville, (iii) the acquisition, construction and equipping of other general campus infrastructure improvements and additions at UAHuntsville and (iv) paying the costs of issuance of the Series 2013-A Bonds.

Sources and Uses of Funds

The sources and uses of funds for the plan of financing are as follows (rounded to the nearest whole dollar):

Sources of Funds	
Series 2013-A1 Loan	$7,550,000
Principal proceeds of Series 2013-A2 Bonds	24,455,000
UAHuntsville funds	1,800,000
Net original issue premium on Series 2013-A2 Bonds	593,696
Total	$34,398,696
Uses of Funds	
Nursing facility	$10,000,000
Student center	24,000,000
Underwriter's discount for Series 2013-A2 Bonds	244,550
Legal, accounting and other financing expenses	154,146
Total	$34,398,696

Debt Structure of UAHuntsville

Outstanding Long-Term Debt Payable From the General Fees

After giving effect to the issuance of the Series 2013-A Bonds, the Board will have the following long-term debt outstanding that is payable from the General Fees:

Series 2013-A2 Bonds. These are the bonds offered pursuant to this Official Statement. These bonds are payable from and secured by the General Fees on a parity basis with respect to the Series 2013-A1 Bond, the Series 2012-A Bonds, the Series 2012-B Bonds, the Series 2009-A Bonds, the Series 2005-A Bonds and all other Bonds issued pursuant to the Indenture.

Series 2013-A1 Bond. The Series 2013-A1 Loan, evidenced by the Series 2013-A1 Bond, will be in the principal amount of $7,550,000 and will be closed on the date of issuance of the Series 2013-A2 Bonds.

Series 2012-A Bonds. The Series 2012-A Bonds were issued pursuant to the Indenture and are payable and secured by the General Fees on a parity basis with respect to all other Bonds issued under the Indenture. As of January 1, 2013, the Series 2012-A Bonds are outstanding in the aggregate principal amount of $11,170,000 and mature or are subject to mandatory redemption on April 1 in the years 2013 through 2031 and on October 1, 2031.

Series 2012-B Bonds. The Series 2012-B Bonds were issued pursuant to the Indenture and are payable and secured by the General Fees on a parity basis with respect to all other Bonds issued under the Indenture. As of January 1, 2013, the Series 2012-B Bonds are outstanding in the aggregate principal amount of $13,700,000 and mature or are subject to mandatory redemption on September 1 in the years 2013 through 2026 and on December 1, 2026.

Series 2010 Student Housing Bonds. The Series 2010 Student Housing Bonds were issued pursuant to a Trust Indenture dated July 1, 2010 and are payable from (i) net student housing revenues from a student housing facility and (ii) the General Fees on a subordinate basis to the Series 2013-A2 Bonds and any other Bonds issued pursuant to the Indenture. As of January 1, 2013, the Series 2010 Student Housing Bonds are outstanding in the aggregate principal amount of $27,990,000 and mature or are subject to mandatory redemption on June 1 in the years 2013 through 2042.

Series 2009-A Bonds. The Series 2009-A Bonds were issued pursuant to the Indenture and are payable and secured by the General Fees on a parity basis with respect to the Series 2013-A2 Bonds and all other Bonds issued under the Indenture. As of January 1, 2013, the Series 2009-A Bonds are outstanding in the aggregate principal amount of $7,215,000 and mature or are subject to mandatory redemption on July 1 in the years 2013 through 2029.

Series 2005-A Bonds. The Series 2005-A Bonds were issued pursuant to the Indenture and are payable and secured by the General Fees on a parity basis with respect to the Series 2013-A2 Bonds and all other Bonds issued under the Indenture. As of January 1, 2013, the Series 2005-A Bonds are outstanding in the aggregate principal amount of $6,185,000 and mature or are subject to mandatory redemption on June 1 in the years 2013 through 2025.

Series 2004-A Student Housing Bonds. The Series 2004-A Student Housing Bonds were issued pursuant to a Trust Indenture dated September 1, 2004 and are payable from (i) net student housing revenues from a student housing facility and (ii) the General Fees on a subordinate basis to the Series 2013-A2 Bonds and all other Bonds issued pursuant to the Indenture. As of January 1, 2013, the Series 2004-A Student Housing Bonds are outstanding in the aggregate principal amount of $11,010,000 and mature or are subject to mandatory redemption on September 1 in the years 2013 through 2034.

Series 2004-B Student Housing Bonds. The Series 2004-B Student Housing Bonds were issued pursuant to a Trust Indenture dated June 1, 1991, as amended and supplemented, and are payable from (i) net student housing revenues from a student housing facility and (ii) the General Fees on a subordinate basis to the Series 2013-A2 Bonds and all other bonds issued pursuant to the Indenture. As of January 1, 2013, the Series 2004-B Student Housing Bonds are outstanding in the aggregate principal amount of $2,900,000 and mature or are subject to mandatory redemption on September 1 in the years 2013 through 2016.

Additional Debt Payable From General Fees

The Board currently has no plans for incurring any additional material debt payable from the General Fees. The Board does expect to incur additional debt in the future, however, at times, in amounts, and for purposes not yet determined. Such debt may be issued as additional bonds under the Indenture. See "APPENDIX C – SUMMARY OF THE INDENTURE – Additional Bonds".

Outstanding Short-Term Debt Payable From General Fees

The Board will not have any short-term debt payable from the General Fees when the Series 2013-A2 Bonds are issued.

Outstanding Debt Payable From Other Sources

The Board has the following outstanding debt payable from revenue sources at UAHuntsville other than the General Fees.

1981 Housing Revenue Bonds. The Board's The University of Alabama in Huntsville Housing Revenue Bonds issued in 1981 are payable from revenues derived from UAHuntsville's consolidated housing revenues. As of January 1, 2013, these bonds are outstanding in the aggregate principal amount of $821,000 and mature on May 1 in the years 2013 through 2021.

1980 Housing Revenue Bonds. The Board's The University of Alabama in Huntsville Housing Revenue Bonds issued in 1980 are payable from UAHuntsville's consolidated housing revenues. As of

January 1, 2013, these bonds are outstanding in the aggregate principal amount of $642,500 and mature on May 1 in the years 2013 through 2020.

Miscellaneous Debt. From time to time the Board has incurred various debts (including notes and capitalized leases) that are payable from income from the financed property or other sources other than the General Fees. No such debt was outstanding as of January 1, 2013.

Other System Debt

The Board has incurred, and will continue to incur, debt payable solely from revenues of its two other operating divisions at the Tuscaloosa campus and the Birmingham campus. This debt will have no claim on the General Fees or any other revenues from the operation of UAHuntsville.

Note Regarding GASB No. 68 and Pension Liabilities

In June 2012, the Governmental Accounting Standards Board issued Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB No. 68" or the "Standard"). The Standard generally requires that in financial statements of governmental entities prepared using the economic resources measurement focus and accrual basis of accounting, such as those of UAHuntsville, an employer that does not have a special funding situation is required to recognize a liability for its proportionate share of the net pension liability. It also changes the amount and method of recognition of periodic pension expense, as well as required certain new disclosures. This standard is effective for UAHuntsville's fiscal year ending September 30, 2015. Given the recent issuance of the standard, UAHuntsville's management has not fully evaluated the impact of the adoption of GASB No. 68 on its financial statements, but it is reasonably possible that its adoption will have a material impact on the University's future statements of net assets (including recognition of a material long-term liability), of revenues, expenses, and changes in net assets, and of cash flows.

DEBT SERVICE REQUIREMENTS ON BONDS SECURED BY A PLEDGE OF THE GENERAL FEES

The following table sets forth debt service requirements, rounded to the nearest whole dollar, on all bonds of the Board that will be secured by a pledge of the General Fees after the Series 2013-A2 Bonds are issued. Columns and rows may not add due to rounding.

Fiscal Year Ending Sept. 30	Series 2013-A1 Bond[1]			Series 2013-A2 Bonds[1]			Other Bonds[1]	Housing Bonds [2]	Aggregate Debt Service
	Principal	**Interest**	**Total**	**Principal**	**Interest**	**Total**			
2013	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$3,136,259	$3,012,992	$6,149,251
2014	710,000	117,547	827,547	0	970,048	970,048	3,135,210	3,017,540	7,950,345
2015	715,000	107,388	822,388	0	978,200	978,200	3,135,846	3,023,427	7,959,861
2016	725,000	96,163	821,163	0	978,200	978,200	3,140,770	3,035,070	7,975,203
2017	735,000	84,780	819,780	0	978,200	978,200	3,139,537	2,249,043	7,186,560
2018	745,000	73,241	818,241	0	978,200	978,200	3,142,502	2,258,007	7,196,950
2019	760,000	61,544	821,544	0	978,200	978,200	3,144,769	2,264,621	7,209,134
2020	770,000	49,612	819,612	0	978,200	978,200	3,154,119	2,279,092	7,231,023
2021	785,000	37,523	822,523	0	978,200	978,200	3,151,996	2,396,642	7,349,361
2022	795,000	25,199	820,199	0	978,200	978,200	3,148,377	2,399,541	7,346,317
2023	810,000	12,717	822,717	0	978,200	978,200	3,148,544	2,405,101	7,354,562
2024	0	0	0	820,000	978,200	1,798,200	3,153,561	2,407,461	7,359,222
2025	0	0	0	855,000	945,400	1,800,400	3,167,198	2,417,751	7,385,349
2026	0	0	0	890,000	911,200	1,801,200	3,148,839	2,425,551	7,375,590
2027	0	0	0	925,000	875,600	1,800,600	3,110,472	2,430,861	7,341,933
2028	0	0	0	960,000	838,600	1,798,600	1,179,655	2,438,121	5,416,376
2029	0	0	0	1,000,000	800,200	1,800,200	1,181,198	2,452,671	5,434,069
2030	0	0	0	1,040,000	760,200	1,800,200	565,400	2,474,086	4,839,686
2031	0	0	0	1,080,000	718,600	1,798,600	564,900	2,471,941	4,835,441
2032	0	0	0	1,125,000	675,400	1,800,400	551,556	2,496,881	4,848,837
2033	0	0	0	1,170,000	630,400	1,800,400	0	2,517,862	4,318,262
2034	0	0	0	1,215,000	583,600	1,798,600	0	2,548,983	4,347,583
2035	0	0	0	1,265,000	535,000	1,800,000	0	1,745,467	3,545,467
2036	0	0	0	1,315,000	484,400	1,799,400	0	1,775,701	3,575,101
2037	0	0	0	1,365,000	431,800	1,796,800	0	1,802,750	3,599,550
2038	0	0	0	1,420,000	377,200	1,797,200	0	1,831,615	3,628,815
2039	0	0	0	1,480,000	320,400	1,800,400	0	1,867,095	3,667,495
2040	0	0	0	1,535,000	261,200	1,796,200	0	1,898,793	3,694,993
2041	0	0	0	1,600,000	199,800	1,799,800	0	1,936,709	3,736,509
2042	0	0	0	1,665,000	135,800	1,800,800	0	1,970,445	3,771,245
2043	0	0	0	1,730,000	69,200	1,799,200	0	0	1,799,200
Total	$7,550,000	$665,714	$8,215,714	$24,455,000	$21,306,048	$45,761,048	$51,200,708	$70,251,820	$175,429,290

(1) Includes debt service on the Series 2005-A Bonds, Series 2009-A Bonds, Series 2012-A Bonds and Series 2012-B Bonds.

(2) Includes Series 2010 Student Housing Bonds, Series 2004-A Student Housing Bonds and Series 2004-B Student Housing Bonds. Net debt service for Series 2010-A Student Housing Bonds is shown after taking into account federal subsidy. The federal subsidy could be reduced by a legislative deficit reduction initiative. See "RISK FACTORS—Future Legislation Could Affect Tax-Exempt Bonds."

DEBT SERVICE COVERAGE

Set forth below is the historical coverage of maximum annual debt service requirements ($7,975,203 occurring in fiscal year 2016) on all bonds secured by a pledge of the General Fees (both on a prior and parity basis among the issues of General Fee Revenue Bonds issued under the Indenture and on a subordinate basis in the case of the various issues of Student Housing Revenue Bonds, without taking into account any other revenues that are the primary security and source of payment for such Student Housing Revenue Bonds), taking into account the Series 2013-A Bonds. General Fees are shown net of scholarship allowances. See "DEBT SERVICE REQUIREMENTS ON BONDS SECURED BY A PLEDGE OF THE GENERAL FEES".

Fiscal Year	General Fees	Coverage of Maximum Annual Debt Service (Rounded)*
2009-10	$41,673,497	5.23x
2010-11	45,030,169	5.65x
2011-12	50,032,801	6.27x

For a description of the General Fees and historical enrollment at UAHuntsville see "APPENDIX A".

RISK FACTORS

Limited Source of Payment

The Series 2013-A2 Bonds will be limited obligations of the Board, payable solely from, and secured by a pledge of, the General Fees. See "SECURITY AND SOURCE OF PAYMENT".

The Series 2013-A2 Bonds will not be debts or obligations of the State of Alabama, and debt service on the Series 2013-A2 Bonds will not be payable out of any money provided or appropriated to the Board by the State of Alabama. Holders of the Series 2013-A2 Bonds shall never have the right to demand payment of the Series 2013-A2 Bonds from the Board from any source other than the special funds established under the Indenture and the General Fees and shall be entitled to payment from such sources only on a parity basis with all other bonds outstanding under the Indenture.

The net proceeds of the Series 2013-A2 Bonds will not be held in a special fund under the Indenture or otherwise pledged to secure payment of the Series 2013-A2 Bonds.

Limitation on Remedies Upon Default

The Indenture does not constitute a mortgage on or security interest in any properties of the Board, and no foreclosure or sale proceedings with respect to any property of the Board may occur.

The Board is exempt from all suits under the doctrine of sovereign immunity, but agents and employees of the Board may, by mandamus, be compelled to apply the General Fees to the payment of the Series 2013-A2 Bonds in accordance with the terms of the Indenture.

An action for mandamus and the rights of the holders of the Series 2013-A2 Bonds and the enforceability thereof and of the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and general principles of equity, including the exercise of judicial discretion in appropriate cases.

State Proration

The State of Alabama appropriates money each year to UAHuntsville for operating costs and non-operating cash requirements, including capital expenditures. Because the State is mandated by its constitution to operate with a balanced budget, the State occasionally has reduced its appropriations, through a process known as "proration", when its annual revenues are not expected to meet budgeted appropriations. It is expected that proration will be implemented from time to time in the future, and when proration does occur, UAHuntsville will be required to implement various cost-saving measures in order to balance its own budget. Although proration may impact UAHuntsville's budget, the Series 2013-A2 Bonds are not payable from State appropriations. See information in APPENDIX A under the caption "State Appropriations."

On each occasion when proration was announced by the State, UAHuntsville responded by modifying amounts budgeted for contingency purposes, applying unrestricted fund balances carried over from previous years, deferring equipment purchases, reducing administrative expenses such as travel cost and not filling vacant positions. Adjustments to reduce the recurring expense base for personnel and other costs, and to enhance recurring revenue streams where possible, were also made to rebalance the budget for proration considered to reflect long-term funding prospects. UAHuntsville will adjust for future prorations, if any, by taking similar actions.

General Factors Affecting the General Fees

No representation can be made and no assurance can be given that the General Fees will be sufficient to make the required payment of debt service on the Series 2013-A2 Bonds and pay necessary operating expenses. Such receipts are subject to a variety of factors that could adversely affect debt service coverage on the Series 2013-A2 Bonds, including general economic conditions, population in UAHuntsville's basic service area, the demand for higher education, and legislative and administrative requirements on UAHuntsville's operations.

Qualification of Legal Opinions

The various legal opinions to be delivered concurrently with delivery of the Series 2013-A2 Bonds (1) will be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency, or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally and (2) will express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of parties to the transaction, and the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

Tax-Exempt Status of Series 2013-A2 Bonds

It is expected that the Series 2013-A2 Bonds will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance. See "TAX STATUS". Bond counsel is delivering an opinion with respect to certain aspects of the tax status of the Series 2013-A2 Bonds. The opinion for the Series 2013-A2 Bonds is attached to this Official Statement as APPENDIX D, and should be read in its entirety for a complete understanding of the scope of the opinion and the conclusions expressed. A legal opinion is only the expression of professional judgment and does not constitute a guaranty with respect to the matters covered. In addition, the opinion of bond counsel speaks only as of its date, and bond counsel does not undertake to advise bondholders about subsequent developments.

The tax status of the Series 2013-A2 Bonds could be affected by post-issuance events. There are various requirements of the Internal Revenue Code that must be observed or satisfied after the issuance of the Series 2013-A2 Bonds in order for the Series 2013-A2 Bonds to qualify for, and retain, tax-exempt status. These requirements include use of the proceeds of the Series 2013-A2 Bonds, use of the facilities financed by the Series 2013-A2 Bonds, investment of bond proceeds, and the rebate of so-called excess arbitrage earnings. Compliance with these requirements is the responsibility of the Board.

The Internal Revenue Service conducts an audit program to examine compliance with the requirements regarding tax-exempt status. If the Series 2013-A2 Bonds become the subject of an audit, under current IRS procedures, the Board would be treated as the taxpayer in the initial stages of an audit, and the owners of the Series 2013-A2 Bonds would have limited rights to participate in the audit process. The initiation of an audit with respect to the Series 2013-A2 Bonds could adversely affect the market value and liquidity of the Series 2013-A2 Bonds, even though no final determination about the tax-exempt status would have been made. If an audit were to result in a final determination that the Series 2013-A2 Bonds do not qualify as tax-exempt obligations, such a determination could be retroactive in effect to the date of issuance of the Series 2013-A2 Bonds.

In addition to post-issuance compliance, a change in law after the date of issuance of the Series 2013-A2 Bonds could affect the tax-exempt status of the Series 2013-A2 Bonds or the economic benefit of investing in the Series 2013-A2 Bonds. For example, Congress could eliminate the exemption for interest on the Series 2013-A2 Bonds, or it could reduce or eliminate the federal income tax, or it could adopt a so-called flat tax. See "RISK FACTORS – Future Legislation Could Affect Tax-Exempt Bonds" below.

The Indenture does not provide for mandatory redemption of the Series 2013-A2 Bonds or payment of any additional interest or penalty if a determination is made that the Series 2013-A2 Bonds do not comply with the existing requirements of the Internal Revenue Code or if a subsequent change in law adversely affects tax-exempt status of the Series 2013-A2 Bonds or the effect of investing in the Series 2013-A 2Bonds.

Future Legislation Could Affect Tax-Exempt Bonds

The federal government is considering various proposals to reduce federal budget deficits and the amount of federal debt, including proposals that would eliminate or reduce indirect expenditures made through various deductions and exemptions currently allowed by the income tax laws.

The exemption for interest on tax-exempt bonds is one of the indirect expenditures that could be affected by a deficit reduction initiative. Some deficit-reduction proposals would completely eliminate the exemption for interest on tax-exempt bonds. Other proposals would place an aggregate cap on the total amount of exemptions and deductions that may be claimed by a taxpayer, or a cap on the exemption for interest on tax-exempt bonds. Changes in the rate of the federal income tax, including so-called "flat tax" proposals, could also reduce the value of the exemption.

Changes affecting the exemption for interest on tax-exempt bonds, if enacted, could apply to tax-exempt bonds already outstanding, including the Series 2013-A2 Bonds offered pursuant to this Official Statement, as well as bonds issued after the effective date of such legislation. It is not possible to predict whether Congress will adopt legislation affecting the exemption for tax-exempt bonds, what the provisions of such legislation may be, whether any such legislation will be retroactive in effect, or what effect any such legislation may have on investors in the Series 2013-A2 Bonds. Investors should consult their own tax advisers about the prospects and possible effect of future legislation that could affect the exemption for interest on tax-exempt bonds.

RATINGS

Moody's Investors Service, Inc. and Standard & Poor's Rating Service, a division of The McGraw-Hill Companies, Inc. (the "Rating Agencies") have assigned the ratings to the Series 2013-A2 Bonds as indicated on the cover page based upon information provided by Board. Each rating reflects the respective Rating Agency's underlying rating of the creditworthiness of the Board with respect to obligations payable from the General Fees. Any further explanation of the significance of such ratings may be obtained only from the appropriate rating agency. The Board furnished to the Rating Agencies the information contained in this Official Statement and certain other information respecting the Board and the Series 2013-A2 Bonds. Generally, Rating Agencies base their underlying ratings on such materials and information, as well as on their own investigations, studies and assumptions.

The ratings indicated on the cover page are not recommendations to buy, sell or hold the Series 2013-A2 Bonds, and any such ratings may be subject to revision or withdrawal at any time by the Rating Agencies. Any downward revision or withdrawal of any or all of such ratings may have an adverse effect on the market price of the affected Series 2013-A2 Bonds. Neither the Board nor the Underwriters have undertaken any responsibility either to bring to the attention of the Series 2013-A2 Bondholders any proposed revision, suspension or withdrawal of a rating or to oppose any such revision, suspension or withdrawal.

TAX STATUS

General

Under existing law, the tax status of the Series 2013-A2 Bonds will include the following characteristics:

Federal Tax-Exempt Status. Interest on the Series 2013-A2 Bonds will be excluded from gross income for federal income tax purposes if the Board complies with all requirements of the Internal Revenue Code of 1986 (the "Internal Revenue Code") that must be satisfied subsequent to the issuance of the Series 2013-A2 Bonds in order that interest thereon be and remain excluded from gross income. Failure to comply with such requirements could cause the interest on the Series 2013-A2 Bonds to be included in gross income, retroactive to the date of issuance of the Series 2013-A2 Bonds. The Board has covenanted to comply with all such requirements.

Federal Tax Preference Treatment. Interest on the Series 2013-A2 Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations.

State Tax-Exempt Status. Interest on the Series 2013-A2 Bonds will be exempt from State of Alabama income taxation.

Original Issue Discount

The original issue discount in the selling price of a Series 2013-A2 Bond, to the extent properly allocable to each owner of such Series 2013-A2 Bond, is excluded from gross income for federal income tax purposes with respect to such owner. The original issue discount is the excess of the stated redemption price at maturity of such Series 2013-A2 Bond over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of the Series 2013-A2 Bonds of such maturity were sold.

Under Section 1288 of the Internal Revenue Code, original issue discount on tax-exempt Series 2013-A2 Bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Series 2013-A2 Bond during any accrual period generally equals (i) the issue price of such Series 2013-A2 Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Series 2013-A2 Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (iii) any interest payable on such Series 2013-A2 Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such Series 2013-A2 Bond. Purchasers of any Series 2013-A2 Bond at an original issue discount should consult their tax advisers regarding the determination and treatment of original issue discount for federal income tax purposes, and with respect to state and local tax consequences of owning such Series 2013-A2 Bond.

Original Issue Premium

An amount equal to the excess of the purchase price of a Series 2013-A2 Bond over its stated redemption price at maturity constitutes premium on such Series 2013-A2 Bond. A purchaser of a Series 2013-A2 Bond must amortize any premium over such Series 2013-A2 Bond's term using constant yield principles, based on the Series 2013-A2 Bond's yield to maturity. As premium is amortized, the purchaser's basis in such Series 2013-A2 Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to such purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of such Series 2013-A2 Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Series 2013-A2 Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes, and with respect to state and local tax consequences of owning such Series 2013-A2 Bonds.

See "RISK FACTORS—Tax-Exempt Status of Series 2013-A2 Bonds" for a discussion of certain risk factors relating to investment in the Series 2013-A2 Bonds.

NO OBLIGATION OF STATE OF ALABAMA FOR PAYMENT OF SERIES 2013-A2 BONDS

The Series 2013-A2 Bonds are special obligations of the Board payable solely out of, and secured by a pledge of, the General Fees. Neither the principal of nor the interest on the Series 2013-A2 Bonds nor the aforesaid pledge or any other agreement contained in the Indenture shall constitute an obligation (whether direct, indirect or contingent) of any nature whatsoever of the State of Alabama, and neither the Series 2013-A2 Bonds nor any obligation arising from said pledge or agreements shall be payable out of any moneys appropriated to the Board or to UAHuntsville by the State of Alabama.

LITIGATION

The Board

There is not now pending or, to the knowledge of the Board, threatened any litigation or other proceeding restraining or enjoining the issuance or delivery of the Series 2013-A2 Bonds or questioning or affecting the validity of the Series 2013-A2 Bonds or the proceedings or authority under which they are to be issued. Neither the creation, organization or existence of the Board nor the title of any of the present members or other officers of the Board to their respective offices is being contested. There is no litigation or other proceeding pending or, to its knowledge, threatened which in any manner questions the right of the Board to enter into the Indenture or to secure the Series 2013-A2 Bonds in accordance with the Indenture.

UAHuntsville

UAHuntsville has advised that no litigation or other proceeding is pending, or to its knowledge, threatened against it except for litigation (a) in which the probable recoveries and the estimated costs and expenses of defense will be entirely within the applicable insurance policy limits (subject to applicable deductibles) or are not in excess of the total of the reserves held under the applicable self-insurance or shared-risk program or (b) in which an adverse determination would not have a material adverse effect on the operations or the financial condition of UAHuntsville.

LEGAL MATTERS

The legality and validity of the Series 2013-A2 Bonds will be approved by Balch & Bingham LLP, Birmingham, Alabama, bond counsel. Bond counsel will render an opinion with respect to the Bonds in substantially the form attached as APPENDIX D. The opinion of bond counsel should be read in its entirety for a complete understanding of the scope of the opinion and the conclusions expressed. Delivery of the Bonds is contingent upon the delivery of the opinion of bond counsel. R. Cooper Shattuck, General Counsel of the University of Alabama System, has served as counsel to the Board in connection with the issuance of the Series 2013-A2 Bonds.

Bond counsel is of the opinion that the information under the headings "THE SERIES 2013-A2 BONDS", "SECURITY AND SOURCE OF PAYMENT", "TAX STATUS" and "APPENDIX C" fairly summarizes the matters therein referred to. Although bond counsel has not undertaken to determine independently, and does not assume any responsibility for, or the accuracy or completeness of, the other information in this Official Statement, bond counsel has participated in preparation of the Official Statement, including review and discussion of the contents thereof, and is also of the opinion that nothing has come to bond counsel's attention that has caused bond counsel to believe that the information contained in the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (it being understood that bond counsel has not been asked to express, and will not express, any opinion with respect to statistical data, operating statistics, financial statements, and other financial data in the Official Statement).

UNDERWRITING

The Series 2013-A2 Bonds were purchased at a competitive sale by a group of firms (collectively, the "Underwriters") for which BMO Capital Markets GKST Inc. served as the senior manager. The Series 2013-A2 Bonds are being reoffered by the Underwriters at the prices or yields reflected on the inside cover page of this Official Statement. The purchase price being paid by the Underwriters is $24,804,146.20, which reflects net original issue premium of $593,696.20 and underwriters' spread or compensation of $244,550.00.

CONTINUING DISCLOSURE

General

The Board has covenanted for the benefit of the holders of the Series 2013-A2 Bonds to provide to the Municipal Securities Rule Making Board's Electronic Municipal Market Access System ("EMMA") and to the appropriate State of Alabama information depository ("SID"), if any, (i) certain financial information and operating data relating to the Board on an annual basis (the "Annual Financial Information") within 180 days after the end of its fiscal year and (ii) notices of the occurrence of the following events in a timely manner not in excess of ten (10) business days after their occurrence, to the Municipal Securities Rulemaking Board's EMMA System ("MSRB"), and to the SID, if any, with respect to the Series 2013-A2 Bonds (as appropriate): (a) principal and interest payment delinquencies, (b) non-payment related defaults, if material, (c) unscheduled draws on debt service reserves reflecting financial difficulties, (d) unscheduled draws on credit enhancements reflecting financial difficulties, (e) substitution of credit or liquidity providers, or their failure to perform, (f) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Series 2013-A2 Bonds, (g) modifications to rights of bondholders, if material, (h) bond calls (excluding mandatory, scheduled redemptions which are set forth in detail in the Official Statement, and the only open issue is which Series 2013-A2 Bonds will be redeemed in the case of a partial redemption), if material, (i) defeasances, (j) release, substitution, or sale of property securing repayment of the Series 2013-A2 Bonds (as appropriate), if material, (k) rating changes, (l) tender offers, (m) bankruptcy, insolvency, receivership, or similar proceeding of the Board, (n) the consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (o) appointment of successor or additional trustee, or the change of name of a trustee, if material.

The Board also agrees to provide, in a timely manner, to the MSRB notice of a failure by the Board to provide the required annual financial information on or before the date specified in its written continuing disclosure undertaking.

The Annual Financial Information will include financial information and operating data relating to the Board similar to the type found in the section of this Official Statement called "APPENDIX A – Faculty and Staff, Student Enrollment, Tuition and Fees and Financial Matters". In addition, the Board will provide to such repositories audited financial statements prepared in accordance with generally accepted accounting principles. Such audited financial statements may take the form of a System-wide financial presentation of the Board, but in such event will include segment financial information for UAHuntsville in accordance with generally accepted accounting principles. The accounting principles may change from time to time, as directed by the Governmental

Accounting Standards Board ("GASB"), and may change the presentation of financial information. See "APPENDIX A – Financial Matters".

The Board will disseminate its Annual Financial Information (in the form and by the dates described above) to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Securities and Exchange Commission at the time of delivery of such information and by such time so that such entities receive the information by the dates specified. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents required to be filed with EMMA, including financial statements and all other externally prepared reports.

The Board shall never be subject to money damages for its failure to comply with its obligations to provide the required information. The only remedy available to the holders of the Series 2013-A2 Bonds for breach by the Board of its obligations to provide the required information shall be the remedy of specific performance or mandamus against appropriate officials of the Board. The failure by the Board to provide the required information shall not be an event of default with respect to the Series 2013-A2 Bonds under the Indenture.

No person other than the Board shall have any liability or responsibility for compliance by the Board with its obligations to provide information. The Trustee has not undertaken any responsibility with respect to any required reports, notices or disclosures.

The Board retains the right to modify its obligations described above as long as such modification is done in a manner consistent with Rule 15c2-12 of the Securities and Exchange Commission.

Compliance with Prior Undertakings

Although the Board has filed its Annual Financial Information with some Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs") on or before the date due, the Board did not file with all NRMSIRs for the five fiscal years ended September 30, 2005. The Board subsequently made these past due filings in October 2005.

INDEPENDENT ACCOUNTANTS

The financial statements of UAHuntsville and its discretely presented component unit as of September 30, 2012 and 2011 and for the years then ended, included in this Official Statement as APPENDIX B, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report dated January 25, 2013, which report also appears in APPENDIX B.

FINANCIAL ADVISOR

Public Financial Management, Inc., Huntsville, Alabama (the "Financial Advisor") is serving as financial advisor to the Board in connection with the issuance of the Series 2013-A2 Bonds. The Financial Advisor assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Series 2013-A2 Bonds, and provided other advice to the Board. The Financial Advisor will not engage in any underwriting activities with regard to the issuance and sale of the Series 2013-A2 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement, and is not obligated to review or ensure compliance with the undertaking by the Board to provide continuing secondary market disclosure.

APPENDICES

THE APPENDICES TO THIS OFFICIAL STATEMENT CONTAIN INFORMATION CONCERNING THE BOARD AND THE SERIES 2013-A2 BONDS. SUCH APPENDICES ARE AN INTEGRAL PART OF THIS OFFICIAL STATEMENT AND SHOULD BE READ IN THEIR ENTIRETY.

CERTIFICATE

This Official Statement has been approved and deemed "final" by the Board within the meaning of Rule 15c2-12 of the Securities and Exchange Commission, to the best of its knowledge and belief.

MISCELLANEOUS

The Board has duly authorized the execution and delivery of this Official Statement.

APPENDIX A

GENERAL DESCRIPTION OF THE UNIVERSITY OF ALABAMA IN HUNTSVILLE

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GENERAL DESCRIPTION OF THE UNIVERSITY OF ALABAMA IN HUNTSVILLE

THE BOARD

The University of Alabama System consists of three autonomous campuses at Huntsville, Birmingham and Tuscaloosa ("The University of Alabama System"), and is governed by the Issuer, a 17-member board known as "The Board of Trustees of The University of Alabama" (herein referred to as the "Board" or the "Issuer"). The Board is a public educational corporation and instrumentality of the State of Alabama. Each campus is operated as a division of the Board. The Board includes the Governor of the State of Alabama as President *ex officio* of the Board and the State Superintendent of Education as an *ex officio* member of the Board. The other 15 members are elected by the incumbent members, and each of the congressional districts in the State is represented. The election of these 15 members is subject to confirmation or rejection by the Senate of the State of Alabama. In the event that the Senate confirms the election or chooses to take no action, each member will serve until the expiration of his term and until a successor is elected. With respect to members not yet considered by the Senate, members serve until the expiration of their term unless rejected and until the confirmation of a successor by the Senate.

Each campus has a separate President who reports to the Board through the Chancellor of The University of Alabama System. The Board determines policy and approves operating budgets, educational programs, facilities and capital financing for each campus, and sets the separate tuition and fee schedules applicable at each campus.

The current members of the Board are as follows:

President
Governor Robert Bentley, ex officio

President pro tempore
Paul W. Bryant, Jr.

Thomas R. Bice, ex officio
Karen P. Brooks
Angus R. Cooper II
Judge John H. England, Jr.
Joseph C. Espy III
Ronald W. Gray
Andria Scott Hurst
Vanessa Leonard
Wallace "Davis" Malone, III
John J. McMahon, Jr.
Finis E. St. John IV
William "Britt" Sexton
Marietta M. Urquhart
Kenneth L. Vandervoort
James W. Wilson III

Chancellor of the University of Alabama System

Dr. Robert E. Witt was unanimously elected by the Board as Chancellor of The University of Alabama System on March 5, 2012.

Prior to becoming UA System Chancellor, Dr. Witt was President of The University of Alabama ("UA"), assuming that post in 2003. During his nine-year tenure, he was responsible for undertaking a plan for academic growth and achievement that positioned UA as one of America's fastest growing public universities. Before being recruited to Alabama, Dr. Witt was President of the University of Texas at Arlington from 1995-2003. He began his 35-year career in higher education in the state of Texas in 1968 when he joined the business school faculty at the University of Texas at Austin, rising through the ranks as chair and associate dean. In 1985 he was named dean of the University of Texas at Austin business school.

Robert Witt received his B.A. in economics from Bates College, his M.B.A from the Tuck School at Dartmouth College, and his Ph.D. from Penn State University. In 2011, he was inducted into the Alabama Academy of Honor, comprised of 100 living Alabamians elected on the basis of service to the state.

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE

The University of Alabama in Huntsville ("UAHuntsville") is a state-supported institution founded in 1950 and is a part of The University of Alabama System. UAHuntsville's 340-acre campus is located in Huntsville, Alabama, adjacent to Cummings Research Park, the nation's second largest high-technology research park. Also located near the campus are the Army's Redstone Arsenal, the Marshall Space Flight Center (NASA), and the U.S. Space and Rocket Center. UAHuntsville's buildings were all constructed after 1960 and contain modern equipment.

The first undergraduate and master's degrees were awarded by UAHuntsville in 1968 and 1964, respectively. UAHuntsville is fully accredited by the Southern Association of Colleges and Schools, which is the major accrediting body for colleges in the Southeast, Texas, and Oklahoma. The professional programs are also accredited by the appropriate professional associations. The baccalaureate and masters programs in Nursing are accredited by the Commission on Collegiate Nursing Education (CCNE), the Engineering programs are accredited by the Accrediting Board of Engineering and Technology (ABET), and the College of Business Administration is accredited by the Association to Advance Collegiate Schools of Business (AACSB).

The degree programs at UAHuntsville are administered by the College of Business Administration; Liberal Arts; Engineering; Science; Nursing; and the School of Graduate Studies. The Division of Professional and Continuing Studies offers non-credit courses primarily to adults for individual enrichment and professional advancement.

About The University of Alabama in Huntsville

The University of Alabama in Huntsville has approximately 7,700 students and has been cited as a very high research institution by the Carnegie Foundation, one of 73 public universities in the nation to earn this ranking. The university is named by *U.S. News & World Report* as a Tier I university and according to the National Science Foundation, has four research disciplines that rank in the top 10 in the nation in federal research funding. UAHuntsville consistently ranks among the top colleges in the nation in NASA-sponsored research funding to universities and the College of Business was ranked in the top 10 in the U.S. by the National Science Foundation for contracts and grants.

Executive Administration

The President, as chief executive officer of UAHuntsville, is elected by and serves at the pleasure of the Board.

The daily responsibilities of governing UAHuntsville are delegated to the President and, through the President, to his assisting officers and the faculty in each of the several schools and the colleges.

The current principal administrative officers of UAHuntsville are the following:

President. Dr. Robert A. Altenkirch was named president of UA Huntsville on September 21, 2011. Prior to this appointment, he served as president of New Jersey Institute of Technology (NJIT) for nine years. During his tenure as president, NJIT's research expenditures doubled from their 2001 level, and fall 2011 enrollment was the largest in the school's history. Prior to his appointment as president of NJIT, Dr. Altenkirch was vice president for research at Mississippi State University (1998-2002).

Before he arrived at MSU, science and engineering expenditures, as reported to the National Science Foundation (NSF), totaled \$84 million. For 2010, MSU's NSF-reported expenditures reached \$215 million. Dr. Altenkirch was dean of the College of Engineering at MSU (1988-1995) when the NSF awarded the institution the Engineering Research Center (ERC) designation. The ERC has become a nationally prominent center for computational fluid dynamics research and applications. While at MSU, he provided leadership for the development of the Thad Cochran Research, Technology & Economic Development Park, a multi-tenant incubator facility, and he helped lead efforts to secure a \$1 billion investment in the state of Mississippi by Nissan.

Dr. Altenkirch earned his Ph.D. from Purdue; an M.S. from the University of California, Berkeley; and his B.S. from Purdue, all in mechanical engineering. He has an extensive record of economic development and public service and was recognized in 2009 as one of the 101 most influential people in the state of New Jersey.

Vice President for Finance and Administration. Mr. Ray M. Pinner assumed the position of UAHuntsville Vice President for Finance and Administration in October 2000 after serving as UAHuntsville Assistant Vice President for Finance and Budgets for six years. He received his B.A. in Business Administration-Accounting from Murray State University and his Master's in Business Administration from Morehead State University. He is a Certified Public Accountant with over thirty years of higher education experience as an administrator, auditor and audit manager. In addition to his UAHuntsville experience, his credentials include five years as an auditor/audit manager for the State of Tennessee, three years as Comptroller of Chattanooga State Technical Community College in Tennessee, and seven years as Controller/Director of Budgets and Management Information at Morehead State University in Kentucky.

Provost and Executive Vice President for Academic Affairs. Dr.Vistasp Karbhari joined UAHuntsville in September 2008 as Provost and Executive Vice President for Academic Affairs. Prior to UAHuntsville, he was at the University of California San Diego and the University of Delaware. Dr. Karbhari's research interests include the mechanics and manufacturing science of composites, infrastructure rehabilitation, the durability of composites, and polymers. He is the author/co-author of over 200 papers in refereed journal publications, the author of over 260 papers in conference proceedings, and has edited/co-edited four books. Dr. Karbhari has been the principal investigator or co-investigator on more than \$38 million in externally-funded research projects. He serves on the editorial board of a number of journals and has received various honors and awards including being inducted as a fellow of IIFC (The International Institute for Fiber Reinforced Polymer in Construction) and ASM International (The Materials Information Society).

Vice President for Diversity. Ms. Delois H. Smith graduated from the University of Florida with a B.A. in Psychology and a Master's degree in Educational Psychology. She joined UAHuntsville in 1984 and has held progressively responsible positions in the areas of Student Affairs and upper administration. In 1992, she was appointed Director of Student Development Services and served in this position for two years. She assumed additional responsibilities as Special Assistant to the Vice President for Student Affairs from 1994 to 1996 and as Assistant Vice President for Student Affairs from 1996 to 1999. She served as Interim Vice President for Student Affairs from 1999 to 2002 and following a national search for the position of Vice President for Student Affairs, was selected as the successful candidate and served in that position from 2002 to 2009. In 2009, Ms. Smith was appointed by the UAHuntsville president to serve as Vice President for Diversity. Ms. Smith is a Licensed Professional Counselor (LPC), a Nationally Certified Counselor (NCC), a Board Certified Clinical Psychotherapist, and a Qualified Intercultural Administrator (QIA). She serves on many on and off-campus boards and organizations.

Vice President for University Advancement. Mr. Robert Lyon joined UAHuntsville on September 4, 2012 as Vice President of University Advancement. Previously he served as Vice Chancellor for University Advancement at The University of Tennessee at Chattanooga where he was responsible for development, alumni relations, university relations and WUTC, UT-Chattanooga's National Public Radio affiliate. He directed the university's \$65 million campaign, which surpassed that goal when more than \$80 million in gifts was raised. As executive director of the foundation, he was responsible for managing the foundation's \$90 million endowment, and an \$80 million bond that financed a student housing project. Prior to UT-Chattanooga, he served as Associate Vice Chancellor for

University Development at Vanderbilt University, where he had responsibility for major gift fund raising and participated in a university-wide campaign.

Interim Vice President for Research. Dr. Dean Smith joined the university on September 4, 2012 as the Interim Vice President for Research. Dr. Smith's experience includes serving as a research administrator at the University of Wisconsin-Madison, the University of Hawaii, and Texas Tech University, in addition to serving as Dean of the graduate schools at Wisconsin and Hawaii. He has been on the faculty at each of those universities in addition to UCLA and Stanford University. He earned a bachelor's degree from Harvard University, as well as a Master's and a Ph.D. from Stanford University, all in the field of biological sciences. As an administrator, Dr. Smith has had extensive involvement with several Department of Defense agencies at both Hawaii and Texas Tech. Dr. Smith also oversaw management of the University of Hawaii's Institute for Astronomy, which included several of the world's most powerful telescopes. Under his leadership, the University negotiated operational contracts with partner institutions (Caltech, and the University of California), international partners (Canada, France and Japan), as well as NASA and the Air Force. He is also the author of the book, *Managing the Research University.*

Faculty and Staff

For the fall term 2012, the faculty of UAHuntsville consisted of 336 full-time members and 171 part-time members. In addition to faculty, UAHuntsville employs approximately 1,018 permanent, full-time and temporary or part-time employees. UAHuntsville is an Equal Opportunity Employer, and is functioning under an Affirmative Action Plan which has been approved by the U.S. Department of Labor.

The following table shows the number of full-time tenured faculty and percentage of full-time faculty with tenure, as of the fall term of each of the years indicated:

Fall Term	Number Tenured	Percent Tenured
2012	170	51%
2011	167	50%
2010	169	51%
2009	171	51%
2008	166	49%

The following table shows the number and percentage of full-time faculty with advanced degrees as of the fall term of each of the years indicated:

Fall Term	Advanced Degrees Number	Percentage
2012	336	100.0%
2011	334	100.0%
2010	332	100.0%
2009	333	100.0%
2008	337	100.0%

The following table shows the number of faculty for the academic terms indicated, classified by faculty appointment:

Faculty Appointment	Fall 2012	Fall 2011	Fall 2010	Fall 2009	Fall 2008
Tenure/Tenure Track	224	225	222	231	228
Temporary/Visiting	13	7	14	7	9
Lecturers	38	39	36	38	41
Clinical (Nursing)	37	35	33	31	27
Research	8	8	10	12	12
Academic Affairs Administration	16	20	18	20	20
Full-time Subtotal	336	334	333	339	337
Part-Time	171	180	178	154	154
Total	507	514	511	493	491

Student Enrollment

The enrollment is displayed below on a head count basis for undergraduates and graduates.

Summary-Fall Term Enrollments

	2012	2011	2010	2009	2008
Undergraduate	5,882	5,935	6,005	6,119	5,893
Graduate	1,754	1,694	1,609	1,562	1,538
Total	7,636	7,629	7,614	7,681	7,431
Change from preceding fall	0.1%	0.2%	-0.9%	3.4%	2.3%

Student Enrollment by School
(Fall Term of Year Indicated)

Undergraduate

School	2012	2011	2010	2009	2008
Liberal Arts	924	995	1,075	1,149	1,164
Nursing	800	748	754	733	662
Business Administration	1,028	1,039	997	1,060	1,053
Science	1,016	1,008	1,026	1,032	971
Engineering	1,758	1,754	1,747	1,733	1,597
Undecided	177	211	229	249	242
Non-Degree*	179	180	177	163	204
Total	5,882	5,935	6,005	6,119	5,893

* Includes students enrolled in Early Start and Dual Enrollment Programs.

Graduate

School	2012	2011	2010	2009	2008
Liberal Arts	104	113	115	110	112
Nursing	279	219	164	166	162
Business Administration	314	303	283	291	255
Science	365	329	324	310	315
Engineering	564	585	594	535	553
Other	128	145	129	150	141
Total	1,754	1,694	1,609	1,562	1,538

The mean ACT composite scores for full-time enrolled freshmen at UAHuntsville have been as follows for the years indicated:

	2012	2011	2010	2009	2008
ACT Composite Scores For First-Time Degree-Seeking Freshmen	26	26	25	25	24

The following table shows acceptance and matriculation rates for the years indicated:

First Time Degree Seeking Freshmen Yield

	2012	2011	2010	2009	2008
Applications	1,938	1,952	1,846	1,924	1,875
Acceptances	1,505	1,243	1,221	1,387	1,672
Matriculations	624	677	622	802	797
Acceptances/Applications	77.7%	63.4%	66.1%	72.1%	89.2%
Matriculations/Acceptances	41.5%	54.5%	50.9%	57.8%	47.7%

Tuition and Fees

The following table provides information concerning tuition and fees (other than course fees) charged by UAHuntsville for full time students. These charges constitute part of the General Fees.

Tuition and Fee History

	2012/13	2011/12	2010/11	2009/10	2008/09
Undergraduate Resident (30 Hrs)	$8,794	$8,094	$7,492	$6,510	$5,952
Undergraduate Non Resident (30 Hrs)	$21,108	$19,424	$17,986	$15,628	$13,092
Graduate Resident (24 Hrs)	$10,850	$9,978	$9,242	$8,030	$7,344
Graduate Non-Resident (24 Hrs)	$26,024	$23,956	$22,182	$19,272	$16,154

Funded Research

UAHuntsville's activities in research are influenced significantly by the funds received from external agencies and corporations-federal, state and private. The majority of the funds received are from federal sources, most notably the U.S. Department of Defense and National Aeronautics and Space Administration (NASA). Also contributing significantly are private high technology industries located in or near Huntsville. Much of UAHuntsville's funded research activities are focused into several "thrust" areas identified as Optics; Missile and Propulsion Systems; Energy and Environment; Solar Terrestrial; Robotics and Industrial Automation; Materials and Structures; Modeling and Simulation; Instrumentation Technology; and Nanotechnology. Each thrust area has evolved in response to identified needs in the Huntsville and North Alabama technical community.

The following table shows a breakdown of federally funded research expenditures at UAHuntsville for the fiscal years indicated:

Federal	2012	2011	2010	2009	2008
Dept. of Defense	$53,552,714	$45,617,018	$43,303,784	$35,590,965	$29,105,733
Nat'l Science Foundation	3,278,044	2,414,183	3,243,906	1,715,550	2,094,877
NASA	20,113,728	19,920,857	20,969,792	20,886,686	19,186,398
Dept. of Education	337,118	940,410	1,112,374	532,789	933,809
Other Federal	6,455,179	7,094,679	6,855,061	7,867,802	7,891,493
TOTAL	$83,736,783	$75,987,147	$75,484,917	$66,593,792	$59,212,310

Insurance

Alabama law requires that all state property be insured at a minimum of 75% of its annually-certified actual value, and that all state property may be insured for up to 100% of that value at the option of the director of the Alabama Department of Finance.

UAHuntsville is currently insuring its buildings at the 100% level. The buildings that are eligible for Blanket Replacement Coverage are insured at their 100% value with no depreciation. All other buildings are insured at actual cash value less depreciation. Loss payable is based on actual cash value (replacement cost at the time of loss less depreciation), within the coverage limits for the building and less applicable deductibles.

UAHuntsville participates in an established program of self-insurance with regard to liability insurance, which is overseen by the Board.

Financial Matters

The Board, prior to October 1, adopts the ensuing year's budget for UAHuntsville as well as for the other separate campuses in The University of Alabama System. Annual UAHuntsville budgets are based upon detailed budget requests submitted by each department and administrative unit of UAHuntsville. These budget requests are in turn based upon budgetary guidelines formulated by the Office of the Chancellor. Revenue estimates, consisting principally of State appropriations, student fees and ancillary revenues, are based upon projections made by the financial staff at UAHuntsville. In the summer of each year, the President of UAHuntsville submits a UAHuntsville budget to the Chancellor of The University of Alabama System, who in turn presents the budget to the Finance Committee of the Board for its review. The Chairman of the Finance Committee normally recommends adoption of a final UAHuntsville Budget by the entire Board at its August or September meeting.

The financial statements of UA Huntsville have been prepared in accordance with generally accepted accounting principles, including all applicable effective statements of the Governmental Accounting Standards Board ("GASB") and all statements of the Financial Accounting Standards Board through November 30, 1989, using the economic measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

GASB Statement No. 35 establishes standards for financial reporting for public colleges and universities and requires that resources be classified into the following three net asset categories:

- **Invested in capital assets, net of related debt**: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

- **Restricted**:
  - **Nonexpendable** - Net assets subject to externally imposed stipulations that they be maintained permanently by UA Huntsville. Such assets include the corpus of UA Huntsville permanent endowment funds.
  - **Expendable** - Net assets the use of which by UA Huntsville is subject to externally imposed stipulations that can be fulfilled by actions of UA Huntsville pursuant to those stipulations or that expire by the passage of time.
- **Unrestricted**: Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for academic, research and capital programs.

Endowment and Similar Funds

True Endowment Funds represent gifts, bequests and other funds received by UA Huntsville in which the donor has stipulated that the principal of the gift is to be maintained in perpetuity and invested for the purpose of producing income. The generated income may be unrestricted or restricted by the donor as to use.

Quasi-Endowment Funds represent funds that have been so designated by the Board. The interest and principal of Quasi-Endowments may be spent for UA Huntsville purposes upon approval by the Board.

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2012, 2011, 2010, 2009 AND 2008

	2012	2011	2010	2009	2008
Operating Revenues					
Tuition and fees	$68,218,529	$62,722,011	$57,539,507	$ 49,171,895	$ 41,856,861
Less: scholarship allowances	(18,185,728)	(17,691,842)	(15,866,010)	(11,842,131)	(9,789,836)
Tuition and fees, net	50,032,801	45,030,169	41,673,497	37,329,764	32,067,025
Grants and Contracts					
Federal	83,736,783	75,987,147	75,484,916	66,593,792	59,212,310
State	4,067,616	4,094,758	3,794,394	5,284,366	5,408,206
Private	1,855,859	1,422,762	1,305,688	3,451,755	3,001,434
Sales and services of educational departments	3,451,345	5,229,509	3,382,871	3,267,819	2,236,694
Auxiliary, net of $1,083,968 in 2012, $1,193,885 in 2011, $832,271 in 2010, $544,732 in 2009 and $424,014 in 2008 of scholarship allowances	6,718,898	8,172,943	6,079,895	5,860,094	5,596,733
Total Operating Revenues	**149,863,302**	**139,937,288**	**131,721,261**	**121,787,590**	**107,522,402**
Operating Expenses					
Compensation and benefits	136,791,650	135,629,341	125,809,835	122,500,135	119,696,443
Supplies and Services	46,177,109	42,698,685	37,697,615	34,585,578	34,906,012
Depreciation	12,171,441	12,207,389	11,177,617	11,338,255	11,684,932
Scholarships and fellowships	606,364	1,286,400	981,010	928,253	510,664
Total Operating Expenses	**195,746,564**	**191,821,815**	**175,666,077**	**169,352,221**	**166,798,051**
Operating loss	(45,883,262)	(51,884,527)	(43,944,816)	(47,564,631)	(59,275,649)
Nonoperating Revenues (Expenses)					
State appropriations	43,240,587	42,703,771	43,072,625	45,861,449	58,100,801
Private gifts	6,020,498	3,313,101	2,827,316	3,017,524	3,128,625
Net investment income (loss)	9,961,393	306,941	5,177,809	865,840	(8,114,771)
Loss on disposal of capital assets	(559,937)	(139,164)	(268,920)	(1,045,093)	(471,496)
Pell Grant Revenue	8,118,163	8,558,340	7,894,629	5,205,261	4,306,328
Legal settlement	4,665	371	4,103	---	---
ARRA Federal and State	(1,442)	4,739,873	3,529,066	211,382	---
Interest expense	(3,345,280)	(3,413,201)	(2,531,893)	(2,323,481)	(2,384,569)
Net Nonoperating Revenues	63,438,647	56,070,032	59,704,735	51,792,882	54,564,918
Capital gifts	1,175,333	1,555,390	791,115	159,300	30,900
Capital grants	---	---	---	481,030	11,442,464
	64,613,980	**57,625,422**	**60,495,850**	**52,433,212**	**66,038,282**
Increase in net assets	18,730,718	5,740,895	16,551,034	4,868,581	6,762,633
Net Assets, Beginning of Year	267,736,680	261,995,785	245,444,751	240,576,170	233,813,537
Net Assets, End of Year	**$286,467,398**	**$267,736,680**	**$261,995,785**	**$245,444,751**	**$240,576,170**

State Appropriations

Historically, UAHuntsville has received appropriations from the State to defray a portion of the costs of operations and for non-operating cash requirements, including capital expenditures. Funds are appropriated primarily on a lump sum basis to UAHuntsville.

The Governor submits an appropriations request for UAHuntsville in the annual State budget. The State appropriations request for UAHuntsville is formulated by the Governor after receiving an appropriations request from the Board and appropriations recommendations by the Alabama Commission on Higher Education (ACHE). ACHE evaluates and coordinates appropriations requests for the State's public institutions of higher education. After open hearings are held on the separate budgets, ACHE presents to each institution, as well as the Governor and the Legislature, a single unified budget containing budget recommendations for separate appropriations to each of the institutions. The recommendations of ACHE are derived from its assessment of the actual funding needs of each of the universities as presented to it by each university's president.

Pursuant to the provisions of Section 213 of the Constitution of the State of Alabama as amended by Amendment 26, the State is required to have a balanced budget. This requirement is implemented by means of the 1932 Budget and Financial Control Act, which mandates a reduction of appropriations pro rata ("Proration") when necessary during a fiscal year to prevent a deficit. Proration generally occurs as a result of the difficulties inherent in projecting tax receipts several months in advance of the commencement of a fiscal year. During the fiscal years 1980, 1981, 1986, 1991, 1992, 2001, 2009, 2010 and 2011, proration was put into effect with respect to the Education Trust Fund (ETF), from which State appropriations to UAHuntsville are received. Proration of 3.0% for ETF was implemented in the 2011 fiscal year, 9.5% in fiscal year 2010, 11.0% in fiscal year 2009, 6.2% in fiscal year 2001, 3% in fiscal year 1992, 6.5% in fiscal year 1991, 4.21% in fiscal year 1986, 3.57% in fiscal year 1981 and 6.14% in fiscal year 1980.

On each occasion when proration was announced by the State, UAHuntsville responded by adjusting the recurring budget base to maintain a balanced budget. Other actions included modifying amounts budgeted for contingency purposes, applying unrestricted fund balances carried over from previous years, deferring equipment purchases, reducing administrative expenses such as travel cost and not filling vacant positions. UAHuntsville will adjust for future prorations, if any, by taking similar actions.

The State of Alabama established an "Education Trust Fund Rainy Day Account" in an attempt to offset the effects of proration. On December 15, 2008, the Governor declared proration of 12.5 percent in the Education Trust Fund. Withdrawals from the Education Trust Fund Rainy Day Account for fiscal year 2009 were limited to $437,390,828. The Governor withdrew approximately one-half of the amount available for withdrawal ($221,136,679) immediately after declaration of proration, effectively reducing proration to 9.0 percent. By the end of the 2009 Fiscal Year, the remainder of the amount available for withdrawal was withdrawn.

The Education Trust Fund Rainy Day Account has been depleted, and until funds previously withdrawn from the account are repaid, there will be no additional funds available for withdrawal.

In 2011, the Education Trust Fund Rolling Reserve Act passed, providing a cap on the amount that may be appropriated annually from the Education Trust Fund. The law takes into account the average amount of tax revenue generated for education budgets during a 15-year period. The appropriation for the next education budget is restricted to that average, with any additional education revenue being placed in a reserve account and saved for future use. Beginning with appropriations made for the fiscal year ending September 30, 2013, appropriations from the Education Trust Fund shall not exceed the Fiscal Year Appropriation Cap. The intent is to reduce the likelihood and/or amount of future proration. See "RISK FACTORS—State Proration".

State Appropriations for the five most recent fiscal years are as follows:

Fiscal Year	State Appropriations
2008	$58,100,801
2009	45,861,449
2010	43,072,625
2011	42,703,771
2012	43,240,587

State Appropriations will be $42,710,964 for fiscal year ending September 30, 2013 if no proration is declared in FY 2012-13.

Budget

For fiscal years 2011-12 and 2012-13, UAHuntsville budgeted an operating surplus of approximately $500,000 and $500,000, respectively.

Request for Capital Appropriations

The facilities plans for UAHuntsville are incorporated into a five-year capital request submitted annually to ACHE. This request constitutes the facility plans of UAHuntsville for the foreseeable future. A summary of this budget request for fiscal years 2012-13 thru 2016-17 is as follows:

2012/13-2016/17 Capital Appropriation Request

Project	Funding Requested
Student Life Center	$ 25,000,000
Nursing Building Expansion	11,000,000
Major Capital Equipment	2,000,000
Fraternity/Sorority House	2,200,000
Property Acquisitions	3,000,000
Technology Hall Exterior Replacement	1,200,000
Mass Communication System	3,200,000
IT Infrastructure Improvements	12,700,000
Various Deferred Maintenance Projects	10,885,000
Cramer Hall Expansion Phase III	20,500,000
North Campus Parking Facility	13,500,000
Engineering/Technology Research Building	80,000,000
Multifunctional Facility	40,000,000
Residence Hall Phase II	23,000,000
On-Campus Apartments	10,000,000
Track & Field Complex	2,000,000
North Campus Entrance	1,000,000
Replace/Renovate Madison Hall	16,000,000
Expansion of University Fitness Center	5,000,000
Ben Graves Drive Road Relocation	2,500,000
TOTAL	$284,685,000

These projects will be funded only through federal or state grants, special appropriations or internally designated fund balances. At this time the Issuer does not expect to incur debt, other than the Series 2013-A Bonds, to finance any of these projects.

Foundation

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, and Statement No. 39, *Determining Whether Certain Organizations are Component Units*, UAHuntsville discretely presents its component unit, the University of Alabama Huntsville Foundation ("UAHF"). For further discussion of UAHF see Note 1 to the financial statements included in APPENDIX B. UAHF has no obligation with respect to the Series 2013 Bonds.

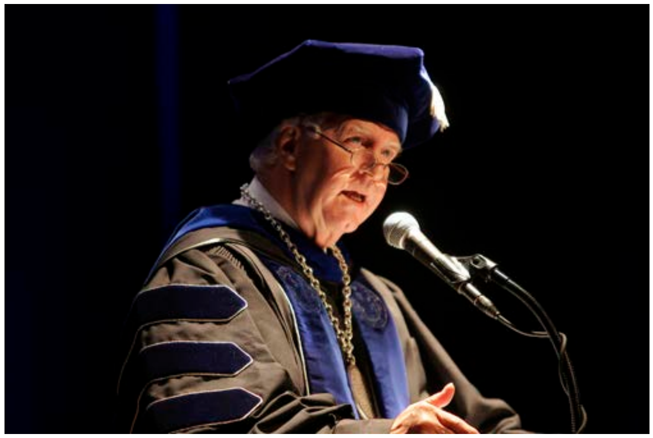
APPENDIX B

FINANCIAL STATEMENTS OF UAHUNTSVILLE FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND 2011

UAHuntsville
THE UNIVERSITY OF ALABAMA IN HUNTSVILLE

FINANCIAL REPORT
2012

FINANCIAL REPORT
2011-2012



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The University
of Alabama
in Huntsville

A Space Grant College
An Affirmative Action/Equal Opportunity Institution

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Report of Independent Auditors

To the Board of Trustees of The University of Alabama:

In our opinion, based on our audits and the report of other auditors, the financial statements listed in the accompanying table of contents on page 1, which collectively comprise the financial statements of The University of Alabama in Huntsville (the "University"), a campus of The University of Alabama System, which is a component unit of the State of Alabama, present fairly, in all material respects, the respective financial position of the University and its discretely presented component unit at September 30, 2012 and 2011, and the respective changes in financial position of the University and its discretely presented component unit, and cash flows of the University, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of University of Alabama Huntsville Foundation, the University's discretely presented component unit, as of September 30, 2012 and 2011 and for the years then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for University of Alabama Huntsville Foundation, is based on the report of the other auditors. We conducted our audits of the University's statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the University are intended to present the financial position, the changes in financial position, and, where applicable, the cash flows of only that portion of the business-type activities of the financial reporting entity of The University of Alabama System that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of The University of Alabama System as of September 30, 2012 and 2011, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis on pages 3 through 14 is required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers LLP

January 25, 2013

PricewaterhouseCoopers LLP, 1901 6th Ave. North, Suite 1600, Birmingham AL 35203

The University of Alabama in Huntsville

Management's Discussion and Analysis (Unaudited)

This section of The University of Alabama in Huntsville (the "University") annual financial report presents a discussion and analysis of the financial performance of the University during the fiscal years ended September 30, 2012 and 2011. This discussion has been prepared by University management and should be read in conjunction with the financial statements and the related footnotes. The financial statements, footnotes and this discussion are the responsibility of University management.

Introduction

The University is a public research university that offers 72 degree-granting programs that meet the highest standards of excellence, including 33 bachelor's degree programs, 24 master's degree programs, and 15 doctoral programs through its five colleges: Business Administration, Liberal Arts, Engineering, Nursing, and Science. The University is an autonomous campus within The University of Alabama System (the "System").

The University received $90.8 million for externally funded projects during fiscal year 2012. Sponsors of research include federal and state agencies, academic institutions, industry and private foundations. Research is conducted within the five individual colleges and through the University's 14 independent research centers, laboratories and institutes. Major interdisciplinary research thrusts include: modeling and simulation; systems engineering; rotorcraft and aerospace engineering; propulsion; optics; space physics and astrophysics; earth and atmospheric system science; information technology; materials science; biotechnology; nanotechnology; humanities; and lean supply chain, acquisition, and logistics.

Located at the southern edge of the Appalachian Mountains, Huntsville is a national center of aerospace and high technology research and development. It is home to the National Aeronautical and Space Administration's Marshall Space Flight Center, the U.S. Army Aviation and Missile Command, and the U.S. Army Space and Missile Defense Command. The University is strategically located in Cummings Research Park, the second largest university research park in the United States and home to numerous high technology and research companies.

Financial and Enrollment Highlights

- Total net assets increased $18.7 million compared to 2011, primarily due to an increase in tuition and fees, gifts, and net investment income.

Equivalent Full-time Student Enrollment (FTE)

	2008	2009	2010	2011	2012
Undergraduate	4,654	4,906	4,831	4,767	4,728
Graduate	773	784	811	888	928
Total	**5,427**	**5,690**	**5,642**	**5,655**	**5,656**

FTE calculated using Alabama Commission on Higher Education formula;
Undergraduate credit hour production (chp)/15; graduate I chp/12; graduate II chp/9.

Historical Fall Headcount by Earned Hours

	2008	2009	2010	2011	2012
Graduates	1,538	1,562	1,609	1,694	1,754
Seniors	1,560	1,640	1,817	1,810	1,854
Juniors	1,178	1,339	1,323	1,371	1,299
Sophomores	1,211	1,257	1,183	1,127	1,148
Freshmen	1,753	1,638	1,424	1,377	1,333
Others	191	245	258	250	248
Total	**7,431**	**7,681**	**7,614**	**7,629**	**7,636**

- The total of full-time equivalent students has remained constant from 2011 to 2012. UAH also had a 0.1% increase in the total number of students attending in the fall semester in 2012, compared to the 0.2% increase in 2011.

Degrees Conferred

	2008	2009	2010	2011	2012
Bachelor's	889	900	933	1,028	1,084
Master's	322	384	364	337	364
Doctorate	37	32	38	41	45
Certificate	31	29	25	35	22
Total	**1,279**	**1,345**	**1,360**	**1,441**	**1,515**

- Approximately $43.2 million in appropriations for operations were received from the State of Alabama for fiscal year 2012. In comparison to the prior year, appropriations increased 1.3% or $537 thousand.

Statement of Net Assets

The statement of net assets presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. The purpose of the statement of net assets is to present a fiscal snapshot of the University to the readers of the financial statements. The statement of net assets presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities).
The statement of net assets provides a summary of assets available to continue the operations of the University. The statement also shows how much the University owes vendors, investors and lending institutions. Finally, the statement of net assets provides a picture of the net assets and the availability for expenditure by the University.

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the University's equity in property, plant and equipment owned by the University. The second asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources, as it pertains to endowments, is only available for investment purposes. Donors have primarily restricted income derived from these investments to fund scholarships and fellowships. Expendable restricted net assets are available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed a time or purpose restriction on the use of the assets. The final category is unrestricted net assets, which are available to the University for any lawful purpose of the University. Many of the University's unrestricted net assets have been designated or reserved for specific purposes such as: repairs and replacement of equipment, capital projects, future debt service, quasi-endowments, insurance reserves, research centers and instructional departments.

A summarized comparison of the University's assets, liabilities, and net assets as of September 30 is as follows:

Summary of Statements of Net Assets

	2012	2011	2010
Current assets	$ 147,977,985	$ 131,568,438	$120,537,020
Noncurrent assets:			
Endowment, life income and other investments	59,541,146	52,730,053	52,096,534
Capital assets, net	203,090,500	206,671,409	212,762,299
Legal settlement receivable	2,716,120	3,534,449	4,312,772
Other	1,306,624	2,507,239	2,672,705
Total assets	**414,632,375**	**397,011,588**	**392,381,330**
Current liabilities	49,898,977	48,413,908	46,734,545
Noncurrent liabilities	78,266,000	80,861,000	83,651,000
Total liabilities	**128,164,977**	**129,274,908**	**130,385,545**
Net assets			
Invested in capital assets, net of related debt	125,072,139	126,483,662	130,165,018
Restricted	15,961,579	11,410,878	9,720,007
Unrestricted	145,433,680	129,842,140	122,110,760
Total net assets	**$ 286,467,398**	**$ 267,736,680**	**$261,995,785**

For the year ending September 30, 2012, the University’s current assets increased $16.4 million. Endowment, life income and other investments increased $6.8 million due to additional endowment investments of $5.2 million and improved earnings from the portfolio offset by distributed endowment earnings. Capital assets, net of depreciation, decreased $3.6 million due to depreciation offset by capital expenditures. The noncurrent portion of the legal settlement receivable of $2.7 million is the net present value of an amount to be received in future years. Current liabilities increased $1.5 million. The majority of this increase is due to the current portion of debt and deferred revenues. Noncurrent liabilities decreased $2.6 million, the result of bond principal payments.

For the year ending September 30, 2011, the University’s current assets increased $11.0 million. Endowment, life income and other investments increased $634 thousand due to improved earnings from the portfolio. Capital assets, net of depreciation, decreased $6.1 million due to depreciation offset by capital expenditures. The noncurrent portion of the legal settlement receivable of $3.5 million is the net present value of an amount to be received in future years. Current liabilities increased $1.7 million. The majority of this increase is due to payroll related liabilities and deferred revenues. Noncurrent liabilities decreased $2.8 million, the result of bond principal payments.

For the year ending September 30, 2010, the University’s current assets increased $21.9 million. Endowment, life income and other investments increased $943 thousand due to improved earnings from portfolio. Capital assets, net of depreciation, increased $19.4 million primarily due to the construction of Charger Village, a new four hundred bed residence hall. The noncurrent portion of the legal settlement receivable of $4.3 million is the net present value of an amount to be received in future years. Current liabilities increased $152 thousand. The majority of the increase is due to payroll related liabilities. Noncurrent liabilities increased $25.5 million, the result of the issuance of Student Housing Revenue Bonds.

For the year ending September 30, 2012, the University’s total net assets increased 7.0%. The University’s investments in capital assets, net of related debt, decreased approximately $1.4 million primarily due to reduced capital expenditures during 2012. Restricted net assets increased $4.6 million. Unrestricted net assets increased approximately $15.6 million. Although unrestricted net assets are not subject to externally imposed stipulations, substantially all of the University’s unrestricted net assets have been designated for capital projects, as well as various academic and research programs and initiatives.

For the year ending September 30, 2011, the University’s total net assets increased 2.2%. The University’s investments in capital assets, net of related debt, decreased approximately $3.7 million primarily due to depreciation offset by capital expenditures. Restricted net assets increased $1.7 million. Unrestricted net assets increased approximately $7.7 million. Although unrestricted net assets are not subject to externally imposed stipulations,

substantially all of the University's unrestricted net assets have been designated for capital projects, as well as various academic and research programs and initiatives.

For the year ending September 30, 2010, the University's total net assets increased 6.7%. The University's investments in capital assets, net of related debt, decreased approximately $5.5 million primarily due to the issuance of Student Housing Revenue Bonds. Restricted net assets increased $100 thousand. Unrestricted net assets increased approximately $22.0 million. Although unrestricted net assets are not subject to externally imposed stipulations, substantially all of the University's unrestricted net assets have been designated for capital projects, as well as various academic and research programs and initiatives.

Capital Assets

At September 30, 2012, 2011 and 2010, the University had approximately $397.8 million, $389.9 million and $386.6 million invested in capital assets and accumulated depreciation of $194.7 million, $183.2 million, and $173.8 million, respectively. Depreciation charges for fiscal year 2012, 2011 and 2010 were $12.2 million, $12.2 million and $11.2 million, respectively.

The following table summarizes the University's capital assets, net of accumulated depreciation, as of September 30:

Capital Assets, Net

	2012	2011	2010
Land	$ 3,960,290	$ 3,910,290	$ 3,910,290
Land improvements and infrastructure, net	4,154,200	1,921,904	2,125,825
Buildings and building improvements, net	179,875,917	184,777,581	188,820,790
Equipment, net	11,258,269	11,578,172	10,799,069
Library books, net	2,299,817	2,647,480	5,036,758
Computer software, net	1,031,702	1,325,677	1,619,652
Artwork	510,305	510,305	449,915
Total capital assets, net	**$ 203,090,500**	**$ 206,671,409**	**$ 212,762,299**

Major capital additions during the year ended September 30, 2012 included the construction of a new student life center and athletics improvements.

Major capital additions during the year ended September 30, 2011 included the completion of the construction of Charger Village and a capital gift of a supercomputer.

Major capital additions during the year ended September 30, 2010 included the construction of Charger Village.

Additional information about the University's capital assets is presented in Note 5 to the financial statements.

Debt

The following table summarizes outstanding debt by type, as of September 30:

Debt

	2012	2011	2010
Bonds - Current	$ 3,450,000	$ 2,790,000	$ 2,575,000
Bonds - Long Term	78,266,000	80,736,000	83,526,000
Notes - Long Term	-	125,000	125,000
Total debt outstanding	**$ 81,716,000**	**$ 83,651,000**	**$ 86,226,000**

Principal and interest on these revenue bonds are collateralized by a pledge of revenues produced by student housing and student tuition and fees.

Statement of Revenues, Expenses, and Changes in Net Assets

Changes in total net assets as presented on the statement of net assets are based on the activity presented in the statement of revenues, expenses, and changes in net assets, which presents the University's results of operations. The purpose of the statement is to present the revenues received by the University, both operating and nonoperating, and expenses paid by the University, operating and nonoperating, and any other revenues, expenses, gains and losses received or expended by the University. State appropriations are nonoperating because they are provided by the State Legislature to the University without the Legislature directly receiving commensurate goods and services in return for those revenues. Without the nonoperating revenues, in particular the state appropriations, the University would not be able to cover its costs of operations. These sources are critical to the University's financial stability and directly impact the quality of its program.

A summarized comparison of the University's revenues, expenses and changes in net assets for the years ended September 30 is as follows:

Summary of Statements of Revenues, Expenses, and Changes in Net Assets

	2012	2011	2010
Operating revenues:			
Tuition and fees	$ 68,218,529	$ 62,722,011	$ 57,539,507
Less: scholarship allowances	(18,185,728)	(17,691,842)	(15,866,010)
Tuition and fees, net	50,032,801	45,030,169	41,673,497
Federal, state and private grants and contracts	89,660,258	81,504,667	80,584,998
Sales and services of educational departments	3,451,345	5,229,509	3,382,871
Auxiliary, net of $1,083,968 in 2012 and $1,193,885 in 2011 of scholarship allowances	6,718,898	8,172,943	6,079,895
Total operating revenues	149,863,302	139,937,288	131,721,261
Operating expenses	195,746,564	191,821,815	175,666,077
Operating loss	(45,883,262)	(51,884,527)	(43,944,816)
Nonoperating revenues (expenses):			
State educational appropriations	43,240,587	42,703,771	43,072,625
Private gifts	6,020,498	3,313,101	2,827,316
Net investment income	9,961,393	306,941	5,177,809
Pell grant revenue	8,118,163	8,558,340	7,894,629
State fiscal stabilization funds	(1,442)	4,739,873	3,529,066
Legal settlement	4,665	371	4,103
Loss on disposal of capital assets	(559,937)	(139,164)	(268,920)
Interest expense	(3,345,280)	(3,413,201)	(2,531,893)
Capital gifts and grants	1,175,333	1,555,390	791,115
Net nonoperating revenues	64,613,980	57,625,422	60,495,850
Increase in net assets	18,730,718	5,740,895	16,551,034
Net assets, beginning of year	267,736,680	261,995,785	245,444,751
Net assets, end of year	**$ 286,467,398**	**$ 267,736,680**	**$ 261,995,785**

Tuition and fees increased $5.5 million in fiscal year ended September 30, 2012 due to a 8.04% increase in tuition. The $5.2 and $8.4 million increases in 2011 and 2010 were also the result of tuition increases. The following is a summary of revenues by source (both operating and nonoperating) for the years ended September 30, which are used to fund the University's operating activities. Significant recurring sources of the University's revenues, such as state appropriations, are considered nonoperating, as defined by GASB Statement No. 35, *Basic Financial Statements-Management Discussion and Analysis for-Public colleges and Universities.*

	2012		2011		2010	
Revenue Sources						
State educational appropriations	$43,240,587	19.8%	$42,703,771	21.2%	$43,072,625	22.1%
Net investment income	9,961,393	4.6%	306,941	0.1%	5,177,809	2.7%
Grants and contracts	89,660,258	41.0%	81,504,667	40.5%	80,584,998	41.3%
Gifts	6,020,498	2.8%	3,313,101	1.6%	2,827,316	1.5%
Auxiliary	6,718,898	3.1%	8,172,943	4.1%	6,079,895	3.1%
Net tuition and fees	50,032,801	22.9%	45,030,169	22.4%	41,673,497	21.4%
Sales and services	3,451,345	1.6%	5,229,509	2.6%	3,382,871	1.7%
Capital gifts and grants	1,175,333	0.5%	1,555,390	0.8%	791,115	0.4%
Legal settlement	4,665	0.0%	371	0.0%	4,103	0.0%
Pell grants	8,118,163	3.7%	8,558,340	4.3%	7,894,629	4.0%
State fiscal stabilization funds	(1,442)	0.0%	4,739,873	2.4%	3,529,066	1.8%
Total revenues	**$218,382,499**		**$201,115,075**		**$195,017,924**	

In 2012, investment activity produced a net increase of $9.7 million from the prior year. Investment income decreased $4.9 million in the year ended 2011 as considerable unrealized losses were recorded due to unfavorable market conditions and activity. Investments experienced gains of $4.3 million in 2010.

Grants and contracts increased $8.2 million in the year ended September 30, 2012 primarily due to new federal contracts and grants. Grants and contracts increased $900 thousand and $5.1 million in the year ended September 30, 2011 and 2010, respectively, primarily due to an increase in federal grants and contracts.

Gifts increased $2.7 million in the year ended September 30, 2012 primarily due to a single donor gift of $3.7 million. Gifts increased $485 thousand in the year ended September 30, 2011, due to an increase in single donor gifts to the University. Gifts decreased $190 thousand in the year ended September 30, 2010, due to a slight reduction in corporate gifts to the University.

The University auxiliary activities are comprised of the Bevill Center, food service, housing, book store and other miscellaneous auxiliary enterprises. Auxiliary activities decreased $1.5 million in the year ended September 30, 2012 due to the Bevill Center, housing, book store and food services all experiencing a decline in revenue and changes in mandatory food and housing policies. Auxiliary activities increased $2.1 million and $220 thousand in the year ended September 30, 2011 and 2010, respectively, primarily due to housing and food services receiving increases in revenue due to the opening of the University Charger Village complex.

Sales and services decreased $1.8 million in the year ended September 30, 2012 primarily due to a prior year onetime $1.5 million payment described below and decreases in parking decals and athletic ticket sales. Sales and services increased $ 1.8 million and $115 thousand in the years ended September 30, 2011 and 2010, respectively. The 2011increase was due to a onetime $1.5 million food service payment to assist students in several program initiatives.

Capital gifts and grants decreased $300 thousand during 2012 mainly due to the difference in value assigned to one time capital asset gifts received in 2012 and 2011.

Capital gifts and grants increased $764 thousand and $151 thousand during the years 2011 and 2010.

The University receives grant and contract revenue from federal, state and local governments and private agencies. These funds are used to further the mission of the University: research, education, and public service. These funds are recorded as operating revenues. The chart reflects the funding sources for federal operating grant and contract revenue for the years ended September 30:

Detail of Federal Grants & Contracts Revenue

	2012	2011	2010
National Aeronautics and Space Administration	$ 20,113,728	$ 19,920,857	$ 20,969,792
Department of Defense	53,552,714	45,617,018	43,303,784
National Science Foundation	3,278,044	2,414,183	3,243,906
Department of Education	337,118	940,410	1,112,374
Other	6,455,179	7,094,679	6,855,061
Total	**$ 83,736,783**	**$ 75,987,147**	**$ 75,484,916**

Department of Defense revenues increased $7.9 million, $2.3 million and $7.7 million in the years ended September 30, 2012, 2011 and 2010 respectively, primarily due to an increase in Army contracts.

The following is a comparison of the University's operating expenses for the years ended September 30:

Operating expenses (by functional classification)

	2012	2011	2010
Instruction	$ 50,230,099	$ 52,788,595	$ 46,626,681
Research	76,373,523	72,161,096	70,977,492
Public service	2,769,564	1,271,245	492,098
Academic support	9,203,532	10,979,107	8,053,427
Student services	12,963,863	12,288,975	10,109,980
Institutional support	15,734,176	16,674,715	15,506,263
Operations and maintenance of plant	11,675,038	7,663,698	8,538,183
Scholarships and fellowships	606,364	1,286,400	981,010
Auxiliary enterprises	4,018,964	4,500,595	3,203,326
Depreciation	12,171,441	12,207,389	11,177,617
Total operating expenses	**$ 195,746,564**	**$ 191,821,815**	**$ 175,666,077**

Operating expenses (by natural classification)

	2012	2011	2010
Compensation and benefits	$ 136,791,650	$ 135,629,341	$ 125,809,835
Supplies and services	46,177,109	42,698,685	37,697,615
Depreciation	12,171,441	12,207,389	11,177,617
Scholarships and fellowships	606,364	1,286,400	981,010
Total operating expenses	**$ 195,746,564**	**$ 191,821,815**	**$ 175,666,077**

In 2012, instruction expense decreased $2.6 million primarily due to end of the American Recovery and Reinvestment Act of 2009 funding. Instruction expense increased $6.2 million in the year 2011, primarily due to annual merit based salary increases, increases in health insurance, and the American Recovery and Reinvestment Act of 2009 funding.

Research expense increased $4.2 million, $1.2 million and $5.8 million in the years ended September 30, 2012, 2011 and 2010, respectively, primarily due to an increase in contracts and grants.

Public service increased $1.5 million during 2012 due to an increase in federal contracts and grants. Public service increased $779 thousand and $225 thousand during the years 2011 and 2010, respectively, primarily due to an increase in federal contracts and grants.

Academic support decreased $1.7 million during the year 2012 due to a prior year write-off of electronic database. Academic support increased $2.9 million and $960 thousand during the years 2011 and 2010, respectively. The 2011 increase was primarily due to the write-off of electronic databases and the availability of funding from the American Recovery and Reinvestment Act of 2009.

Operations and maintenance of plant increased $4 million during 2012 primarily due to increases in utilities costs and other services, as well as the expiration of funding from the American Recovery and Reinvestment Act of 2009. In 2011, approximately $2.3 million of this funding was included within the instruction functional classification above, which explains the majority of the decrease in 2011 from 2010. Operations and maintenance of plant decreased $897 thousand during 2010.

The increase in compensation and benefits of $1.2 million and $9.8 million in years ended September 30, 2012 and 2011, respectively, was primarily due to annual merit based salary increases and increases in health insurance and other benefit costs. The increase of $3.3 million in the year ended September 30, 2010 was primarily due to increases in health insurance and other benefit costs.

Scholarships and fellowships expense decreased $680 thousand for the year ended September 30, 2012. Scholarships and fellowships increased $305 thousand and $53 thousand in the years ended September 30, 2011 and 2010, respectively. Scholarships and fellowships expense represents the residual expense after applying the scholarship allowance to gross tuition and fees revenue. The scholarship allowance represents the discount applied to student accounts for internal scholarships and financial aid, including pell grant assistance that is reported as nonoperating revenue.

Supplies and services expense increased $3.5 million in 2012 due to the University's continued growth. Supplies and services expense increased $5.0 million in 2011, primarily due to the American Recovery and Reinvestment Act of 2009 funding.

Statement of Cash Flows

The statement of cash flows presents the significant sources and uses of cash. The University's cash, primarily held in demand deposit accounts, is minimized by sweeping available cash balances into investment accounts. The following is a condensed statement of cash flows for the years ended September 30:

Condensed Statements of Cash Flows

	2012	2011
Cash received from operations	$ 151,607,404	$ 139,503,331
Cash payments for operations	(183,736,818)	(178,784,992)
Net cash used in operating activities	(32,129,414)	(39,281,661)
Net cash used in capital and related financing activites	(13,232,685)	(11,359,231)
Net cash used in investing activities	(3,990,296)	(399,617)
Net cash provided by noncapital financing activities	59,920,446	58,388,597
Net increase in cash and cash equivalents from other than operating activities	42,697,465	46,629,749
Net increase in cash	10,568,051	7,348,088
Cash, beginning of year	37,228,263	29,880,175
Cash, end of year	$ 47,796,314	$ 37,228,263

The University used $32.1 million of cash for operating activities in 2012, offset by $59.9 million of cash provided by noncapital financing activities. Similarly, in 2011, $39.3 million of cash used for operating activities was offset by $58.4 million in cash provided by noncapital financing activities. Noncapital financing activities, as defined by GASB, include state educational appropriations and gifts received for other than capital purposes that are used to support operating expenses. The increase in cash provided by noncapital financing activities was due mainly to an increase in private gifts.

Cash of $13.2 million and $11.4 million in 2012 and 2011, respectively, was used for capital and related financing activities, primarily for purchases of capital assets and principal and interest payments.

Cash used in investing activities totaled $4.0 million in 2012. Cash used in investing activities totaled $400 thousand in 2011. The change is primarily the result of investments made to the System Pooled Endowment Fund during 2012.

Economic Factors That Will Affect the Future

The University's state educational appropriations have not kept pace with the amounts recommended by the Alabama Commission on Higher Education (ACHE). For fiscal year 2012, the University was funded at approximately 55.6% of the ACHE funding recommendation.

State appropriations at the University have been reduced from $58.1 million in 2008 to $43.2 million in 2012. Not surprisingly, the state appropriations received by UAH as a percent of ACHE funding recommendation has been reduced from 78% in 2008 to 55.6% in 2012. The University, like many other public universities in Alabama and in the country, has to resort to tuition increases to help close the budget gap. The University also utilizes savings from previous years to fund non-recurring expenditures, primarily in the area of information technology infrastructure and various facilities renewal projects. The University did not reduce departmental budgets in 2012.

The University continues to attract federal grant and contract revenue. Over 88% of the University's federal operating revenue comes from two agencies: the National Aeronautical and Space Administration and the Department of Defense. The outcome of the federal budget process has important ramifications for the University's research budget.

The University's achievement in recent years in obtaining private and federal support is a testament to the high regard in which the University is held. The level of support underscores the continued confidence among donors and grantors in the quality of the University's programs and the importance of its mission. The University must have a balanced array of many categories of facilities to meet its educational, research and public service goals and continues to assess long-term capital requirements. Support for the University's recent capital expenditures has been provided primarily from federal funds, bond issues repaid through student rental and facility fees, and gifts.

Requests for Information

These financial statements are designed to provide a general overview of the University and its component unit's financial activities and to demonstrate the University's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of Accounting and Financial Reporting, The University of Alabama in Huntsville, 301 Sparkman Drive, Huntsville, Alabama 35899.

FINANCIAL STATEMENTS

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE
STATEMENTS OF NET ASSETS
September 30, 2012 and 2011

	2012	2011
Assets		
Current Assets:		
Cash and cash equivalents	$ 47,178,224	$ 36,647,932
Operating investments	69,164,239	62,030,703
Accounts receivable, net	22,643,397	25,017,114
Other current assets	8,992,125	7,872,689
Total current assets	147,977,985	131,568,438
Noncurrent Assets:		
Restricted cash and cash equivalents	618,090	580,331
Endowment investments	25,386,159	18,612,825
Investments for capital activities	33,536,897	33,536,897
Capital assets, net	203,090,500	206,671,409
Legal settlement receivable	2,716,120	3,534,449
Other noncurrent assets	1,306,624	2,507,239
Total noncurrent assets	266,654,390	265,443,150
Total Assets	**$ 414,632,375**	**$ 397,011,588**
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 18,353,188	$ 18,818,138
Deferred revenues	24,824,073	23,699,868
Current portion of long-term debt	3,450,000	2,790,000
Deposits held for others	3,271,716	3,105,902
Total current liabilities	49,898,977	48,413,908
Noncurrent Liabilities:		
Long-term debt	78,266,000	80,861,000
Total noncurrent liabilities	78,266,000	80,861,000
Total Liabilities	128,164,977	129,274,908
Net Assets:		
Invested in capital assets, net of related debt	125,072,139	126,483,662
Restricted:		
Nonexpendable	7,598,871	3,774,113
Expendable	8,362,708	7,636,765
Unrestricted	145,433,680	129,842,140
Total Net Assets	286,467,398	267,736,680
Total Liabilities and Net Assets	**$ 414,632,375**	**$ 397,011,588**

See accompanying notes to financial statements

UNIVERSITY OF ALABAMA HUNTSVILLE FOUNDATION
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENTS OF FINANCIAL POSITION
September 30, 2012 and 2011

	2012	2011
Cash and cash equivalents	$ 2,938,686	$ 3,479,802
Investments	38,252,070	33,561,409
Investment real estate	2,813,018	2,813,018
Investment in trust	5,330,438	5,236,077
Accrued interest	381,724	396,246
Mortgages receivable	-	-
Pledges receivable, net	263,308	393,228
Trust receivable	484,959	484,959
Related party receivable	-	209,434
Income tax receivable	100,794	80,794
Collections	-	-
Total Assets	**$ 50,564,997**	**$ 46,654,967**
Accounts payable	$ 22,960	$ 2,221
Annuity payable	174,629	162,607
Payroll tax payable	4,021	3,624
Total Liabilities	201,610	168,452
Unrestricted net assets	22,299,398	20,741,788
Temporarily restricted net assets	8,496,852	6,483,273
Permanently restricted net assets	19,567,137	19,261,454
Total Net Assets	50,363,387	46,486,515
Total Liabilities and Net Assets	**$ 50,564,997**	**$ 46,654,967**

See Note 16

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Years Ended September 30, 2012 and 2011

	2012	2011
Operating Revenues		
Tuition and fees	$ 68,218,529	$ 62,722,011
Less: scholarship allowances	(18,185,728)	(17,691,842)
Tuition and fees, net	50,032,801	45,030,169
Grants and contracts		
Federal	83,736,783	75,987,147
State	4,067,616	4,094,758
Private	1,855,859	1,422,762
Sales and services of educational departments	3,451,345	5,229,509
Auxiliary, net of $1,083,968 in 2012 and $1,193,885 in 2011 of scholarship allowances	6,718,898	8,172,943
Total Operating Revenues	**149,863,302**	**139,937,288**
Operating Expenses		
Compensation and benefits	136,791,650	135,629,341
Supplies and services	46,177,109	42,698,685
Depreciation	12,171,441	12,207,389
Scholarships and fellowships	606,364	1,286,400
Total Operating Expenses	**195,746,564**	**191,821,815**
Operating loss	(45,883,262)	(51,884,527)
Nonoperating Revenues (Expenses)		
State educational appropriations	43,240,587	42,703,771
Private gifts	6,020,498	3,313,101
Net investment income	9,961,393	306,941
Pell grant revenue	8,118,163	8,558,340
State fiscal stabilization funds	(1,442)	4,739,873
Legal settlement	4,665	371
Loss on disposal of capital assets	(559,937)	(139,164)
Interest expense	(3,345,280)	(3,413,201)
Net Nonoperating Revenues	**63,438,647**	**56,070,032**
Capital gifts	1,175,333	1,555,390
	64,613,980	**57,625,422**
Increase in net assets	18,730,718	5,740,895
Net Assets, Beginning of Year	267,736,680	261,995,785
Net Assets, End of Year	**$ 286,467,398**	**$ 267,736,680**

See accompanying notes to financial statements

UNIVERSITY OF ALABAMA HUNTSVILLE FOUNDATION
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended September 30, 2012 and 2011

	2012	2011
Changes in net assets		
Revenue, gains, and other support:		
Contributions	$ 1,366,346	$ 3,428,910
Rent income	23,985	23,960
Investment income	1,749,894	1,806,928
Unrealized gain on investments	2,991,398	-
Equity in earnings of trust	747,611	690,802
Other income	297,715	61,307
Change in allowance for uncollectibles	53,775	
Total Revenues	**7,230,724**	**6,011,907**
Expenses:		
Unrealized loss on investments	-	1,931,582
Realized loss on sale of investments	328,876	150,880
Contributions to UAH	1,241,531	696,352
Scholarships to UAH	1,311,573	1,205,728
Professional services	114,012	71,913
Income tax expense	173,459	215,173
Labor/Payroll expense	114,109	103,344
Bad debts expense	-	97,883
Change in value of split-interest agreement	29,599	2,238
Other expenses	40,693	35,243
Total Expenses	**3,353,852**	**4,510,336**
Change in net assets	3,876,872	1,501,571
Net Assets, Beginning of Year	46,486,515	44,984,944
Net Assets, End of Year	**$ 50,363,387**	**$ 46,486,515**

See Note 16

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Student tuition and fees	$ 50,709,689	$ 46,959,315
Federal grants and contracts	85,418,945	75,933,459
State and local grants and contracts	4,122,921	4,064,723
Private grants and contracts	1,881,092	1,411,960
Sales and services of educational and other departmental activities	3,666,534	4,425,221
Auxiliary enterprises	5,808,223	6,708,653
Payments to suppliers	(43,610,858)	(41,963,442)
Payments to employees and related fringes	(139,295,926)	(135,014,029)
Payments for scholarships and fellowships	(830,034)	(1,807,521)
Net Cash Used in Operating Activities	(32,129,414)	(39,281,661)
Cash Flows from Capital and Related Financing Activities		
Proceeds from issuance of refinancing bonds	24,870,000	-
Defeasance of bonds	(24,015,100)	-
Purchase of capital assets	(7,699,693)	(5,728,816)
Principal payments on capital debt	(2,789,900)	(2,575,000)
Interest payments on capital debt	(3,597,992)	(3,055,415)
Net Cash Used in Capital and Related Financing Activities	(13,232,685)	(11,359,231)
Cash Flows from Investing Activities		
Income distributions from System investment pool	1,224,944	1,416,495
Proceeds from sales and maturities of other investments	2,898	3,054
Contributions to System investment pool	(5,218,138)	(1,819,166)
Net Cash Used in Investing Activities	(3,990,296)	(399,617)
Cash Flows from Noncapital Financing Activities		
State educational appropriations	43,240,587	42,703,771
Private gifts	6,020,498	3,313,101
Student direct lending receipts	31,547,939	28,593,707
Student direct lending disbursements	(29,954,101)	(30,049,987)
Amounts received from affiliates	347,119	79,812
Amounts paid to affiliates	(181,305)	(147,998)
Legal settlement	782,988	597,978
Pell grant revenue	8,118,163	8,558,340
State fiscal stabilization funds	(1,442)	4,739,873
Net Cash Provided by Noncapital Financing Activities	59,920,446	58,388,597
Net increase in cash and cash equivalents	10,568,051	7,348,088
Cash and Cash Equivalents, Beginning of Year	37,228,263	29,880,175
Cash and Cash Equivalents, End of Year	**$ 47,796,314**	**$ 37,228,263**
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets		
Cash and cash equivalents in current assets	47,178,224	36,647,932
Restricted cash and cash equivalents	618,090	580,331
Total Cash and Cash Equivalents	**$ 47,796,314**	**$ 37,228,263**

See accompanying notes to financial statements

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE
STATEMENTS OF CASH FLOWS -- Continued
Years Ended September 30, 2012 and 2011

	2012	2011
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (45,883,262)	$ (51,884,527)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	12,667,056	12,207,389
Changes in allowance for doubtful accounts	316,278	160,093
Changes in assets and liabilities:		
Accounts receivable, net	303,799	(1,362,846)
Other current assets	(414,436)	(523,358)
Accounts payable and accrued liabilities	(243,054)	1,352,791
Deferred revenues	1,124,205	768,797
Net Cash Used in Operating Activities	**$ (32,129,414)**	**$ (39,281,661)**
Supplemental Noncash Activities Information		
Loss on disposal of capital assets	$ 559,937	$ 139,165
Gift of capital assets	1,175,333	1,555,390
Capital assets acquired with a liability at year end	271,550	-

See accompanying notes to financial statements

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE
Notes to Financial Statements
Years Ended September 30, 2012 and 2011

Note 1 – Organization and Summary of Significant Accounting Policies

Financial Reporting Entity - The University of Alabama in Huntsville (the "University") is one of three campuses of The University of Alabama System (the "System"), which is a discretely presented component unit of the State of Alabama. The financial statements of the University are intended to present the financial position, changes in financial position, and the cash flows of only that portion of the business type activities of the financial reporting entity of the System that is attributable to the transactions of the University. The financial statements include individual schools, colleges and departments, and certain affiliated operations determined to be a part of the University's financial reporting entity. The System is recognized as an organization exempt from Federal Income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) of the Internal Revenue Code.

Scope of Statements - The University follows Governmental Accounting Standards Board (GASB) Statement Number 39, *Determining Whether Certain Organizations are Component Units* ("GASB 39"). This Statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations for which the University is not financially accountable should be reported as component units based on the nature and significance of their relationship with the University.

As defined by generally accepted accounting principles established by the GASB, the financial reporting entity consists of the University, as well as its discretely presented component unit, the University of Alabama Huntsville Foundation ("UAHF").

UAHF is a legally separate, tax-exempt component unit of the University. UAHF is organized exclusively for charitable, scientific, and educational purposes in order to benefit the University. UAHF is governed by a 35-member board of trustees. Although the University does not control the timing or amount of receipts from UAHF, the majority of resources, or income thereon that UAHF holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by UAHF can only be used by, or for the benefit of, the University, UAHF is considered a component unit of the University. UAHF is reported in separate financial statements because of the difference in its reporting model, as further described below.

UAHF is a not-for-profit organization that reports its financial results under the Financial Accounting Standard Board ("FASB") Statements. Most significant to UAHF's operations and reporting model is Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria presentation features. No modifications have been made to UAHF's financial information in the University's financial reporting entity for these differences; however, significant note disclosures (see Note 16) to UAHF's financial statements have been incorporated into the University's notes to the financial statements. During the years ended September 30, 2012 and 2011, UAHF distributed $2,553,104 and $1,902,080, respectively, to or for the University for both restricted and unrestricted purposes. Complete financial statements for UAHF can be obtained by calling 1-256-824-6350.

The University is also affiliated with the Eminent Scholars Foundation, Alabama Engineering Foundation, UAH Alumni Association, UAH Athletic Association and UAH Foundation for Excellence. These entities' resources are not significant to the University; therefore, they do not constitute component units under the provisions of GASB 39.

Basis of Accounting: For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities as defined by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities,* an amendment of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, the financial statements of the University have been prepared in accordance with accounting principles generally accepted in the United States of America, including all applicable effective statements of the GASB and all statements of the FASB through November 30, 1989, using the economic measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Net Assets: Net assets are classified into the following four categories according to external donor restrictions or availability of assets for satisfaction of University obligations:

- **Invested in capital assets, net of related debt**: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

- **Restricted**:

    Nonexpendable – Net assets subject to externally imposed stipulations that they be maintained permanently by the University. Such assets include the corpus of the University's permanent endowment funds.

    Expendable – Net assets whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

- **Unrestricted:** Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management. Substantially all unrestricted net assets are designated for academic, research, and capital programs.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents representing assets of the University's endowment, life income, and other long-term investments are included in the noncurrent investments category.

Investments: The University's investments are primarily reported at fair value. The University's investment portfolio is primarily invested in three separate investment pools sponsored by the System. Fair value for the investment pools is provided by the System, based on the fair value of the underlying investment securities held by each investment pool. Fair value of the underlying securities held in each investment pool is based on quoted market prices or dealer quotes, where available, or determined using net asset values provided by underlying investment partnerships or companies, which primarily invest in readily marketable securities. Certain real estate and non-readily marketable securities held in the System-sponsored Endowment Fund and Prime fund (Note 3) are carried at cost, unless impaired. Fair value for investments held directly by the University is determined from quoted market prices or market prices of similar instruments. Net investment income, including realized and unrealized gains and losses, is reported as nonoperating revenues (expenses) in the statements of revenues, expenses and changes in net assets.

Investments are reported in three categories in the statement of net assets. Investments recorded as endowment investments are those invested funds that cannot be used to fund current operations and thus are included in noncurrent assets. Investments for capital activities are included in noncurrent assets, except for amounts included in current assets to offset current construction-related payables. All other investments are included as operating investments.

Accounts Receivable: Accounts receivable consist primarily of tuition and fees charged to students, amounts due from the federal government, state and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to the University's contracts and grants, and amounts due to the University related to a legal settlement. Accounts receivable are recorded net of estimated uncollectible amounts; the legal settlement receivable is recorded at net present value as the term is greater than one year.

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or fair value at date of donation in the case of gifts, less accumulated depreciation. For equipment, the University's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. The University capitalizes certain software and development costs associated with obtaining and developing internal-use computer software. Implementation costs, which are capitalized, include consulting expenses and allocation of internal salaries and fringes for the core implementation team. Training costs are expensed as incurred.

Capital assets acquired through federal grants and contracts where the federal government retains a reversionary interest are capitalized and depreciated. Interest costs, net of any related investment earnings, for certain assets acquired with the proceeds of tax-exempt borrowings are capitalized as a component of the cost of acquiring those assets.

Depreciation of buildings and building improvements (5-40 years), land improvements and infrastructure (10 years), library collection (10 years), computer software (10 years) and inventoried equipment (5-8 years) is computed on a straight-line basis. The University computes depreciation for certain buildings and building improvements using a componentized method.

Collections: Collections are recognized as an asset on the accompanying statement of net assets in accordance with GASB 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*. The University defines collections as works of art or similar assets that are held for public exhibition, education, or research in furtherance of public service rather than financial gain which are protected, kept unencumbered, cared for, and preserved. Collection items are recorded at cost as of the date of acquisition or at their appraised or fair value on the date of donation in the case of gifts. Gains or losses from the sale of collection items are reflected on the statement of revenues, expenses, and changes in net assets as changes in the appropriate net asset classes, depending on the existence and type of donor-imposed restrictions.

Deferred Revenues: Deferred revenues consist primarily of amounts received for fall semester student tuition and fees that are not earned until the next fiscal year. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Revenues: The University's policy for defining operating activities as reported on the statement of revenues, expenses, and changes in net assets are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of the University's operating revenues are from exchange transactions. Certain significant revenue streams relied upon to support operations are recorded as nonoperating revenues, as defined by GASB Statement No. 35, including state educational appropriations, private gifts for other than capital purposes, investment income, federal pell grants and state fiscal stabilization funds.

Auxiliary enterprise revenues are primarily generated by University Housing.

Revenues received for capital activities are considered neither operating nor nonoperating activities, and are presented after nonoperating activities on the accompanying statement of revenues, expenses, and changes in net assets.

Contract and grant revenue: The University receives contract and grant revenue from governmental and private sources. The University recognizes revenue associated with the sponsored programs in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, based on the terms of the individual contract or grant.

Scholarship Allowances and Student Aid: Scholarship allowances applied to student accounts are recorded as an offset to student tuition and fees and auxiliary revenue. Payments of financial aid made directly to students continue to be classified as scholarship and fellowship expenses.

Internal Sales Activities: All internal sales activities to the University departments from sales and service units (motor pool, postal services, telecommunications, etc.) have been eliminated in the accompanying financial statements.

Compensated Absences: The University accrues annual leave for employees at rates based upon length of service and job classification and compensatory time based upon job classification and years worked.

Endowment Spending: For donor restricted endowments, the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted in Alabama, permits The Board of Trustees of the University of Alabama (the Board) to appropriate an amount of realized and unrealized endowment appreciation as the Board determines to be prudent. UPMIFA also prescribes the guidelines for the expenditure of donor-restricted endowment funds in the absence of overriding, explicit donor stipulations. UPMIFA focuses on the entirety of a donor-restricted endowment fund, that is, both the original gift amount(s) and net appreciation. UPMIFA includes a robust set of guidelines about what constitutes prudent spending, explicitly requiring consideration of the duration and preservation of the fund. The University’s policy is to retain the endowment realized and unrealized appreciation with the endowment after the spending rate distributions in a manner consistent with the standards of prudence prescribed by UPMIFA. The Board approved a spending rate for the fiscal years ended September 30, 2012 and 2011 of 5.0% of a moving three-year average of the market (unit) value.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Note 2 - Cash

The Board approves, by resolution, all banks or other financial institutions utilized as depositories for University funds. Prior to approval, each proposed depository must provide evidence of its designation by the Alabama State Treasurer as a qualified public depository under the Security of Alabama Funds Enhancement Act (SAFE). From time to time, the Board may request that the depository provide evidence of its continuing designation as a qualified public depository. Under the mandatory SAFE program, each qualified public depository (QPD) is required to hold collateral for all its public depositories on a pooled basis in a custody account established for the State Treasurer as SAFE administrator. In the unlikely event a public entity should suffer a deposit loss due to QPD insolvency or default, a claim form would be filed with the State Treasurer who would use the SAFE pool collateral or other means to reimburse the loss.

The System sponsors a short-term investment pool for the System entities to invest operating cash reserves. The Short-Term Fund is invested in a treasury obligation money market fund managed by Federated. As of September 30, 2012 and 2011, the University had approximately $25.2 million and $15.2 million in the Short-Term Fund all of which was invested in the money market fund. The assets held in the money market fund are presented in cash and cash equivalents at September 30, 2012 and 2011.

As of September 30, 2012 and 2011, the University had cash and cash equivalents totaling $47,796,314 and $37,228,263 respectively. Included in the amounts are deposits with trustees held for reserves, which totaled $564,545 in 2012 and $580,331 in 2011.

Note 3 – Investments

The University invests its endowment funds in accordance with applicable limitations set forth in gift instruments, Board guidelines, or applicable laws. Also certain bond indentures require the University to invest the amounts held in specific construction funds, redemption funds, and bond funds in federal securities, eligible certificates, or eligible investments.

At September 30, 2012 and 2011, the University's investments included custodial credit risk category I investments (investments that are insured or registered, or securities held by the University or its agent in the University's name) and other investments not categorized by risk category as follows:

		2012		2011
Category I:				
Time deposits	$	135,259	$	135,081
Not categorized:				
Mutual funds		41,151		36,319
System Short-term Fund		25,198,879		15,204,407
System Intermediate Fund		59,923,925		57,865,155
System Prime Investment Fund		40,200,788		35,293,979
Pooled Endowment Fund		25,386,159		18,612,825
Agency Funds		2,400,013		2,237,066
Total Investments	$	153,286,174	$	129,384,832

The Board has the responsibility for the establishment of the investment policy and the oversight of the investments for the System and related entities. In order to facilitate System-wide investment objectives and achieve economies of scale, the Board has established four distinct investment pools based primarily on the projected investment time-horizons for System funds. These investment pools are the Endowment Fund, Prime Fund, Intermediate Fund and the Short-Term Fund (collectively, the System Pools). Pursuant to Board investment policies, each System or related entity may include all or a portion of their investments within the System-sponsored investment pools. These investment funds are considered ‘internal’ investment pools under GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, with the assets pooled on a market value basis. Separately managed funds that are resident with each entity are to be invested consistent with the asset mix of the corresponding System investment pool. The following disclosures relate to both the System Pools, which include the investments of other System entities and other affiliated entities, and the University-specific investment portfolio.

Endowment Fund: The purpose of the Endowment Fund is to pool endowment and similar funds to support the System campuses, hospital and related entities in carrying out their respective missions over a perpetual time frame. Accordingly, the primary investment objectives of the Endowment Funds are to preserve the purchasing power of the principal and provide a stable source of perpetual financial support to the endowment beneficiaries. To satisfy the long-term rate of return objective, the Endowment Fund relies on a total return strategy in which investment returns are achieved through both capital appreciation and natural income. Asset allocation targets are established to meet the return objectives while providing adequate diversification in order to minimize investment volatility. As discussed in Note 1, the Endowment Fund invests in securities with non-readily determinable market values which are valued at cost, unless impaired. The portion of the University’s investment in the Endowment Fund which is reported at cost is $3,084,069 and $2,276,007 at September 30, 2012 and 2011, respectively. The remainder of the investment is reported at fair value.

Prime Fund: The Prime Fund is a longer-term fund used as an investment vehicle to manage operating reserves with a time horizon of seven to ten years. This fund has an investment objective of growth and income and is invested in a diversified asset mix of liquid and semi-liquid securities. This fund is not currently invested in long-term lockup funds with illiquid assets. As discussed in Note l, certain investments within the Prime Fund are valued at cost, unless impaired. The University's portion of investments in the Prime fund which are measured at cost totaled approximately $522,000 and $591,000 at September 30, 2012 and 2011, respectively. The remainder of the investment is reported at fair value.

Intermediate Fund: The Intermediate Fund serves as an investment vehicle to manage operating reserves with a time horizon of two to six years. This fund is also used to balance the other funds when looking at the System's entire asset allocation of operating reserves relative to its investment objectives. The Intermediate Fund has an investment objective of income with preservation of capital and is invested in intermediate-term fixed income securities. System policy states that at least one of the Intermediate Fund investment managers must be a large mutual fund providing daily liquidity.

Short-Term Fund: The Short-Term Fund contains the short term operating reserves of the various System entities. Because of the different income and disbursement requirements of each entity, consolidation of these funds reduces daily cash fluctuations and minimizes the amount of short-term cash reserves needed. Assets held in the Short-Term Fund are invested with the primary objective of stability of principal and liquidity. Such investments are restricted to high quality, liquid, money market funds and other fixed income obligations with a maturity of one year or less. Refer to Note 2 for additional information related to the Short-Term Fund.

Although the investment philosophy of the Board is to minimize the direct ownership of investment vehicles, preferring ownership in appropriate investment fund groups, there are certain direct investments that are held in the name of the Board. All other investments in the System Pools are classified as commingled funds.

The composition of the System's investments, by investment type for the System Pools, at September 30, 2012 and 2011 is as follows:

	ENDOWMENT FUND		PRIME FUND		INTERMEDIATE FUND		SHORT TERM FUND	
	2012	2011	2012	2011	2012	2011	2012	2011
RECEIVABLES:								
ACCRUED INCOME RECEIVABLES	$ 1,007,252	$ 1,107,419	$ 610,059	$ 650,770	$ 4,047,259	$ 4,991,584	$ -	$ -
TOTAL RECEIVABLES	**1,007,252**	**1,107,419**	**610,059**	**650,770**	**4,047,259**	**4,991,584**	-	-
CASH EQUIVALENTS:								
CERTIFICATES OF DEPOSIT	-	-	-	-	6,095,374	9,083,787	-	-
COMMERCIAL PAPER	-	-	-	-	-	16,200,000	-	-
MONEY MARKET FUNDS	37,622,530	32,523,163	25,012,340	27,318,415	117,007,185	67,192,267	165,309,391	119,243,909
TOTAL CASH EQUIVALENTS	**37,622,530**	**32,523,163**	**25,012,340**	**27,318,415**	**123,102,559**	**92,476,054**	**165,309,391**	**119,243,909**
EQUITIES:								
U.S. COMMON STOCK	71,093,168	61,441,298	49,927,229	47,156,571	-	-	-	-
U.S. PREFERRED STOCK	1,031,250	-	937,500	-	-	-	-	-
NON-U.S. STOCK	9,012,235	3,693,290	7,038,544	2,813,145	-	-	-	-
TOTAL EQUITIES	**81,136,653**	**65,134,588**	**57,903,273**	**49,969,716**	-	-	-	-
FIXED INCOME SECURITIES:								
U.S. GOVERNMENT OBLIGATIONS	28,152,015	32,642,178	12,728,703	11,255,896	363,188,133	237,375,819	-	-
MUNICIPAL GOVERNMENT OBLIGATIONS	-	-	-	-	6,423,894	5,348,375	-	-
MORTGAGE BACKED SECURITIES	-	-	-	-	50,978,064	47,674,103	-	-
COLLATERALIZED MORTGAGE OBLIGATIONS	428,837	824,701	176,195	1,616,040	57,695,598	80,738,496	-	-
CORPORATE BONDS	48,420,651	45,242,909	25,691,441	20,786,125	324,568,847	349,240,996	-	-
NON-U.S. BONDS	-	-	-	-	8,953,326	20,105,488	-	-
TOTAL FIXED INCOME SECURITIES	**77,001,503**	**78,709,788**	**38,596,339**	**33,658,061**	**811,807,862**	**740,483,277**	-	-
COMMINGLED FUNDS:								
U.S. EQUITY FUNDS	102,545,643	97,341,436	99,826,894	95,624,301	-	-	-	-
NON-U.S. EQUITY FUNDS	250,230,913	204,708,799	220,690,653	190,506,910	-	-	-	-
U.S. BOND FUNDS	29,518,564	19,459,731	55,590,858	48,810,114	118,258,903	106,131,493	-	-
NON-U.S. BOND FUNDS	57,589,079	56,083,738	54,429,629	48,033,757	-	-	-	-
HEDGE FUNDS	148,184,664	141,883,144	115,874,279	109,604,285	-	-	-	-
PRIVATE EQUITY FUNDS	61,912,960	53,444,269	-	-	-	-	-	-
TIMBERLAND FUNDS	5,624,452	5,624,452	-	-	-	-	-	-
REAL ESTATE FUNDS	128,235,796	111,363,986	102,617,303	87,120,952	-	-	-	-
TOTAL COMMINGLED FUNDS	**783,842,071**	**689,909,555**	**649,029,616**	**579,700,319**	**118,258,903**	**106,131,493**	-	-
TOTAL FUND INVESTMENTS	**979,602,757**	**866,277,094**	**770,541,568**	**690,646,511**	**1,053,169,324**	**939,090,824**	**165,309,391**	**119,243,909**
TOTAL FUND ASSETS	**980,610,009**	**867,384,513**	**771,151,627**	**691,297,281**	**1,057,216,583**	**944,082,408**	**165,309,391**	**119,243,909**
TOTAL FUND LIABILITIES	(126,133)	(141,349)	(88,592)	(96,905)	(481,793)	(431,667)	-	-
AFFILIATED ENTITY INVESTMENTS IN FUNDS	(124,786,897)	(108,310,387)	(51,504,726)	(46,104,160)	(77,940,650)	(63,559,098)	-	-
TOTAL NET ASSET VALUE	**$ 855,696,979**	**$ 758,932,777**	**$ 719,558,309**	**$ 645,096,216**	**$ 978,794,140**	**$ 880,091,643**	**165,309,391**	**$ 119,243,909**

Investment Risk Factors: There are many factors that can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk and foreign currency risk, may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates.

Credit Risk: Fixed income securities are subject to credit risk, which is the chance that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation, and/or adverse political developments. Certain fixed income securities, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have significant credit risk.

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond, and ultimately, to pay the principal. Credit quality is evaluated by one of the independent bond-rating agencies, for example Moody's Investors Service (Moody's) or Standard and Poor's (S&P). The lower the rating, the greater the chance—in the rating agency's opinion—that the bond issuer will default, or fail to meet its payment obligations.

Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk.

Board policy recognizes that a limited amount of credit risk, properly managed and monitored, is prudent and provides incremental risk adjusted return over its benchmark.

Credit risk in each investment pool is managed primarily by diversifying across issuers and limiting the amount of portfolio assets that can be invested in non-investment grade securities. Fixed income holdings in a single entity (excluding obligations of the U.S. government and its agencies) may not exceed 5% of a manager's portfolio measured at market value. At least 95% of these fixed income investments must be in investment grade securities (securities with ratings of BBB- or Baa3) or higher. However, multi-strategy fixed income managers may have up to 20% of their investments in non-investment grade securities. Securities of foreign entities denominated in U.S. dollars are limited to 10% of a manager's portfolio. Securities denominated in currencies other than U.S. dollars are not permissible unless part of a multi-strategy fixed income account where the limitation is 20% of the manager's portfolio.

The investment policy recognizes that credit risk is appropriate in balanced investment pools such as the Endowment and Prime Funds, which are tracked against the Barclays Government Credit Index for U.S. investments and the Citigroup WGBI Index for international investment benchmarks for the fixed income portion of these pools. Fixed income investments within the Endowment and Prime Funds include corporate, mortgage backed, asset backed and U.S. treasury and/or agency bonds with a minimum BBB- rating and an average duration of four years. In addition, approximately $20,000 and $1,600,000 in the Endowment and Prime Funds, at September 30, 2012 and 2011, is invested in unrated fixed income securities, excluding fixed income commingled funds. Fixed income commingled funds were approximately $259,800,000 and $232,200,000, in the Endowment and Prime Funds, at September 30, 2012 and 2011, respectively.

The Intermediate Fund is benchmarked against the 1-3 year Barclays Government Credit Index with funds invested with four separate fund managers. Fixed income investments include corporate, mortgage backed, asset backed, collateralized mortgage and U.S. treasury and/or agency bonds with a minimum rating of BB or higher. For September 30, 2012 and 2011, respectively, approximately $63,200,000 and $59,200,000 was invested by the Intermediate Fund in unrated fixed income securities, excluding commingled bond funds, money market funds and commercial paper. Fixed income commingled funds and commercial paper totaled approximately $235,200,000 and $189,500,000 at September 30, 2012 and 2011, respectively. For September 30, 2012 and 2011, $6,100,000 and $9,100,000, respectively, was invested by the Intermediate Fund in certificates of deposit.

The Short-Term Fund is committed to immediate liquidity to meet the operating needs of the System campuses and hospital. The Short-Term Fund is invested in a money market fund, which in turn invests mostly in U.S. Treasury securities and repurchase agreements that are collateralized by U.S. Treasury securities. These funds are all commingled with funds of other investors. Refer to Note 2 for additional information related to the Short-Term Fund.

The credit risk for fixed and variable income securities, for the System Pools, at September 30, 2012 and 2011 are as follows:

	ENDOWMENT FUND		PRIME FUND		INTERMEDIATE FUND		SHORT TERM FUND	
	2012	2011	2012	2011	2012	2011	2012	2011
Fixed or Variable Income Securities								
U.S. Government Obligations	$ 28,152,015	$ 32,642,178	$ 12,728,703	$ 11,255,896	$ 363,188,133	$ 237,375,819	$ -	$ -
Municipal Government Obligations	-	-	-	-	6,423,894	5,348,375	-	-
Other U.S. and Non U.S.Denominated:								
AAA	1,586,686	601,838	749,786	259,069	30,554,363	82,551,910	-	-
AA	8,698,140	9,442,755	4,205,006	4,280,773	77,971,612	82,527,357	-	-
A	23,416,600	20,810,897	12,943,728	10,696,427	195,302,384	155,173,567	-	-
BBB	15,128,540	14,989,257	7,969,116	5,808,925	61,721,408	93,358,572	-	-
BB	-	-	-	-	9,130,213	19,361,524	-	-
B	-	-	-	-	1,351,313	1,357,676	-	-
C and < C	-	-	-	-	2,939,022	4,257,867	-	-
Unrated	19,522	222,863	-	1,356,971	63,225,520	59,170,610	-	-
Commingled Funds:								
Bank Common Trust Fund: Unrated	-	-	-	-	-	-	-	-
U.S. Bond Funds: Unrated	29,518,564	19,459,731	55,590,858	48,810,114	118,258,903	106,131,493	-	-
Non-U.S. Bond Funds: Unrated	57,589,079	56,083,738	54,429,629	48,033,757	-	-	-	-
Money Market Funds: Unrated	37,622,530	32,523,163	25,012,340	27,318,415	117,007,185	67,192,267	165,309,391	119,243,909
Commercial Paper: Unrated	-	-	-	-	-	16,200,000	-	-
Certificate of Deposits	-	-	-	-	6,095,374	9,083,787	-	-
TOTAL	**$ 201,731,676**	**$ 186,776,420**	**$ 173,629,166**	**$ 157,820,347**	**$ 1,053,169,324**	**$ 939,090,824**	**$ 165,309,391**	**$ 119,243,909**

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the corporate failure of the custodian, the System's investment securities may not be returned. Investment securities in the System Pools are registered in the Board's name by the custodial bank as an agent for the System. Other types of investments (i.e. open-ended mutual funds, money market funds) represent ownership interests that do not exist in physical or book-entry form. As a result, custodial credit risk is remote.

Concentration of Credit Risk: Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. As previously mentioned, credit risk in each investment pool is managed primarily by diversifying across issuers and limiting the amount of portfolio assets that can be invested in non-investment grade securities. As of September 30, 2012 and 2011, there was no investment in a single issuer that represents 5% or more of total investments held by any single investment manager of the System Pools, except for investments issued by the U.S. government and money market fund investments held by the Short Term Fund.

Interest Rate Risk: Interest rate risk is the risk that the value of fixed income securities will decline because of changing interest rates. The prices of fixed income securities with a longer time to maturity, measured by effective duration, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. Effective duration is the approximate change in price of a security resulting from a 100 basis point (1 percentage point) change in the level of interest rates. It is not a measure of time. The Board does not have a specific policy relative to interest rate risk. As such, there are no restrictions on weighted average maturity for each portfolio as they are managed relative to the investment objectives and liquidity demands of the investors. The effective durations for fixed or variable income securities, for the System Pools, at September 30, 2012 and 2011 are as follows:

	ENDOWMENT FUND		PRIME FUND		INTERMEDIATE FUND	
	2012	2011	2012	2011	2012	2011
U.S. GOVERNMENT OBLIGATIONS	5.0	4.1	5.5	4.9	1.9	2.6
CORPORATE BONDS	5.4	5.8	5.2	5.8	1.7	2.3
COMMINGLED BOND FUNDS	0.6	4.2	1.5	3.8	2.3	2.2
MUNICIPAL GOVERNMENT OBLIGATIONS	-	-	-	-	1.8	4.8
NON-U.S. BONDS	-	-	-	-	1.7	1.8

The information presented does not take into account the relative weighting of the portfolio components to the total portfolio.

Investments may also include mortgage pass through securities and collateralized mortgage obligations that may be considered to be highly sensitive to changes in interest rates due to the existence of prepayment or conversion features. At September 30, 2012 and 2011, the fair market value of these investments for the System Pools, are as follows:

	ENDOWMENT FUND		PRIME FUND		INTERMEDIATE FUND	
	2012	2011	2012	2011	2012	2011
MORTGAGE BACKED SECURITIES	$ -	$ -	$ -	$ -	$ 50,978,064	$ 47,674,103
COLLATERALIZED MORTGAGE OBLIGATIONS	428,837	824,701	176,195	1,616,040	57,695,598	80,738,496
TOTAL FIXED	**$ 428,837**	**$ 824,701**	**$ 176,195**	**$ 1,616,040**	**$ 108,673,662**	**$ 128,412,599**

Mortgage Backed Securities: These securities are issued by the Federal National Mortgage Association (Fannie Mae), Government National Mortgage Association (Ginnie Mae) and Federal Home Loan Mortgage Association (Freddie Mac) and include short embedded prepayment options. Unanticipated prepayments by the obligees of the underlying asset reduce the total expected rate of return.

Collateralized Mortgage Obligations: Collateralized mortgage obligations (CMOs) generate a return based upon either the payment of interest or principal on mortgages in an underlying pool. The relationship between interest rates and prepayments makes the fair value highly sensitive to changes in interest rates. In falling interest rate environments, the underlying mortgages are subject to a higher propensity of prepayments. In a rising interest rate environment, the opposite is true.

At September 30, 2012 and 2011 the effective durations for these securities are as follows:

	ENDOWMENT FUND		PRIME FUND		INTERMEDIATE FUND	
	2012	2011	2012	2011	2012	2011
MORTGAGE BACKED SECURITIES	-	-	-	-	1.7	2.7
COLLATERALIZED MORTGAGE OBLIGATIONS	2.6	2.4	2.7	1.2	1.1	0.9

Foreign Currency Risk: The strategic asset allocation policy for the Endowment Fund and the Prime Fund includes an allocation to non-United States equity securities. Each international equity manager must hold a minimum of 30 individual stocks with equity holdings in a single company remaining below 8% of the investment manager's portfolio, measured at market value. Currency hedging of foreign bonds and stocks is allowed under System Policy. As of September 30, 2012 and 2011, all foreign investments in the System Pools are denominated in U.S. dollars and are in international commingled funds, which in turn invest in equity securities and bonds of foreign issuers except for approximately $8,900,000 and $20,100,000 of foreign bonds denominated in U.S. dollars and held by the Intermediate Fund at September 30, 2012 and 2011, respectively.

Securities Lending: Board policies permit security lending as a mechanism to augment income. Loans of the securities are required to be collateralized by cash, letters of credit or securities issued or guaranteed by the U.S. Government or its agencies. The collateral must equal at least 102% of the current market value of the loaned securities. Securities lending contracts must state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and acceptable investment of the collateral.

At September 30, 2012 and 2011, there were no securities on loan from the investment pools.

Note 4 – Accounts Receivable

The composition of accounts receivable at September 30, 2012 and 2011 is summarized as follows:

	2012	2011
Tuition and fees (net of allowance for doubtful accounts of $804,045 in 2012 and $222,045 in 2011)	$ 5,308,162	$ 4,912,571
Auxiliary enterprises and other operating activities	590,704	172,126
Federal, state, and private grants and contracts (net of allowance for doubtful accounts of $245,559 in 2012 and $511,282 in 2011)	14,827,375	17,840,078
Legal settlement receivable, net present value	818,329	778,323
Other	1,098,827	1,314,016
Net accounts receivable	$ 22,643,397	$ 25,017,114

Note 5 – Capital Assets

Capital assets activity for the years ended September 30, 2012 and 2011 is summarized as follows:

	October 1, 2011	Additions	Retirements	Adjustments	September 30, 2012
Land	$ 3,910,290	$ 50,000	$ -	$ -	$ 3,960,290
Land improvements and infrastructure	8,257,930	2,916,554	-	-	11,174,484
Buildings and building improvements	285,729,470	1,771,265	(169,835)	-	287,330,900
Construction in progress	720,876	1,503,282	-	-	2,224,158
Equipment	62,102,543	2,708,895	(1,066,627)	-	63,744,811
Library books	25,685,766	200,472	(7,804)	-	25,878,434
Computer software	2,939,750	-	-	-	2,939,750
Artwork	510,305	-	-	-	510,305
Total cost of capital assets	389,856,930	9,150,468	(1,244,266)	-	397,763,132
Less accumulated depreciation	183,185,521	12,171,441	(684,330)	-	194,672,632
Capital assets, net	$ 206,671,409	$ (3,020,973)	$ (559,936)	-	$ 203,090,500

	October 1, 2010	Additions	Retirements	Adjustments	September 30, 2011
Land	$ 3,910,290	$ -	$ -	$ -	$ 3,910,290
Land improvements and infrastructure	8,059,384	198,546	-	-	8,257,930
Buildings and building improvements	257,248,721	3,221,343	-	25,259,406	285,729,470
Construction in progress	25,259,406	720,876	-	(25,259,406)	720,876
Equipment	60,561,407	3,825,632	(2,284,496)	-	62,102,543
Library books	28,173,265	51,841	(2,539,340)	-	25,685,766
Computer software	2,939,750	-	-	-	2,939,750
Artwork	449,915	60,390	-	-	510,305
Total cost of capital assets	386,602,138	8,078,628	(4,823,836)	-	389,856,930
Less accumulated depreciation	173,839,839	12,207,389	(2,861,707)	-	183,185,521
Capital assets, net	$ 212,762,299	$ (4,128,761)	$ (1,962,129)	$ -	$ 206,671,409

Note 6 – Long-term Debt

Long-term debt activity for the years ended September 30, 2012 and 2011 is summarized as follows:

Type/Supported by	October 1, 2011	New Debt, net	Principal Repayment	September 30, 2012
Bonds:				
Student housing revenue	$ 52,401,000	$ -	$ 8,955,000	$ 43,446,000
General fee revenue	31,125,000	24,870,000	17,725,000	38,270,000
Note payable	125,000	-	125,000	-
Total debts	83,651,000	$ 24,870,000	$ 26,805,000	81,716,000
Less current portion	(2,790,000)			(3,450,000)
Total long-term debt	$ 80,861,000			$ 78,266,000

Type/Supported by	October 1, 2010	New Debt, net	Principal Repayment	September 30, 2011
Bonds:				
Student housing revenue	$ 53,661,000	$ -	$ 1,260,000	$ 52,401,000
General fee revenue	32,440,000	-	1,315,000	31,125,000
Note payable	125,000	-	-	125,000
Total debts	86,226,000	$ -	$ 2,575,000	83,651,000
Less current portion	(2,575,000)			(2,790,000)
Total long-term debt	$ 83,651,000			$ 80,861,000

Maturities and interest on long-term debt for the next five years ended September 30 and in subsequent five-year periods ended September 30 are as follows:

	Principal	Interest	Total
2013	$ 3,450,000	$ 2,910,633	$ 6,360,633
2014	3,525,000	2,839,181	6,364,181
2015	3,615,000	2,755,602	6,370,602
2016	3,725,000	2,661,920	6,386,920
2017	3,040,000	2,559,259	5,599,259
2018-2022	16,696,000	11,359,783	28,055,783
2023-2027	19,730,000	8,085,339	27,815,339
2028-2032	11,660,000	4,716,412	16,376,412
2033-2037	7,820,000	2,570,761	10,390,761
2038-2042	8,455,000	1,049,655	9,504,655
	$ 81,716,000	$ 41,508,545	$ 123,224,545

The following is a detailed schedule of long-term debt:

Description and Purpose	Date Issued	Final Maturity	Interest Rate - %	Original Indebtedness	Outstanding Indebtedness September 30, 2012	Outstanding Indebtedness September 30, 2011
Bonds Payable:						
Dormitory Revenue Bonds of 1980	5/1/1980	5/1/2020	3.00	$ 2,180,000	$ 680,000	$ 755,000
Dormitory Revenue Bonds of 1981	7/23/1982	5/1/2021	3.00	2,602,000	866,000	951,000
Student Housing Revenue Bonds-Series 2001	12/27/2001	12/1/2031	3.0-5.30	9,370,000	-	7,860,000
Revenue Bonds-Series 2002-A	12/19/2002	9/30/2027	1.40 - 4.75	3,965,000	-	3,150,000
Revenue Bonds-Series 2003-A	2/3/2003	9/30/2027	1.45 - 4.70	17,890,000	-	13,910,000
Student Housing Revenue Bonds-Series 2004-A	9/30/2004	9/1/2034	3.00-4.625	13,130,000	11,010,000	11,305,000
Student Housing Revenue Bonds-Series 2004-B	9/30/2004	9/1/2016	3.00-3.625	7,515,000	2,900,000	3,540,000
Revenue Bonds-Series 2005-A	10/1/2005	6/1/2025	3.00-4.375	8,580,000	6,185,000	6,545,000
Revenue Bonds-Series 2009A	8/4/2009	7/1/2029	3.0-4.50	8,115,000	7,215,000	7,520,000
Student Housing Revenue Bonds-Series 2010-A	7/14/2010	6/1/2042	2.85-6.125	27,990,000	27,990,000	27,990,000
General Fee Revenue Bonds-Series 2012-A	4/3/2012	10/1/2031	0.73-4.28	11,170,000	11,170,000	-
General Fee Revenue Bonds-Series 2012-B	9/5/2012	12/1/2026	0.74-3.84	13,700,000	13,700,000	-
Total Bonds Payable				126,207,000	81,716,000	83,526,000
Note Payable:						
UAH Foundation	9/20/2010	7/31/2012		125,000	-	125,000
Total Note Payable				125,000	-	125,000
Total Debt				$ 126,332,000	$ 81,716,000	$ 83,651,000

During 2012 the University refinanced the Student Housing Revenue Bond Series 2001 and Revenue Bonds Series 2002-A and 2003-A through the issuance of General Fee Revenue Refunding Bonds Series 2012-A and 2012-B. The 2012-A and 2012-B bonds were initially purchased by a bank affiliated with a member of the Board. Under GASB codification guidance, the Series 2001 bonds were defeased in full prior to September 30, 2012, and the Series 2002-A and 2003-A bonds qualified under the guidance as an insubstance defeasance as of September 30, 2012. The Series 2002-A and 2003-A bonds were redeemed in full by the bond trustee on December 1, 2012. In accordance with the guidance, the principal amounts of the old bonds were removed from the statement of net assets and replaced with the principal amounts of the new bonds.

The undiscounted cash flows required to service principal and interest under the old bonds as of September 30, 2012 would have been $35.6 million compared to undiscounted cash flow requirements of $32.8 million under the new bonds. The economic gain to the University of the bond refinancing was calculated to be approximately $2 million using an effective interest rate of 3.26% applied to the old and new bond cash flow requirements.

A difference of $705,000 between the reacquisition price and the net carrying amount of the 2002-A and 2003-A bonds has been deferred and recorded within other current assets on the statement of net assets at September 30,2012. This deferred difference will be amortized as a component of interest costs over the remaining defeasance period to December 1, 2012 when the bonds were redeemed in full.

The University's general fee bonds and student housing bonds are subject to certain covenants. These covenants, among other things, require the University to establish and maintain reasonable fees, rates, and other charges to ensure pledged revenues are sufficient for debt service coverage; to maintain books and records pertaining to the pledged revenues; to furnish annual audits and other periodic reports that reflect the financial condition of the Borrower, the project, other pledged facilities, and other pledged assets; and to comply with certain restrictions as to additional indebtedness. The University is in compliance with all restrictive financial covenants as of September 30, 2012.

Note 7 – Self-Insurance

The University participates with other campuses in the System in a self-insurance program for general liability risks. The Board established a separate revocable trust fund for payment of these self-insurance claims under its risk retention program. Annual contributions are made to the consolidated trust fund, at an actuarially determined rate, to provide funding for the retained risk. The accompanying statements of net assets include a reserve of $283,776 and $230,232 for general liability at September 30, 2012 and 2011, respectively.

The University also maintains a self-insurance health plan. For the year ended September 30, 2012, the University paid $20.00 and $4.65 per month per health insurance contract for administrative charges and stop loss coverage, respectively. The accompanying statements of net assets include a self-insurance reserve of $1,114,627 and $2,788,987 for health insurance at September 30, 2012 and 2011, respectively. Annual contributions are made to the health plan, utilizing an actuarially determined rate, to provide funding for the reserve.

The changes in the total reported self-insurance liabilities are summarized as follows:

	2012	2011
Balance, beginning of year	$ 3,019,219	$ 1,975,174
Claims paid	(8,531,979)	(7,299,238)
Contributions and adjustments	6,911,163	8,343,283
Balance, end of year	$ 1,398,403	$ 3,019,219

Note 8 – Retirement Plans

Most employees of the University participate in the Teachers' Retirement System of Alabama (TRS), a cost sharing, multiple-employer public retirement system. In addition, certain employees meeting eligibility requirements participate in optional programs with the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA - CREF). TRS is a defined benefit plan while the TIAA - CREF programs are defined contribution plans.

The TRS was established as of September 1939 under the provisions of Act 419 of the Legislature of 1939 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility of the general administration and operation of TRS is vested in its Board of Control.

Participants in TRS who retire at age 60 with 10 years of credited service, or after completing 25 years of credited service, regardless of age, are entitled to an annual benefit, payable monthly for life. Service retirement benefits are calculated by three methods with the participants receiving payments under the method which yields the highest monthly benefit. These methods include (1) minimum guaranteed, (2) money purchase, or (3) formula. Under the formula method, participants are allowed 2.0125% of their final average salary (average of three highest years of annual compensation during the last 10 years of service) for each year of service. A participant terminating before reaching retirement age, but after completing 10 years of credited service, is eligible for a vested allowance at age 60 provided accumulated employee contributions are not withdrawn. TRS also provides death and disability benefits.

Covered employees are required by statute to contribute to TRS. All regular employees of the University are members of TRS with the exception of temporary employees who, by definition, are those employees hired for a predetermined period of employment of less than one year and employees working less than one half of a regular schedule.

The following is a comparative presentation of contributions:

		2012		2011
University contributions	$	9,406,114	$	11,109,253
Employee contributions		6,825,737		4,448,201
Total contributions	$	16,231,851	$	15,557,454
University contribution regular rate		10.00%		12.51%
Employee contribution rate		7.25%		5.00%
Employee contribution law enforcement rate		8.25%		6.00%

The 10-year historical trend information shows TRS's progress in accumulating sufficient assets to pay benefits when due and the significant actuarial assumptions used to compute the pension benefit obligation, including the discount rate, projected salary increases, and postretirement benefit increases presented in the September 30, 2011 annual financial report of the TRS. That report is publicly available and may be obtained by contacting the TRS Communication Department at 1-877-517-7000. Recently enacted state legislation requires employee contribution rates for Teachers' Retirement to increase to 7.25% and 8.25%. The new rates took effect October 1, 2011.

The actuarial accrued liability (AAL), which is the actuarial present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The actuarial value of assets, which is the actuarial present value of assets, is a standardized disclosure measure of the present value of accumulated assets, adjusted for projected investment performance and contributions. TRS does not make separate measurements of assets and the AAL for individual employers. The AAL at September 30, 2011 (the most recent valuation date) and September 30, 2010 for TRS as a whole, determined through actuarial valuations performed as of that date, were approximately as follows:

		2011		2010
Actuarial accrued liability (AAL)	$	28,776,316,000	$	28,299,523,000
Actuarial valuations of assets		19,430,135,000		20,132,779,000
Overfunded (underfunded) AAL	$	(9,346,181,000)	$	(8,166,744,000)

As previously noted, some employees participate in the optional TIAA-CREF programs, which are defined contribution plans. In defined contribution plans, benefits depend solely on amounts contributed plus investment earnings. All full time regular monthly exempt employees are eligible to participate from the date of employment. The University contributes a matching amount up to 5% of total salaries for participating employees. The University's contributions are funded as it accrues and, along with that of employees, is immediately and fully vested.

The contributions for fiscal years 2012 and 2011, excluding amounts from employees who are not eligible for matching, are summarized as follows:

	2012	2011
University contributions	$ 2,802,757	$ 2,742,869
Employee contributions	4,979,596	4,524,094
Total contributions	$ 7,782,353	$ 7,266,963

The University's total salaries and wages for fiscal years 2012 and 2011 are summarized in the table below:

	2012	2011
Total Salaries and Wages	$ 106,531,600	$ 102,338,508
Salaries and Wages of employees participating in:		
TRS	$ 94,337,504	$ 92,496,080
TIAA - CREF	$ 58,594,950	$ 57,385,980

Note 9 – Other Post-Employment Benefits

The University offers postemployment health care benefits to all employees who officially retire from the University. Health care benefits are offered through the Alabama Retired Education Employees' Health Care Trust, or Public Education Employee Health Insurance Plan (PEEHIP), with TRS or certain retired employees may elect to continue to participate in the University's group health plan until they are eligible for Medicare by paying the full cost of the plan premium. Retired employees age sixty-five or older who are eligible for Medicare must enroll in the Medicare Coordinated Plan under which Medicare is the primary insurer and the University's health care plan becomes the secondary insurer. Despite the availability of the University's plan, most retirees elect to participate in the PEEHIP with TRS, in which case the retirees pay a portion of the PEEHIP premium, with the University paying an allocation toward the cost of retiree coverage.

Certain retirees may also elect to continue their basic term life insurance coverage and accidental death and dismemberment insurance up to certain maximum amounts. The retirees pay the full amount of the premiums in such cases. Retirees are eligible for tuition assistance benefits for themselves as well as for their spouse and unmarried dependent children.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (“GASB 45”), requires governmental entities to recognize and match other postretirement benefit costs with related services received and also to provide information regarding the actuarially calculated liability and funding level of the benefits associated with past services. GASB 45 does not have a material impact on the University's financial statements principally because most retirees elect to participate in the State-sponsored PEEHIP. PEEHIP is a cost-sharing multiple-employer defined benefit health care plan administered by the Public Education Employee Health Insurance Board. PEEHIP offers a basic hospital/medical plan that provides basic medical coverage for up to 365 days of care during each hospital confinement. The basic hospital/medical plan also provides for physicians' benefits, outpatient care, prescription drugs, and mental health benefits. Major medical benefits under the basic hospital/medical plan are subject to a lifetime contract maximum of $1,000,000 for each covered individual. The *Code of Alabama 1975*, Section 16-25A-8 provides the authority to set the contribution requirements for retirees and employers. The required rates of retirees are as follows as of September 30, 2012:

Retired Member Rates:

- Individual Coverage/Non-Medicare Eligible - $151.00
- Family Coverage/Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependents - $391.00
- Family Coverage/Non-Medicare Eligible Retired Member and Dependent Medicare Eligible - $250.00
- Individual Coverage/Medicare Eligible Retired Member - $10.00
- Family Coverage/Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) - $250.00
- Family Coverage/Medicare Eligible Retired Member and Dependent Medicare Eligible - $109.00
- Members who retired on or after October 1, 2005, and before January 1, 2012, pay two percent of the employer premium for each year under 25 years of service, and for each year over 25 years of service, the retiree premium is reduced by two percent
- Employees who retire on or after January 1, 2012, with less than 25 years of service, are required to pay 4% for each year under 25 years of service. Additionally, non-Medicare eligible employees who retire on or after January 1, 2012 are required to pay 1% more for each year less than age 65 (age premium) and to pay the net difference between the active employee subsidy and the non-Medicare eligible retiree subsidy (subsidy premium). When the retiree becomes Medicare eligible, the age and subsidy premium will no longer apply. However, the years of service premium (if applicable to the retiree) will continue to be applied throughout retirement. These changes are being phased in over a five year period.
- Tobacco surcharge - $28.00 per month
- PEEHIP Supplemental Plan - $0

The required contribution rate of the employer was $370 per employee per month in the year ended September 30, 2012. The University paid $1,525,140 and $1,691,340 for 345 and 338 retirees for the year ended September 30, 2012 and 2011, respectively. The required contribution rate is determined by PEEHIP in accordance with State statute. The complete financial report for

PEEHIP can be obtained at the Public Education Employees' Health Insurance Plan website http://www.rsa-al.gov/PEEHIP/peehip.html under the Trust Fund Financials tab.

Note 10 – Compensated Absences

Certain University employees accrue vacation and sick leave at varying rates depending upon their years of continuous service and payroll classification, subject to maximum limitations. Upon termination of employment, employees are paid all unused accrued vacation at their regular rate of pay up to a designated maximum number of days. The statement of net assets includes accruals of $4,570,813 and $4,339,074 as of September 30, 2012 and 2011, respectively, for accrued vacation pay and salary-related payments associated with vacation pay. There is no such accrual recognized for sick leave benefits because no terminal cash benefit is available to employees for accumulated sick leave.

Note 11 – Federal Direct Lending Program

The Federal Direct Student Loan Program ("FDSLP") was established under the Higher Education Act of 1965, as amended in the Student Loan Reform Act of 1993. The FDSLP enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly through the University rather than through private lenders. The University began participation in the FDSLP on July 1, 1995. As a university qualified to originate loans, the University is responsible for handling the complete loan process, including funds management as well as promissory note functions. The University is not responsible for collection of these loans. For fiscal years ended September 30, 2012 and 2011, the University disbursed $29,954,101 and $30,049,987 respectively, under the FDSLP.

Note 12 – Contracts and Grants

At September 30, 2012, the University has been awarded approximately $72.0 million in contracts and grants which have not been expended. These awards, which represent commitments of sponsors to provide funds for specific research, training, and service projects, have not been reflected in the financial statements.

During fiscal year 2012 and 2011, the University received and expended federal funding under the American Recovery and Reinvestment Act ("ARRA"). In 2012, those funds were primarily in the form of sponsored research grants in the amount of $719,410, and during 2011, those funds consisted primarily of sponsored research grants and State Fiscal Stabilization Funds in the amount of $6,081,178. In accordance with the construct of the law, ARRA funding ceased during fiscal year 2012.

Note 13 – Contingencies and Commitments

The University has sovereign immunity and is therefore, in the opinion of System Counsel, immune to ordinary tort actions. The University has consistently been dismissed from lawsuits on the basis of the sovereign immunity doctrine. That doctrine also protects the University from vicarious liability arising from the negligence of its employees. As a matter of policy, the University has chosen to indemnify its employees through a self-insured trust fund against liability arising from the performance of their official duties. There are some exceptions to the sovereign immunity doctrine, most notably in federal court cases arising under the federal constitution or federal statutes. The University is engaged in various legal actions in the ordinary course of business. Management does not believe the ultimate outcome of those actions will have a material adverse effect on the financial statements. However, the settlement of legal actions is subject to inherent uncertainties and it is possible that such outcomes could differ materially from management's current expectations.

Note 14 – Operating Expenses by Function

Operating expenses by functional classification for the years ended September 30, 2012 and 2011 are summarized as follows:

	Year Ended September 30, 2012					
	Salaries and Wages	Fringe Benefits	Supplies and Services	Depreciation	Scholarships and Fellowships	Total
Instruction	$ 34,072,855	$ 11,016,319	$ 5,140,925	$ -	$ -	$ 50,230,099
Research	46,916,513	13,373,299	16,083,711	-	-	76,373,523
Public service	1,014,439	275,963	1,479,162	-	-	2,769,564
Academic support	5,353,644	1,506,099	2,343,789	-	-	9,203,532
Student services	5,637,651	1,659,419	5,666,793	-	-	12,963,863
Institutional support	8,636,067	781,270	6,316,839	-	-	15,734,176
Operations and maintenance of plant	3,801,292	1,382,870	6,490,876	-	-	11,675,038
Scholarships and fellowships	-	-	-	-	606,364	606,364
Auxiliary enterprises	1,099,139	264,811	2,655,014	-	-	4,018,964
Depreciation	-	-	-	12,171,441	-	12,171,441
Total Operating Expenses	$ 106,531,600	$ 30,260,050	$ 46,177,109	$ 12,171,441	$ 606,364	$ 195,746,564

	Year Ended September 30, 2011					
	Salaries and Wages	Fringe Benefits	Supplies and Services	Depreciation	Scholarships and Fellowships	Total
Instruction	$ 32,890,203	$ 11,220,130	$ 8,678,262	$ -	$ -	52,788,595
Research	45,830,453	13,464,715	12,865,928	-	-	72,161,096
Public service	381,380	111,095	778,770	-	-	1,271,245
Academic support	5,028,037	1,608,194	4,342,876	-	-	10,979,107
Student services	5,013,992	1,632,318	5,642,665	-	-	12,288,975
Institutional support	8,452,965	3,565,251	4,656,499	-	-	16,674,715
Operations and maintenance of plant	3,674,958	1,419,372	2,569,368	-	-	7,663,698
Scholarships and fellowships	-	-	-	-	1,286,400	1,286,400
Auxiliary enterprises	1,066,520	269,758	3,164,317	-	-	4,500,595
Depreciation	-	-	-	12,207,389	-	12,207,389
Total Operating Expenses	$ 102,338,508	$ 33,290,833	$ 42,698,685	$ 12,207,389	$ 1,286,400	$ 191,821,815

Note 15 – Recently Issued Accounting Standards

The GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* ("GASB 60"), in November 2010. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements("SCAs"), which area type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The University is currently evaluating the impact, if any, that GASB 60 will have on its financial statements.

The GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34("GASB 61")*, in November 2010. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The Statement also clarifies the reporting of equity interests in legally separate organizations. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. The University is currently evaluating the impact of this Statement on the University's financial statements.

The GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements (GASB 62")*, in December 2010. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB Statements and Interpretations, Accounting Principles Board Opinions and AICPA Accounting Research Bulletins issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. This Statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The University is currently evaluating the impact, if any, that this Statement will have on its financial statements.

The GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* ("GASB 63"), in June 2011. The objective of this Statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB 63 also renames the measure "net assets" to be "net position". The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The University is currently evaluating the impact, if any, that GASB 63 will have on its financial statements.

The GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASB Statement No. 53* ("GASB 64"), in June 2011. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011. Since the University does not hold any derivative instruments, the adoption of GASB 64 did not have an impact on its financial statements.

The GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65"), in March 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The University is currently evaluating the impact, if any, that GASB 65 will have on its financial statements.

The GASB issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62* ("GASB 66"), in March 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The University is currently evaluating the impact, if any, that GASB 66 will have on its financial statements.

The GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* (“GASB 67”), in June 2012. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. The University is currently evaluating the impact, if any, that GASB 67 will have on its financial statements.

The GASB issued Statement No. 68, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27* (“GASB 68”), in June 2012. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement is effective for financial statements for fiscal years beginning after June 15, 2014. The University is currently evaluating the impact, if any, that GASB 68 will have on its financial statements.

Note 16 – Discretely Presented Component Unit-University of Alabama Huntsville Foundation

Basis of Accounting- The financial statements of UAHF have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation- Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed stipulations. Accordingly, net assets of UAHF and changes therein are classified and reported as follows:

- **Unrestricted**- Net assets that are not subject to donor-imposed stipulations.

- **Temporarily Restricted**- Net assets subject to donor-imposed stipulations that may or will be met either by actions of UAHF and/or the passage of time.

- **Permanently Restricted**- Net assets subject to donor-imposed stipulations to be maintained permanently by UAHF. Generally, the donors of these assets restrict UAHF to use all or a part of the income earned on the related investments for specific purposes.

Unrealized and realized gains and losses and dividends and interest from investing in income-producing assets may be included in any of these net asset classifications depending on donor-imposed stipulations.

In accordance with ASC 958-320, *Not-for-Profit Entities,* investments in debt securities and investments in equity securities with readily determinable fair values are reported at their fair values based on published market prices. Other investments, including real estate, are stated at cost or fair value at date of donation in the case of gifts. Changes in fair values are reported as unrealized gains or losses in the statement of activities and changes in net assets. All interest income and realized gains and losses are reported in the statement of activities and changes in net assets.

Investments – The cost and reported value of investments at September 30, 2012 and 2011 are presented below:

	2012		2011	
	Reported Value	Cost	Reported Value	Cost
Certificates of deposit	$ 592,286	$ 592,286	$ 92,286	$ 92,286
Pooled Endowment Fund	34,001,718	33,686,503	31,229,872	33,576,260
Marketable debt securities	780,301	777,486	318,949	314,203
Marketable equity securities	1,328,378	1,174,906	1,167,723	1,220,848
Mutual funds	1,549,387	1,477,929	752,579	806,252
Total	$ 38,252,070	$ 37,709,110	$ 33,561,409	$ 36,009,849

UAHF invests certain amounts in a commingled investment pool ("Pooled Endowment Fund") sponsored by The University of Alabama System (the "System"). The value recognized for the investment pool is determined by the System and is based on UAHF's proportionate share of the net asset value of the investment pool. The System has no variance power over the funds. Instead, the funds are distributed by the System to the Foundation upon its request. The investment pool invests in various investment securities, including both marketable and non-marketable securities. Since UAHF reports under FASB, all investments are reported at fair value and the GASB guidance for carrying certain non-readily marketable securities at cost (as described in Note 1) does not apply to UAHF.

Investment in Unconsolidated Entities and Trust Receivable - UAHF is one of several beneficiaries of a trust established upon the death in 1974 of one of the University's benefactors. The sole assets of the trust consist of ownership interests in two closely-held Huntsville, Alabama businesses named Big Springs, Inc. ("Big Springs") and Chambers Bottling Company, LLC ("Chambers"). The trust holds a 70% interest in the common stock of Big Springs and a 65% interest in Chambers. The trust was established with both lead and remainder beneficiaries. The lead interest in the trust (that is, the rights to the income generated by the trust assets) is divided equally among three sets of beneficiaries who hold a lifetime interest in those rights. As each lead interest terminates, a proportionate amount of the underlying assets in the trust is distributed among two residual beneficiaries, UAHF and another unrelated charitable organization. UAHF's share of the residual interest of the trust assets is 90 percent. UAHF accounts for its residual interest in the trust as an unconditional promise to give noncash assets, consistent with generally accepted accounting principles for situations where a donee has the eventual right to noncash assets held by a charitable trust but not the cash flows generated by them while they are held by the trust. UAHF recorded this interest at fair value as of the date it was awarded in 1974, and currently carries this interest in the Trust receivable line on UAHF's accompanying Statements of Financial Position.

During 2008, one of the income interests terminated, and a pro-rata distribution of the ownership interests held by the trust were transferred to UAHF. As a result of the satisfaction of a pro-rata share of the pledge, UAHF recognized a gain of $4,375,835 representing the increase in fair value of the noncash assets between the date the assets were promised in 1974 and their values upon actual receipt in 2008. As a result of the receipt of these equity interests, UAHF currently holds approximately 21% and 19.5% of Big Springs and Chambers, respectively. These equity interests allow UAHF to exercise significant influence over Big Springs and Chambers, and accordingly, UAHF accounts for these interests in under the equity method of accounting. During the years ended September 30, 2012 and 2011, UAHF recorded its proportionate share of earnings of each company (on a combined basis) of $747,611 and $690,802, respectively. In addition, UAHF received distributions from Chambers of $653,250 and $600,210 in 2012 and 2011, respectively. Big Springs did not make any distributions in either 2012 or 2011.

Eventually, all of the assets in the trust will be distributed upon the termination of the remaining lead interests, and the trust will terminate. At such time, UAHF will hold controlling interests of 63% and 58.5% in Big Springs and Chambers, respectively, and will consolidate these entities. UAHF will account for these interests under the equity method until the last lead interest is terminated, including the period after the termination of the second lead interest.

The following summarizes the combined financial position and results of operations of Big Springs and Chambers (on a consolidated basis) for the years ended September 30, 2012 and 2011:

	2012	2011
Current Assets	$ 18,262,557	$ 19,983,398
Noncurrent Assets	12,785,897	15,871,474
Current Liabilities	(4,364,272)	(6,849,141)
Noncurrent Liabilities	(786,854)	(3,593,742)
Equity	$ 25,897,328	$ 25,411,989
Net Sales	$ 67,571,005	$ 70,015,916
Operating Income	$ 1,227,295	$ 2,491,512
Net Income	$ 3,661,124	$ 3,498,252

Income Taxes-The Foundation is a nonprofit corporation that is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue code for activities related to its exempt purpose. Certain of the Foundation's activities are considered by the Internal Revenue Service to provide unrelated business income and, accordingly, income from these activities is subject to federal income tax. The Foundation's income tax expense totaled $173,459 and $215,173 for the years ended September 30, 2012 and 2011, respectively.

Endowments-The Alabama Uniform Prudent Management of Institutional Funds Act (UPMIFA) was enacted by the State Legislature and signed into law effective January 1, 2009. UPMIFA prescribes new guidelines for the expenditure of a donor-restricted endowment funds in the absence of overriding, explicit donor stipulations. Its predecessor, UMIFA, focused on the prudent spending of the net appreciation of the fund. UPMIFA instead focuses on the entirety of a donor-restricted endowment fund, that is, both the original gift amount(s) and net appreciation. UPMIFA eliminates UMIFA's historic-dollar-value threshold, an amount below which an organization could not spend from the fund, in favor of a more robust set of guidelines about what constitutes prudent spending, explicitly requiring consideration of the duration and preservation of the fund. UAHF adopted guidance provided by the FASB relevant to endowments of not-for-profit organization and the related net asset classification of endowment funds subject to an enacted version of UPMIFA and enhanced disclosures for all endowment funds. The impact of this guidance on the classification of net assets for UAHF was not material to UAHF and is disclosed in UAHF's financial statements. The earnings distributions are appropriated for expenditure by the governing Boards of Trustees of UAHF in a manner consistent with the standard of prudence prescribed by UPMIFA. In order to conform to the standards for prudent fiduciary management of investments, UAHF's Board of Trustees has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets.

Restricted Net Assets – Restricted net assets are classified as either temporarily restricted net assets and available for the following purposes, or permanently restricted net assets, which are restricted to investment in perpetuity, the income from which is expendable for the following purposes at September 30, 2012 and 2011:

	Temporarily Restricted		Permanently Restricted	
	2012	2011	2012	2011
Student support	$ 3,718,363	$ 3,132,388	$ 10,272,424	$ 9,966,741
Faculty support	2,097,051	1,594,739	5,932,992	5,932,992
Academic support	2,448,974	1,504,092	3,311,293	3,311,293
Facilities renovation	100,164	118,948	-	-
Research	81,068	87,338	-	-
Library	51,232	45,768	50,428	50,428
Total	$ 8,496,852	$ 6,483,273	$ 19,567,137	$ 19,261,454

Note 17 - Segment Information

The University constructed Southeast Housing and issued bonds in 1980 and 1982. The bonds were payable from revenues received by the University for the use and occupancy of the facility. Condensed financial information of the University's segment for the years ended September 30, 2012 and 2011, is as follows:

Condensed Balance Sheets

	Dorm Revenue Bonds 1980		Dorm Revenue Bonds 1981	
	2012	**2011**	**2012**	**2011**
Assets				
Current assets	$ 271,843	$ 403,374	$ 154,891	$ 154,891
Capital assets, net of accumulated depreciation	1,103,813	925,782	1,107,067	1,237,196
Total assets	$ 1,375,656	$ 1,329,156	$ 1,261,958	$ 1,392,087
Liabilities				
Current liabilities	$ 85,071	$ 86,009	$ 661,749	$ 358,749
Noncurrent liabilities	605,000	680,000	811,397	1,043,344
Total liabilities	$ 690,071	$ 766,009	$ 1,473,146	$ 1,402,093
Net assets				
Invested in capital assets, net of related debt	$ 423,813	$ 170,782	$ 241,067	$ 286,196
Restricted				
Expendable	132,000	112,000	280,000	280,000
Unrestricted	129,772	280,365	(732,255)	(576,202)
Total net assets	685,585	563,147	(211,188)	(10,006)
Total liabilities and net assets	$ 1,375,656	$ 1,329,156	$ 1,261,958	$ 1,392,087

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	Dorm Revenue Bonds 1980		Dorm Revenue Bonds 1981	
	2012	**2011**	**2012**	**2011**
Operating revenues	$ 707,306	$ 606,549	$ 783,912	$ 483,515
Operating expenses	(759,334)	(440,572)	(826,172)	(739,870)
Depreciation expense	(123,665)	(108,580)	(130,129)	(130,129)
Operating income (loss)	(175,693)	57,397	(172,389)	(386,484)
Nonoperating expenses	(3,566)	(5,729)	(28,793)	(31,342)
Transfers from general fund	301,697	-	-	-
Changes in net assets	122,438	51,668	(201,182)	(417,826)
Net assets, beginning of year	563,147	511,479	(10,006)	407,820
Net assets, end of year	$ 685,585	$ 563,147	$ (211,188)	$ (10,006)

Condensed Statements of Cash Flows

	Dorm Revenue Bonds 1980		Dorm Revenue Bonds 1981	
	2012	**2011**	**2012**	**2011**
Cash flows from				
Operating activities	$ (32,965)	$ 185,101	$ (445,855)	$ 19,392
Capital and related financing activities	(98,566)	(95,728)	445,850	(116,359)
Investing activities	-	-	5	16
Net increase (decrease) in cash	(131,531)	89,373	-	(96,951)
Cash, beginning of year	224,181	134,808	-	96,951
Cash, end of year	$ 92,650	$ 224,181	$ -	$ -

Note 18 - Legal Settlement Receivable

In July 2006, Nektar Therapeutics (Nektar) and the University announced the settlement of the University's litigation against Nektar and Dr. Milton Harris, in exchange for a total cash payment of $25,000,000. Under the terms of the agreement, Nektar and Dr. Harris jointly made an upfront payment totaling $15,000,000 to the University during fiscal year 2006 with remaining payments due through 2016. Included in the statements of net assets is the net present value of the remaining payments owed to the University of $3,534,449 and $4,312,772 as of September 30, 2012 and 2011, respectively.

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Photographs courtesy of University Relations and University Athletics

APPENDIX C

SUMMARY OF THE INDENTURE

SUMMARY OF THE INDENTURE

The following constitutes a summary of certain portions of the Indenture pursuant to which the Series 2013-A Bonds and any additional bonds will be issued. This summary should be qualified by reference to the other provisions of the Indenture referred to elsewhere in this Official Statement, and all references and summaries pertaining to the Indenture and this Official Statement are qualified by reference to the exact terms of the Indenture, a copy of which may be obtained from the Trustee. All references herein to the "Bonds" include the Series 2005-A Bonds, the Series 2009-A Bonds, the Series 2012-A Bonds, the Series 2012-B Bonds, the Series 2013-A Bonds and any additional bonds ("Additional Bonds") that may be issued under the terms of the Indenture.

Purpose of the Indenture

The Indenture and the agreements set forth therein have been entered into to afford security for the Bonds and to set forth the agreements of the parties.

Issuance of Bonds

The Indenture authorizes the issuance of Bonds in series. All the Bonds shall be equally and ratably secured by the Indenture.

Security Provided

In the Indenture, the Board pledges and assigns to the Trustee the General Fees and the funds and accounts established under the Indenture as security for the payment of the Bonds. See "Subordinate Pledge of General Fees" below and "SECURITY AND SOURCE OF PAYMENT".

The Indenture does not create a lien on or other charge against any other assets, funds or properties of the Board. The Series 2013-A Bonds do not constitute or give rise to a charge against the general credit of the Board or funds appropriated to the Board by the State of Alabama.

Additional Bonds

The Indenture permits the Board to issue Additional Bonds which are secured on a parity with the Series 2005-A Bonds, the Series 2009-A Bonds, the Series 2012-A Bonds, the Series 2012-B Bonds and the Series 2013-A Bonds, without limitation as to amount, for any one or more of the following purposes:

(1) refunding or redeeming all or any portion of any one or more series of Bonds then outstanding.

(2) the acquisition or construction of additions, improvements or modifications to the facilities used in connection with the operation of UAH; and

(3) refunding or redeeming any obligations of the Board incurred for the purpose specified in paragraph (1) or (2) above.

The Additional Bonds of any series may be authenticated and delivered only upon receipt by the Trustee of, among other things, a certificate by the chief financial officer at UAHuntsville stating that the General Fees received by the Board during the preceding fiscal year were not less than 200% of the maximum aggregate amount payable during the then current or any subsequent fiscal year with respect to the Annual Debt Service with respect to all Bonds outstanding under the Indenture and the Additional Bonds to be issued.

The Indenture provides that "Annual Debt Service", when used with respect to any fiscal year, shall mean the aggregate amount of principal and interest payable on all outstanding Bonds during such fiscal year; provided, that for purposes of determining Annual Debt Service:

(1) the principal amount of Bonds required to be redeemed in any fiscal year shall be deemed to be payable in such fiscal year rather than the fiscal year in which such principal matures;

(2) with respect to Bonds bearing interest at a variable rate, the amount of interest payable during any period for which the actual rate cannot be determined shall (except as otherwise provided in paragraph 3 below with respect to Tender Bonds) be projected using the maximum interest rate in effect with respect to such Bonds during the preceding 12 months or, if Annual Debt Service is being calculated in connection with the issuance of Additional Bonds, the Index Rate; and

(3) with respect to any series of Bonds (or portion of a series) constituting Tender Bonds, the debt service payable on such Bonds after the next Tender Date shall be projected assuming (i) that the principal of such Bonds matures over a term equal to the lesser of 25 years or the period beginning on the next Tender Date and ending on the final stated maturity date of such Bonds (counting a fraction of a year as a whole year), (ii) that the principal of such Bonds bears interest at the Index Rate, and (iii) that debt service on such Bonds is payable in equal annual installments sufficient to pay both principal and interest.

The Indenture defines "Tender Bonds", "Tender Date" and "Index Rate" as follows:

"Tender Bond" shall mean any Bond that the Board is obligated to purchase (or to provide for the purchase of) prior to the stated maturity of such Bond. If the purchase of any Bond is contingent upon the occurrence of any event or circumstance, other than the receipt of notice from the holder of such Bond or the lapse of time, and such event or circumstance has not occurred as or the date of such determination, then such Bond shall not be deemed a Tender Bond.

"Tender Date" shall mean a date on which a Tender Bond may, at the option of the holder thereof, or must be purchased from the holder by or on behalf of the Board.

"Index Rate", when used with respect to the determination of Annual Debt Service with respect to Tender Bonds, shall mean the "Bond Buyer Revenue Bond Index" rate for 30 year tax-exempt revenue bonds, as published by The Bond Buyer on any date selected by the Board that is within 14 days prior to the date of such determination; provided, however, that if The Bond Buyer (or a successor publication) ceases to publish such rate, then the Index Rate shall be established by an independent securities dealer selected by the Board and acceptable to the Trustee, shall be established on any date selected by the Board that is within 14 days prior to the date of such determination, and shall be the rate which would cause 30-year Bonds of the Board to trade at par, taking into account credit and market conditions as they exist on the date the Index Rate is so established.

If Additional Bonds are issued with a variable interest rate while the Bond Insurance Policy is in effect, the terms of such Bonds and the related supplemental indenture must provide for a maximum or cap interest rate.

The Indenture permits the Board to deliver a letter of credit, bond insurance or other types of credit enhancement solely for the benefit of any series of Additional Bonds.

Bond Fund

The Indenture creates a special trust fund (the "Bond Fund") to be held by the Trustee for the purpose of providing for the payment of the principal of and interest on the Bonds as they mature and the redemption price of Bonds called for redemption. The Indenture requires that not later than the last Business Day prior to each debt service payment date with respect to the Bonds, the Board must deposit in the Bond Fund an amount sufficient to pay debt service due on the Bonds on such debt service payment date.

The Indenture permits money in the Bond Fund to be invested in the following:

(1) direct obligations of, or obligations the payment of which is guaranteed by, the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) ("Federal Securities"),

(2) an interest in any trust or fund that invests solely in Federal Securities or repurchase agreements with respect to Federal Securities,

(3) obligations of any agency or instrumentality of the United States of America,

(4) a certificate of deposit or time deposit issued by the Trustee or by any other bank organized under the laws of the United States of America or any state thereof with capital, surplus and undivided profits of not less than $50,000,000,

(5) a certificate of deposit or time deposit issued by any bank organized under the laws of the United States of America or any state thereof, provided that such deposit is collaterally secured by the issuing bank by pledging Federal Securities having a market value (exclusive of accrued interest) not less than the face amount of such certificate less the amount of such deposit insured by the Federal Deposit Insurance Corporation, and

(6) a repurchase agreement with respect to Federal Securities or obligations of any agency or instrumentality of the United States of America, provided that the investments subject to such repurchase agreement are held by or under the control of the Trustee free and clear of third-party liens.

So long as the Board is not in default in its payments into the Bond Fund, it may use the General Fees for any lawful purpose.

Maintenance of Rates of General Fees

In the Indenture, the Board covenants and agrees that it will maintain the rates of the General Fees, and shall make such lawful increases in such rates, as shall be necessary to produce General Fee revenues during each fiscal year in an amount which, together with other available sources of revenue and available fund balances, shall be sufficient to provide for the payment of

(1) the expenses of operating UAHuntsville during such fiscal year and

(2) all amounts due and payable in such fiscal year with respect to the principal and interest requirements with respect to the Bonds,

provided, however, that failure of the Board to levy the General Fees in any fiscal year at rates sufficient to produce revenues in such an amount shall not constitute an event of default so long as no default exists with respect to payment of debt service on the Bonds and the Board takes prompt action, to the extent permitted by law, to increase the General Fees for the following fiscal year to a level reasonably calculated to produce annual revenues in the amount required by the Indenture.

Books and Records

The Board will maintain complete books and records pertaining to the operation of UAH. The Board will cause an audit of its books and records for UAHuntsville to be completed within 120 days after the close of each fiscal year. Within 10 days following the receipt of each such audit, the Board will furnish a copy thereof to the Trustee and the holder of any Bond who may request the same in writing.

Tax Exemption

In the Indenture the Board covenants that it will not take any action, or fail to take any action, if such action or failure to act would cause interest on the Bonds to be or become includible in gross income to the holders. The Board also covenants and agrees to make timely rebate payments to the United States Treasury Department as required by Section 148(f) of the Internal Revenue Code.

Events of Default and Remedies

The following are events of default under the Indenture:

(1) failure to pay the principal, interest or redemption premium on any Bond as and when the same shall become due and payable;

(2) default in the performance, or breach, of any covenant or warranty of the Board in the Indenture and continuance of such default or breach for a period of 30 days after notice of such default from the Trustee or the holders of at least 10% in principal amount of Bonds outstanding; or

(3) bankruptcy, insolvency or other similar events with respect to the Board.

The Indenture provides that the Trustee is empowered, upon the occurrence of an event of default, to accelerate the maturity of all of the Bonds then outstanding; to institute legal and equitable proceedings to enforce and protect the rights of the Bondholders; and to have a receiver appointed for the Board.

The Indenture provides that the Trustee is not required, upon the occurrence of an event of default, to exercise any of its rights or powers under the Indenture at the request of any Bondholders unless such Bondholders have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request.

No holder of any Bond shall have any right to institute any proceeding for any remedy under the Indenture unless (i) such holder shall previously have given to the Trustee written notice of a continuing event of default, (ii) the holders of not less than 25% in principal amount of the Bonds then outstanding shall have made written request to the Trustee to institute such proceedings and shall have offered to it reasonable indemnity against costs, expenses and liabilities to be incurred in compliance with such request, (iii) the Trustee shall have failed for a period of 60 days to comply with such request, and (iv) no direction inconsistent with such request shall have been given by the holders of a majority in principal amount of the Bonds outstanding under the Indenture.

Whenever the Trustee has a choice of remedies or discretion as to details in the exercise of its powers with respect thereto, it must follow any specific directions given by the holders of a majority in principal amount of the Bonds at the time outstanding under the Indenture, unless the observance of such directions would, in the opinion of the Trustee, unjustly prejudice the Bondholders who have not joined in such directions.

Concerning the Trustee

The Indenture provides that the Trustee shall not be liable thereunder except for its willful misconduct or its negligence. The Trustee may consult with counsel, who may or may not be counsel to the Trustee, and the opinion or advice of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture in good faith. The Trustee is not required to expend its own funds or otherwise incur any financial liability in the performance of its duties under the Indenture without reasonable assurance of repayment or indemnity.

The Trustee may, but is not required to, make advances to effect performance by the Board of its covenants and agreements. All sums so expended by the Trustee, together with interest at the rate prescribed in the Indenture, shall be secured by the Indenture and shall be entitled to priority of payment over any of the Bonds.

The Trustee may resign and be discharged from the trusts of the Indenture upon written notice to the Board. The Trustee may be removed by written instrument signed by the holders of a majority in principal amount of the Bonds then outstanding under the Indenture. If the Trustee resigns, is removed or becomes otherwise incapable of serving, a successor may be appointed by written instrument signed by the holders of a majority in principal amount of the Bonds then outstanding under the Indenture.

Amendment of the Indenture

The Indenture permits the Board and the Trustee, without the consent of any Bondholder, to enter into supplemental indentures to add further covenants and agreements on the part of the Board, to cure ambiguities, technical defects or inconsistent provisions, or to subject additional security or property to the lien of the Indenture. The Indenture also permits the Board and the Trustee, with the consent of the holders of not less than a majority in principal amount of the Bonds then outstanding, and with consent of the Bond Insurer if the Bond Insurance Policy is in effect, to amend or modify the Indenture, except that, without the consent of the holder of each Bond affected, the Board and the Trustee may not (i) change the due date of principal and interest on any Bond or reduce the principal, premium or interest payable thereon, (ii) reduce the percentage of Bondholders whose consent is required for any waiver or the execution of any supplemental indenture or (iii) permit the creation of any lien on the trust estate prior to, or on a parity with, the Indenture.

Defeasance; Satisfaction of Indenture

Whenever the entire indebtedness secured by the Indenture shall have been fully paid, the Trustee shall cancel and discharge the lien of the Indenture. For purposes of the Indenture, any Bond shall be deemed to have been paid when the Trustee shall have received the entire amount (principal, interest and premium, if any) payable on such Bond until and at maturity or redemption thereof, or a trust for such payment, consisting of any combination of cash and/or Federal Securities, has been established with the Trustee. The anticipated income from such Federal Securities may be included in the calculation of the required deposit to such trust.

APPENDIX D

PROPOSED OPINION OF BOND COUNSEL

[Closing Date]

Holders of the Series 2013-A2 Bonds referred to below

Re: $24,455,000 The University of Alabama in Huntsville General Fee Revenue Bonds, Series 2013-A2, issued by The Board of Trustees of The University of Alabama

We have acted as bond counsel in connection with the issuance of the above-referenced bonds (the "Series 2013-A2 Bonds") by The Board of Trustees of The University of Alabama, a public corporation and instrumentality of the State of Alabama (the "Board"). The Series 2013-A2 Bonds are issued pursuant to a Trust Indenture dated November 1, 1989, as amended and supplemented by a First Supplemental Indenture dated July 1, 1992, a Second Supplemental Indenture dated May 1, 1993, a Third Supplemental Indenture dated December 1, 1999, a Fourth Supplemental Indenture dated December 1, 2002, a Fifth Supplemental Indenture dated February 1, 2003, a Sixth Supplemental Indenture dated October 1, 2005, a Seventh Supplemental Indenture dated July 1, 2009, an Eighth Supplemental Indenture dated February 1, 2012, a Ninth Supplemental Indenture dated September 1, 2012 and a Tenth Supplemental Indenture dated April 1, 2013 (together, the "Indenture"), between the Board and U.S. Bank National Association, a national banking association, as successor to SouthTrust Bank (the "Trustee"). Additional bonds may be issued pursuant to the Indenture, secured on a parity with the Series 2013-A2 Bonds, subject to the terms and conditions set forth in the Indenture.

The Board operates educational facilities in Huntsville, Alabama through its division, The University of Alabama in Huntsville ("UAH").

The Series 2013-A2 Bonds are limited obligations of the Board payable solely out of all fees and charges now or hereafter levied against students enrolled at UAH, including without limitation, general tuition and course fees, registration fees, laboratory fees, out-of-state fees and building fees (the "General Fees").

Pursuant to the Indenture the Board has pledged and assigned the General Fees to the Trustee as security for the payment of the Series 2013-A2 Bonds on a parity with all other Bonds heretofore or hereafter issued under the Indenture.

In connection with the rendering of this opinion as bond counsel, we have acted as counsel to the Board.

We have examined executed counterparts of the Indenture and such certificates, proceedings, proofs and documents as we have deemed necessary in connection with the opinions hereinafter set forth.

As to various questions of fact material to our opinion, we have relied upon the representations made in the Indenture and upon certificates of certain public officials and officers of the Board and the Trustee.

Based on the foregoing and upon such investigation as we have deemed necessary, we are of the opinion that:

1. The Board has been duly organized and is validly existing as a public corporation and instrumentality of the State of Alabama under Section 264 of the Constitution of Alabama of 1901, as amended, and Chapter 47 of Title 16 of the Code of Alabama of 1975.

2. The Board has power and authority to enter into and perform its obligations under the Indenture and to issue and deliver the Series 2013-A2 Bonds. The execution, delivery and performance by the Board of its obligations under the Indenture and the issuance and delivery of the Series 2013-A2 Bonds have been duly authorized by all requisite action of the Board, and the Series 2013-A2 Bonds have been duly executed and delivered by the Board.

3. The Series 2013-A2 Bonds constitute valid and binding special obligations of the Board, payable solely out of the General Fees.

4. The Indenture constitutes a valid and binding obligation of the Board and is enforceable against the Board in accordance with the terms of the Indenture.

5. The Indenture creates a valid pledge and assignment of the General Fees for the security of the Series 2013-A2 Bonds on a parity with all other Bonds issued under the Indenture.

6. Interest on the Series 2013-A2 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinion set forth in the preceding sentence is subject to the condition that the Board comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2013-A2 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Board has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Series 2013-A2 Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2013-A2 Bonds.

7. Under existing law, interest on the Series 2013-A2 Bonds is exempt from State of Alabama income taxation.

We express no opinion regarding federal tax consequences arising with regard to the Series 2013-A2 Bonds other than the opinions expressed in paragraph 6 above.

The rights of the holders of the Series 2013-A2 Bonds and the enforceability thereof and of the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and general principles of equity, including the exercise of judicial discretion in appropriate cases.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Series 2013-A2 Bonds.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

BALCH & BINGHAM LLP

By:____