NEW ISSUE—Book Entry Only (See "Ratings" herein)

$96,130,000
THE UNIVERSITY OF CONNECTICUT
Special Obligation Student Fee Revenue Bonds,
2002 Refunding Series A

Dated: February 1, 2002 **Due: as shown on inside cover**

The 2002 Series A Refunding Bonds are special obligations of The University of Connecticut (the "University") a body politic and corporate constituting a public instrumentality and agency of the State of Connecticut (the "State") and are issued pursuant to Public Act No. 95-230, January 1995 Session of the General Assembly of the State, as amended, (the "UConn 2000 Act") and the Special Obligation Indenture of Trust, as supplemented and amended by certain supplemental indentures, including the Third Supplemental Indenture of the University, for the purpose of providing funds for the UConn 2000 Infrastructure Improvement Program. The 2002 Series A Refunding Bonds are special obligations of the University, together with Bonds heretofore and hereafter issued under the Special Obligation Indenture, secured by a parity pledge of and payable solely from the Trust Estate consisting of the Pledged Revenues, which are special revenues to be received by the University from fees and charges for certain auxiliary campus activities, together with the revenues or other receipts, funds or moneys held in or set aside in the Trust Estate.

The 2002 Series A Refunding Bonds do not constitute a general obligation of the University or a debt or liability of the State, including within the meaning of Section 3-21 of the General Statutes of the State, or any political subdivision thereof or a pledge of the faith and credit of the State, the University or any other political subdivision of the State, but shall be payable solely from the resources of the University described herein as the Trust Estate. The University has no taxing power.

The 2002 Series A Refunding Bonds are issuable only as fully-registered bonds, without coupons, and when issued will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the 2002 Series A Refunding Bonds. Purchases of the 2002 Series A Refunding Bonds will be made in book-entry form, in denominations of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the 2002 Series A Refunding Bonds. So long as Cede & Co. is the Bondowner, as nominee of DTC, reference herein to the Bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the beneficial owners (as defined herein) of the 2002 Series A Refunding Bonds. See "DESCRIPTION OF THE 2002 SERIES A REFUNDING BONDS—Book-Entry-Only System" herein. Principal of and interest on the 2002 Series A Refunding Bonds will be paid directly to DTC by the Trustee, as Paying Agent, so long as DTC or its nominee, Cede & Co., is the Bondowner. Interest on the 2002 Series A Refunding Bonds will be payable semiannually on May 15 and November 15, in each year, commencing May 15, 2002. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

(See inside front cover for maturities, interest rates and prices or yields.)

Payment of the principal and interest on the 2002 Series A Refunding Bonds maturing in the years 2014 to 2023, inclusive, and in the years 2026 and 2029 when due (other than by reason of special or optional redemption or acceleration thereof resulting from default or otherwise) will be insured by a financial guaranty insurance policy to be issued concurrently with the delivery of the 2002 Series A Refunding Bonds by Financial Guaranty Insurance Company. See "MUNICIPAL BOND INSURANCE" and Appendix G herein.

FGIC Financial Guaranty Insurance Company

The 2002 Series A Refunding Bonds are subject to redemption prior to maturity as more fully described herein.

In the opinion of Bond Counsel, under existing statutes and court decisions, and assuming continuing compliance with certain tax covenants and agreements, interest on the 2002 Series A Refunding Bonds is not included in gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and under existing statutes, such interest will not be treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. See "Tax Exemption" herein for a description of certain other Federal tax consequences of ownership of the 2002 Series A Refunding Bonds.

In the opinion of Bond Counsel, under existing statutes, interest on the 2002 Series A Refunding Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the 2002 Series A Refunding Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

The 2002 Series A Refunding Bonds are offered when, as, and if issued and received by the Underwriters, subject to the approval of legality by Hawkins, Delafield & Wood, Hartford, Connecticut and New York, New York, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by their Counsel, Pullman & Comley, LLC, Bridgeport and Hartford, Connecticut. It is expected that the 2002 Series A Refunding Bonds in definitive form will be available for delivery at The Depository Trust Company in New York, New York on or about February 27, 2002.

First Albany Corporation

Advest, Inc. **A.G. Edwards & Sons, Inc.** **JPMorgan** **First Union National Bank**

M. R. Beal & Company
Herbert J. Sims & Co., Inc.
Roosevelt & Cross, Inc.

Belle Haven Investments, LP
Jackson Securities Inc.
State Street Capital Markets, LLC

Fidelity Capital Markets
Quick & Reilly, Inc.
UBS Painewebber Inc.

Dated: February 7, 2002

$96,130,000
THE UNIVERSITY OF CONNECTICUT
Special Obligation Student Fee Revenue Bonds, 2002 Refunding Series A

MATURITY SCHEDULE

Maturity	Principal Amount	Interest Rate	Yield	CUSIP
5/15/2002	$ 1,550,000	3.000 %	1.280 %	914225EE3
11/15/2002	1,555,000	3.000	1.370	914225DG9
11/15/2003	1,600,000	3.000	1.850	914225DH7
11/15/2004	1,655,000	3.500	2.330	914225DJ3
11/15/2005	1,715,000	3.500	2.830	914225DK0
11/15/2006	1,775,000	3.500	3.140	914225DL8
11/15/2007	1,840,000	4.000	3.490	914225DM6
11/15/2008	925,000	4.000	3.690	914225DN4
11/15/2008	1,000,000	5.000	3.690	914225EH6
11/15/2009	1,010,000	4.000	3.880	914225DP9
11/15/2009	1,000,000	5.000	3.880	914225EJ2
11/15/2010	2,095,000	4.000	4.030	914225DQ7
11/15/2011	2,180,000	4.000	4.140	914225DR5
11/15/2012	2,630,000	4.500	4.240	914225DS3
11/15/2013	2,765,000	5.250	4.350	914225DT1
11/15/2014	2,915,000	5.250	4.430	914225DU8
11/15/2015	3,075,000	5.250	4.530	914225DV6
11/15/2016	3,240,000	5.250	4.630	914225DW4
11/15/2017	3,415,000	5.250	4.720	914225DX2
11/15/2018	3,595,000	5.250	4.800	914225DY0
11/15/2019	3,790,000	5.250	4.850	914225DZ7
11/15/2020	3,995,000	5.250	4.890	914225EA1
11/15/2021	4,205,000	5.250	4.910	914225EB9
11/15/2022	4,435,000	5.250	4.930	914225EF0
11/15/2023	4,665,000	5.000	5.030	914225EG8

$15,500,000 5.000% Term Bonds Due November 15, 2026 - Yield 5.050% - CUSIP 914225EC7
$18,005,000 5.000% Term Bonds Due November 15, 2029 - Yield 5.070% - CUSIP 914225ED5

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2002 Series A Refunding Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from The University of Connecticut and the State of Connecticut and other sources which are believed to be reliable but is not guaranteed as to its accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstance, create any implication that there has been no change in the affairs of said University or the State since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2002 SERIES A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CONTENTS OF OFFICIAL STATEMENT

This Official Statement of the University of Connecticut, including the cover and inside cover pages, the Appendices and Schedules thereto, is provided for the purpose of presenting certain information relating to the University in connection with the sale of $96,130,000 aggregate principal amount of its Special Obligation Student Fee Revenue Bonds, 2002 Refunding Series A.

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OFFICIAL STATEMENT
relating to

$96,130,000

THE UNIVERSITY OF CONNECTICUT

Special Obligation Student Fee Revenue Bonds, 2002 Refunding Series A

INTRODUCTION

Purpose of Official Statement

This Official Statement, including the cover page, inside cover page, and the appendices attached thereto, is provided for the purpose of presenting certain information in connection with the offering and sale of $96,130,000 Special Obligation Student Fee Revenue Bonds, 2002 Refunding Series A (the "2002 Series A Refunding Bonds") of The University of Connecticut (the "University"). The 2002 Series A Refunding Bonds are authorized pursuant to Public Act No. 95-230, January 1995 Session of the General Assembly of the State, as amended, ("the Act" or the "UConn 2000 Act") and are authorized and issued under the provisions of a Special Obligation Indenture of Trust, dated as of January 1, 1997, as supplemented and amended by certain supplemental indentures (as amended, the "Special Obligation Indenture"), including the Third Supplemental Indenture, dated as of February 1, 2002 (the "Third Supplemental Indenture"), each by and between the University and State Street Bank and Trust Company, acting as trustee (the "Trustee"), for the benefit of the Bondholders. The Special Obligation Indenture and supplements thereto, including the Third Supplemental Indenture, are collectively referred to herein as the "Indentures".

The University

The University of Connecticut was established and exists as an institution for the education of residents of the State of Connecticut (the "State"). The University, originally established in 1881, is one of the nation's nine colonial land grant colleges. In April 1881, the Connecticut General Assembly established the Storrs Agricultural School after accepting a gift of 170 acres of land, several buildings, and money from Charles and Augustus Storrs. In 1939, the General Assembly designated it the University of Connecticut, reflecting its graduate and professional education, research, and public service programs. In 1965, the University became the flagship institution of higher education in the State under the new Constitution of the State of Connecticut which in Article VIII, Section 2 provides that the State shall maintain a system of higher education including the University of Connecticut, dedicated to excellence in higher education.

As of October 2001, the University had over 160,000 alumni, and 24,051 students studying (including the Health Center) in 17 colleges and schools offering 106 undergraduate and 84 graduate and professional degree programs. In addition to the main campus in Storrs, there are five undergraduate regional campuses (one of which also houses the graduate School of Social Work), a School of Law and a complex of health and educational facilities (sometimes referred to herein as the "University of Connecticut Health Center" or "Health Center"). The Health Center consists of the School of Medicine, the School of Dental Medicine, medical and dental clinics and the John Dempsey Hospital. The University campuses comprise 4,266 acres of land and 214 major buildings, and are strategically located throughout the State. The University competes with public and private institutions for students.

The State's support for the University reflects the status of the University as the flagship institution of the State system of higher education. The University and the Health Center receive separate State appropriations and each has a separate Chancellor/Provost. See Appendix A attached hereto for additional information concerning the University.

UConn 2000 Program

The Act establishes the University as a body politic and corporate and an instrumentality and agency of the State and enables the University to borrow money in its own name for the purpose of providing sufficient funds for a special capital improvement program for the University (the "UConn 2000 Infrastructure Improvement Program" or "UConn 2000"). See "UCONN 2000 INFRASTRUCTURE IMPROVEMENT PROGRAM".

In addition to the issuance of its Special Obligation Bonds discussed below, to date, under the Act, the University has issued $612,000,000 of its general obligation bonds for UConn 2000 projects pursuant to its General Obligation Indenture of Trust, dated as of November 1, 1995, which general obligation bonds of the University are secured by the State Debt Service Commitment.

2002 Series A Refunding Bonds

The 2002 Series A Refunding Bonds represent the fourth series of Special Obligation Bonds issued pursuant to the Act and the Special Obligation Indenture.[1] The first series of bonds issued under the Special Obligation Indenture, the University's $33,560,000 Student Fee Revenue Bonds, 1998 Series A, in addition to being secured by the Trust Estate, are secured by the State's Special Capital Reserve Fund and the 1998 Series A Bonds are the only bonds issued under the Special Obligation Indenture so secured by the Special Capital Reserve Fund. None of the Special Obligation Bonds are secured by the State Debt Service Commitment. To date, pursuant to the Indentures, the University has authorized $192,180,000 of Special Obligation Bonds to be issued for UConn 2000 projects, all but $3,000,000 of which have been issued (excluding Costs of Issuance). See "DESCRIPTION OF THE 2002 SERIES A REFUNDING BONDS" below.

Nature of Obligation and Sources of Repayment

The 2002 Series A Refunding Bonds are special obligations of the University, together with Bonds heretofore (consisting of the University's 1998 Series A Bonds, its $89,570,000 Student Fee Revenue Bonds, 2000 Series A which are being refunded by the 2002 Series A Refunding Bonds, and its $75,430,000 Student Fee Revenue Bonds, 2002 Series A) and hereafter issued under the Special Obligation Indenture, secured by a parity pledge of and payable solely from the Trust Estate, consisting of the Pledged Revenues, which are special revenues or other receipts, funds or moneys held in or set aside in the Trust Estate . All series of bonds issued under the Special Obligation Indenture are herein called the "Bonds" or "Special Obligation Bonds". See "NATURE OF OBLIGATION AND SOURCES OF REPAYMENT" below.

Additional Information

All references herein to the Act, the Indentures and the Bonds are qualified in their entirety by reference to the definitive documents. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in Appendix F - "DEFINITIONS OF CERTAIN TERMS OF THE SPECIAL OBLIGATION INDENTURES" attached hereto.

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[1] While the 2002 Series A Refunding Bonds are the fourth series of Special Obligation Bonds to be issued under the Special Obligation Indenture, these bonds were authorized under the Third Supplemental Indenture. The University's Special Obligation Revenue Bonds, 2002 Series A, dated January 15, 2002 were issued pursuant to the Fourth Supplemental Indenture.

NATURE OF OBLIGATION AND SOURCES OF REPAYMENT

Nature of Obligation

The 2002 Series A Refunding Bonds are special obligations of the University, together with Bonds heretofore and hereafter issued under the Special Obligation Indenture, secured by a parity pledge of and payable solely from the Trust Estate, consisting of the Pledged Revenues, which are special revenues or other receipts, funds or moneys held in or set aside in the Trust Estate. Subject only to the provisions of the Indenture permitting the application of certain moneys for the purposes and on the terms set forth in the Indenture, the 2002 Series A Refunding Bonds are entitled to the lien created by the pledge under the Indenture of:

> (a) all monies or securities in the Bond Proceeds Fund, the Debt Service Fund, and the Redemption Fund together with any and all receipts, funds or moneys, investments and other property of every kind and nature from time to time hereafter on deposit in or payable to such funds and accounts thereof except, with respect to the foregoing but subject to the Indenture, the Rebate Fund and moneys and securities in the Rebate Fund;
>
> (b) all monies received as "Pledged Revenues," including special revenues, subject to the prior lien on and pledge thereof for a certain loan from the United States of America acting by and through the Secretary of the Department of Education and the parity payment of certain general obligation bonds of the State categorized by the State as self-liquidating, each as noted in the Indenture, to be received by the University from fees and charges for certain auxiliary activities, including the residential life room fee, Student Apartment Rentals, the Greek Housing Fee, the Board (Dining) Fee, the Infrastructure Maintenance Fee, the Parking and Transportation Fee and the General University Fee and such other legally available revenues, including but not limited to other fees and charges and Special Eligible Gifts, as the Board of Trustees of the University may determine to pledge under the Indenture; and
>
> (c) all rights of the University under any Bond Facility or Swap Facility, including the right to receive Swap Receipts and Termination Receipts.

University Covenants

The covenants of the University with respect to the 2002 Series A Refunding Bonds are set forth in the Special Obligation Indenture. The Act provides for, and the Special Obligation Indenture includes, remedies available to the Trustee for protection and enforcement of any and all rights granted under the financing provisions of the Act, including by mandamus to enforce and compel performance of any duty required to be performed by any officer of the State mentioned in said provisions (including the Treasurer) and the University. See APPENDIX C - "SUMMARY OF CERTAIN PROVISIONS OF THE SPECIAL OBLIGATION INDENTURE OF TRUST."

Pursuant to the Special Obligation Indenture, the University has covenanted that it will establish, fix, and revise from time to time, prior to and during each Fiscal Year and collect in each Fiscal Year, fees representing Pledged Revenues so that the aggregate sum of each Net Revenue Amount plus each Gross Revenue Amount is equal to no less than the sum of: (1) an amount equal to 1.25 times the Debt Service Requirements in such Fiscal Year, and (2) together with any amounts on hand and available therefor, an amount equal to the amounts of the Debt Service Expense Requirement in such Fiscal Year not covered in (1) hereof.

For purposes of the foregoing covenant, "Net Revenue Amount" constitutes that amount of Pledged Revenues with respect to the (i) residential life room fee, (ii) Board Dining Fee, (iii) the Parking and Transportation Fee, (iv) the Student Apartment Rentals, and (v) the Greek Housing Fee, after providing for or paying the reasonable or necessary cost of currently maintaining, repairing, insuring and operating the facilities for which such fees, respectively, are imposed and each of which individual amount as a result thereof may be a plus or minus. "Gross Revenue Amount" for purposes of the foregoing covenant constitutes that amount of Pledged Revenues with respect to the (i) Infrastructure Maintenance Fee, (ii) the General University Fee prior to any payments, deductions, offsets or provisions, respectively and (iii) any interest earned or gains realized by the investment of monies which are Pledged Revenues and which constitute a part of the Trust Estate.

Statutory Lien

Pursuant to the Act, upon their issuance, securities of the University shall be conclusively presumed to be fully and duly authorized and issued under the laws of the State, and any person shall be estopped from questioning their authorization, sale, issuance, execution or delivery. Any pledge made by the University shall be deemed a statutory lien which shall be valid and binding from the time when the pledge is made against all parties having claims against the University. Neither the Act, the indenture or resolution, nor any other instrument by which a pledge is created need be recorded. Any revenues or other receipts, funds, moneys so pledged and thereafter received by the University shall be subject immediately to the lien of the pledge without any physical delivery thereof or further act and such lien shall have priority over all other liens. See Appendix C - "SUMMARY OF CERTAIN PROVISIONS OF THE SPECIAL OBLIGATION INDENTURE OF TRUST."

Effective October 1, 2001, the State of Connecticut adopted changes to Article 9 of the Uniform Commercial Code ("Article 9") which governs the creation and perfection of security interests in collateral. The changes to Article 9 as adopted in Connecticut do not change the statutory lien as described above.

State Covenant

Pursuant to the Act, the University is authorized and has included the following State covenant in the Special Obligation Indenture as a contract of the State. The State covenants with holders of any securities issued under the Act, in consideration of the acceptance of and payment for the securities until the securities, together with the interest thereon, with interest on any unpaid installment of interest and all costs and expenses in connection with any action or proceeding on behalf of the security owners, are fully met and discharged or unless expressly permitted or otherwise authorized by the terms of each contract and agreement made or entered into by or on behalf of the University with or for the benefit of such security owners, that the State: (1) will not create or cause to be created any lien or charge on the assets or revenues pledged to secure such securities, other than a lien or pledge created thereon pursuant to the Act; (2) will not in any way impair the rights, exemptions or remedies of the owners; and (3) will not limit, modify, rescind, repeal or otherwise alter the rights or obligations of the University to take such action as may be necessary to fulfill the terms of the resolution authorizing the issuance of the securities; provided nothing in the Act shall preclude the State from exercising its power, through a change in law, to limit, modify, rescind, repeal or otherwise alter the Act if and when adequate provision shall be made by law for the protection of the holders of outstanding securities, pursuant to the resolution or indenture under which the securities are issued.

As required by the Act, the Board of Trustees' resolution approving each Supplemental Indenture for the issuance of Bonds must be submitted to the Governor. The Governor may, not later than thirty days after such submission, disapprove same by notifying the Board of Trustees and the reasons for it. If the Governor does not act within thirty days, the resolution is deemed approved. The resolution approving the issuance of the 2002 Series A Refunding Bonds and the Third Supplemental Indenture were submitted to the Governor on October 17, 2001 and were approved by the Governor on October 19, 2001.

Pursuant to the Act and the Indenture, the Bonds, including the 2002 Series A Refunding Bonds, shall not constitute a general obligation of the University or a debt or liability of the State, including within the meaning of Section 3-21 of the General Statutes, the State, or any political subdivision thereof or a pledge of the faith and credit of the State, the University or of any other political subdivision of the State but shall be payable solely from the resources of the University described in the Special Obligation Indenture as the Trust Estate. Bonds issued under the Special Obligation Indenture may be additionally secured by either the Special Capital Reserve Fund or the Debt Service Reserve Fund or may be secured solely by the Trust Estate. The 2002 Series A Refunding Bonds are not secured by either the Special Capital Reserve Fund or the Debt Service Reserve Fund. The University has no taxing power.

Additional Bonds

Pursuant to the Special Obligation Indenture, Special Obligation Bonds of the University are authorized to be issued without limitation as to amount except as provided in the Special Obligation Indenture or as may be limited by law. The Special Obligation Indenture provides that no Additional Series of Bonds may be authorized and issued under the Special Obligation Indenture unless:

(1) in the event of Bonds secured by a Special Capital Reserve Fund, upon the issuance of such Series of Additional Bonds, the amount on deposit in the Special Capital Reserve Fund will be not less than the Special Capital Reserve Fund Maximum Requirement;

(2) a certificate of an Authorized Officer of the University shall have been delivered to the Trustee stating (a) that the particular Pledged Revenues estimated to be received as a result of the construction, completion and operation of the Project to be financed with the proceeds of the Additional Series of Bonds, and amounts in funds or accounts or payable thereto as a result of the issuance of such Additional Series of Bonds during the period such Additional Series of Bonds are Outstanding, including Swap Receipts, shall be sufficient to pay as the same become due the reasonable and necessary Project operating expenses of the University which are estimated will be incurred as a result of the issuance of such Additional Series of Bonds; or (b) the Pledged Revenues estimated to be received, and amounts in funds or accounts or payable thereto shall, together with other moneys received or estimated to be received by the University, be sufficient to pay all estimated Principal Installments of, Swap Payments, if any, and the Interest Requirement on Bonds Outstanding and such Additional Series of Bonds; and

(3) a certificate of an Authorized Officer of the University shall have been delivered to the Trustee (a) stating that the sum of Net Revenue Amount and Gross Revenue Amount based on the most recent Audited Financial Statements preceding the date of issuance of such Additional Bonds have been, with respect to the then and any future Fiscal Year, equal to an amount at least 1.25 times the maximum Debt Service Requirement on all Outstanding Bonds plus the expected maximum Debt Service Requirement on the Additional Bonds or (b) evidencing written confirmation affirming the then existing ratings on the Bonds including the Additional Bonds to be then issued.

MUNICIPAL BOND INSURANCE

Concurrently with the issuance of the 2002 Series A Refunding Bonds, Financial Guaranty Insurance Company ("Financial Guaranty") will issue its Municipal Bond New Issue Insurance Policy (the "Policy") for the 2002 Series A Refunding Bonds maturing in the years 2014 to 2023, inclusive and in the years 2026 and 2029 (the "Insured 2002 Series A Refunding Bonds"). The Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Insured 2002 Series A Refunding Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the issuer of the Insured 2002 Series A Refunding Bonds (the "Issuer"). Financial Guaranty will make such payments to State Street Bank and Trust Company, N.A., or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Insured 2002 Series A Refunding Bonds or the Paying Agent of the nonpayment of such amount by the Issuer. The Fiscal Agent will disburse such amount due on any Insured 2002 Series A Refunding Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal and interest due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal and interest shall be vested in Financial Guaranty. The term "nonpayment" in respect of an Insured 2002 Series A Refunding Bond includes any payment of principal or interest made to an owner of an Insured 2002 Series A Refunding Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Insured 2002 Series A Refunding Bonds. The Policy covers failure to pay principal of the Insured 2002 Series A Refunding Bonds on their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Insured 2002 Series A Refunding Bonds may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

Generally, in connection with its insurance of an issue of municipal securities, Financial Guaranty requires, among other things, (i) that it be granted the power to exercise any rights granted to the holders of such securities upon the occurrence of an event of default, without the consent of such holders, and that such holders may not exercise such rights without Financial Guaranty's consent, in each case so long as Financial Guaranty has not failed to comply with its payment obligations under its insurance policy and (ii) that any amendment or supplement to or other modification of the principal legal documents to be subject to Financial Guaranty's consent. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the Insured 2002 Series A Refunding Bonds are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which the Issuer is required to provide additional or substitute credit enhancement, and related matters.

This Official Statement contains a section regarding the ratings assigned to the Insured 2002 Series A Refunding Bonds and reference should be made to such section for a discussion of such ratings and the basis for their assignment to the Insured 2002 Series A Refunding Bonds. Reference should be made to the description of the Issuer for a discussion of the ratings, if any, assigned to such entity's outstanding parity debt that is not secured by credit enhancement.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of September 30, 2001, the total capital and surplus of Financial Guaranty was $1.033 billion. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 125 Park Avenue, New York, New York 10017, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

DESCRIPTION OF THE 2002 SERIES A REFUNDING BONDS

In General

The 2002 Series A Refunding Bonds are issuable only as fully registered bonds, in book-entry-only form (as described herein), in the denomination of $5,000, or any integral multiple thereof.

The 2002 Series A Refunding Bonds

The 2002 Series A Refunding Bonds will be dated February 1, 2002, will mature on the dates in each of the years and in the amounts and will bear interest payable semiannually on May 15 and November 15 in each year, commencing May 15, 2002, at the rates per annum set forth on the inside cover page of this Official Statement.

Principal of and interest on the 2002 Series A Refunding Bonds will be paid directly to The Depository Trust Company ("DTC") by State Street Bank & Trust Company, as Paying Agent, so long as DTC or its nominee, Cede & Co., is the Bondowner. See "Book-Entry-Only System."

Optional Redemption. The 2002 Series A Refunding Bonds maturing prior to November 15, 2013 are not subject to general optional redemption. The 2002 Series A Refunding Bonds maturing on and after November 15, 2013 will be subject to redemption prior to their maturity, at the election of the University, on or after November 15, 2012 in whole on any date or in part, on any interest payment date (each herein the "Redemption Date") from time to time, and in such maturity or maturities (but by lot within a maturity) and in any period shown in the following table, at the respective redemption prices (expressed as percentages of the principal amount of bonds to be redeemed) set forth in the following table, together with interest accrued and unpaid on the Redemption Date.

Redemption Date (Both Dates Inclusive)	Redemption Price
From November 15, 2012 to November 15, 2013	101%
From November 15, 2013 and thereafter	100

Sinking Fund Redemption. The 2002 Series A Refunding Bonds due November 15, 2026 are subject to redemption in part by lot on the respective dates and in the respective amounts set forth below, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory sinking fund installments which are required to be made in amounts sufficient to provide for the retirement on the dates shown below of the principal amount specified opposite such respective dates:

Date	**Amount**
2024	$ 4,910,000
2025	5,160,000
2026 †	5,430,000

† Final Maturity

Sinking Fund Redemption. The 2002 Series A Refunding Bonds due November 15, 2029 are subject to redemption in part by lot on the respective dates and in the respective amounts set forth below, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory sinking fund installments which are required to be made in amounts sufficient to provide for the retirement on the dates shown below of the principal amount specified opposite such respective dates:

Date	Amount
2027	$ 5,705,000
2028	5,995,000
2029 †	6,305,000

† Final Maturity

Notice of Redemption. Notice of redemption shall be mailed not less than thirty (30) nor more than sixty (60) days prior to the redemption date, by registered mail, to the registered owner of such bond at such Bondowner's address as it appears on the books of registry or at such address as may have been filed with the registrar for that purpose. So long as Cede & Co., as nominee of DTC, is the registered owner of the 2002 Series A Refunding Bonds, all notices of redemption will be sent only to DTC.

Book-Entry-Only System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2002 Series A Refunding Bonds. The 2002 Series A Refunding Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered bond certificate will be issued for each maturity of each issue of the 2002 Series A Refunding Bonds will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need of physical movement of securities certificates. Direct Participants ("Direct Participants") include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the 2002 Series A Refunding Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2002 Series A Refunding Bonds on DTC's records. The ownership interest of each actual purchaser of 2002 Series A Refunding Bonds ("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, but Beneficial Owners are expected to receive written confirmation 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 the 2002 Series A Refunding Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2002 Series A Refunding Bonds, except in the event that use of the book-entry system for the 2002 Series A Refunding Bonds is discontinued.

To facilitate subsequent transfers, all the 2002 Series A Refunding Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of the 2002 Series A Refunding Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2002 Series A Refunding Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2002 Series A

Refunding Bonds are credited, which may or may not be the Beneficial Owners. The 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 Cede & Co. If less than all of the 2002 Series A Refunding Bonds within an issue 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. will consent to vote with respect to the 2002 Series A Refunding Bonds. Under its usual procedures, DTC mails an 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 2002 Series A Refunding Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the 2002 Series A Refunding Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payment date. 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, the Paying Agent, the University, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the University or the State, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

The University and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the 2002 Series A Refunding Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the 2002 Series A Refunding Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of the 2002 Series A Refunding Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The University and the Trustee shall not have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the 2002 Series A Refunding Bonds under or through DTC or any Participant, or any other person which is not shown on the registration books of the University and the State (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal, redemption premium, if any, or interest on the 2002 Series A Refunding Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the University; or other action taken by DTC as registered owner. Interest, redemption premium, if any, and principal will be paid by the Trustee to DTC, or its nominee. Disbursement of such payments to the Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Participants or the Indirect Participants.

For every transfer and exchange of beneficial ownership of any of the 2002 Series A Refunding Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue providing its services as securities depository with respect to the 2002 Series A Refunding Bonds at any time by giving reasonable notice to the University, the State, the Trustee or the Paying

Agent. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered, as described in the Indenture.

The University reserves the right, for any reason, to change securities depositories or to discontinue the use of the system of book-entry transfers through DTC (or a successor depository). In that latter event, bond certificates will be printed and delivered as described in the Indenture.

Unless otherwise noted, certain of the information contained in the preceding paragraphs of this subsection "Book-Entry Only System" has been extracted from information given by DTC. Neither the University, the State, the Trustee nor the Underwriters make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

NEITHER THE UNIVERSITY, THE STATE NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY THE UNIVERSITY'S AND THE STATE'S OBLIGATION UNDER THE ACT AND THE RESOLUTION TO THE EXTENT OF SUCH PAYMENTS.

So long as Cede & Co. is the registered owner of the 2002 Series A Refunding Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the 2002 Series A Refunding Bonds (other than under the captions "Tax Exemption" and "Continuing Disclosure" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2002 Series A Refunding Bonds.

Effect of Discontinuance of Book-Entry System

The following procedures shall apply if the book-entry system is discontinued with respect to the Bonds.

Principal and Interest Payments. Principal of the 2002 Series A Refunding Bonds will be payable at the corporate trust office of the Trustee in Hartford, Connecticut, and interest on the 2002 Series A Refunding Bonds will be payable to the registered owner thereof on each interest payment date by check mailed to such registered owner at the address shown on the bond register maintained by the Trustee, or on the special record date established for the payment of defaulted interest. However, registered owners of $1,000,000 or more in aggregate principal amount of 2002 Series A Refunding Bonds may be paid interest by wire transfer upon written request filed with the Trustee on or before the Record Date for the applicable interest payment date.

Registration and Transfer. The Trustee will keep or cause to be kept, at its corporate office in Hartford, Connecticut, sufficient books for the registration and transfer of the Bonds, and, upon presentation of Bonds for each purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer, or cause to be registered or transferred, on such books such Bonds. Any Bond may, in accordance with its terms, be transferred upon such books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such registered Bond for cancellation, accompanied by delivery of a written instrument of transfer executed in a form approved by the Trustee. Whenever any Bond shall be surrendered for transfer, the University shall execute and the Trustee shall authenticate and deliver a new Bond of the same Series and maturity and for a like aggregate principal amount. The Trustee is not required to transfer or exchange any Bond of a Series during the period 15 days before the mailing of a notice of redemption. The Trustee shall require the Bondholder requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange and may require the payment of any reasonable sum to cover expenses incurred by the Trustee or University in connection with such exchange.

PLAN OF REFINANCING

Refunding

The University expects to apply the proceeds from the sale of the 2002 Series A Refunding Bonds to irrevocably defease the entire outstanding balance of the University's Special Obligation Student Fee Revenue Bonds, 2000 Series A (the "2000 Series A Bonds"), which will be redeemed on the earliest possible refunding date following such defeasance, The proceeds of the 2000 Series A Bonds were used to finance the cost of constructing, erecting, renovating, equipping and/or furnishing the following UConn 2000 projects:

Hilltop Housing Complex - which consists of (a) the Hilltop Dormitory New, an approximately 450-500 bed, three to four story, suite style dormitory (the "Hilltop Dormitory"), and (b) the Hilltop Apartments, an approximately 359 unit, 970 bed apartment style student rental residence ("Hilltop Student Rental Apartments")

Parking Garage - South - an approximately 535,000 square feet multilevel parking garage located at a site next to the athletic center on campus.

For additional information regarding these projects and other UConn 2000 projects, see Appendix A - "UNIVERSITY OF CONNECTICUT - Status of UConn 2000 Projects" and "UNIVERSITY FINANCES - University Indebtedness and Capitalized Lease Obligations" attached hereto.

Sources and Uses of Proceeds of the 2002 Series A Refunding Bonds

The following is a summary of the estimated sources and uses of funds in connection with the plan of refinancing:

Sources:

Par Amount of the 2002 Series A Refunding Bonds	$96,130,000.00
Net Original Issuance Premium	1,747,947.05
Accrued Interest	334,399.72
Total Sources	$98,212,346.77

Uses:

Redemption Fund	$96,830,821.04
Debt Service Fund	334,399.72
Costs of Issuance Account of Bond Proceeds Fund (includes bond insurance premium)	445,777.28
Underwriters' Discount	601,348.73
Total Uses	$98,212,346.77

Amounts in the Costs of Issuance Account under the Special Obligation Indenture, shall be invested by the Trustee at the direction of an Authorized Officer of the University in such Investment Obligations permitted by the Special Obligation Indenture and paragraph (f) of Section 3-20 of the Connecticut General Statutes, as amended.

Projected Debt Service and Debt Service Coverage

The following schedule sets forth the debt service payments to be made in each University fiscal year on the Special Obligation Bonds issued and outstanding as of the date of delivery of the 2002 Series A Refunding Bonds.

THE UNIVERSITY OF CONNECTICUT
Debt Service on Special Obligation Bonds and Parity Debt

	Outstanding Special Obligation Bonds[1]			2002 Series A Refunding Bonds				Other Parity Debt[2]	
FY Ending June 30	Principal	Interest	Subtotal	Principal	Interest	Subtotal	Total Special Obligations	Subtotal	Total Debt Service
2002	$	$ 719,159	$ 719,159	$1,550,000	$1,337,599	$2,887,599	$ 3,606,758	$ 1,384,135	$ 4,990,893
2003	2,110,000	3,207,918	5,317,918	1,555,000	4,560,325	6,115,325	11,433,243	1,632,075	13,065,318
2004	2,170,000	4,927,884	7,097,884	1,600,000	4,513,000	6,113,000	13,210,884	1,732,889	14,943,773
2005	2,245,000	4,849,989	7,094,989	1,655,000	4,460,038	6,115,038	13,210,026	1,413,660	14,623,686
2006	2,315,000	4,779,241	7,094,241	1,715,000	4,401,063	6,116,063	13,210,304	1,549,732	14,760,036
2007	2,395,000	4,701,091	7,096,091	1,775,000	4,339,988	6,114,988	13,211,079	1,545,900	14,756,979
2008	2,485,000	4,613,596	7,098,596	1,840,000	4,272,125	6,112,125	13,210,721	1,254,630	14,465,351
2009	2,575,000	4,517,126	7,092,126	1,925,000	4,191,825	6,116,825	13,208,951	1,189,190	14,398,141
2010	2,685,000	4,413,241	7,098,241	2,010,000	4,103,125	6,113,125	13,211,366	1,140,726	14,352,092
2011	2,805,000	4,289,389	7,094,389	2,095,000	4,016,025	6,111,025	13,205,414	941,691	14,147,105
2012	2,945,000	4,154,554	7,099,554	2,180,000	3,930,525	6,110,525	13,210,079	841,974	14,052,053
2013	3,070,000	4,028,000	7,098,000	2,630,000	3,827,750	6,457,750	13,555,750	605,260	14,161,010
2014	3,215,000	3,881,950	7,096,950	2,765,000	3,695,994	6,460,994	13,557,944	526,852	14,084,796
2015	3,375,000	3,719,711	7,094,711	2,915,000	3,546,894	6,461,894	13,556,605	507,860	14,064,465
2016	3,550,000	3,546,185	7,096,185	3,075,000	3,389,656	6,464,656	13,560,841	351,551	13,912,392
2017	3,735,000	3,365,004	7,100,004	3,240,000	3,223,888	6,463,888	13,563,891	259,970	13,823,861
2018	3,915,000	3,177,060	7,092,060	3,415,000	3,049,194	6,464,194	13,556,254	136,880	13,693,134
2019	4,120,000	2,978,169	7,098,169	3,595,000	2,865,181	6,460,181	13,558,350	136,880	13,695,230
2020	4,325,000	2,773,938	7,098,938	3,790,000	2,671,325	6,461,325	13,560,263	136,880	13,697,143
2021	4,535,000	2,559,619	7,094,619	3,995,000	2,466,969	6,461,969	13,556,588	136,880	13,693,468
2022	4,760,000	2,334,844	7,094,844	4,205,000	2,251,719	6,456,719	13,551,563	136,880	13,688,443
2023	4,995,000	2,098,875	7,093,875	4,435,000	2,024,919	6,459,919	13,553,794	136,880	13,690,674
2024	5,245,000	1,851,225	7,096,225	4,665,000	1,791,875	6,456,875	13,553,100	136,880	13,689,980
2025	5,505,000	1,591,275	7,096,275	4,910,000	1,552,500	6,462,500	13,558,775	136,880	13,695,655
2026	5,775,000	1,318,406	7,093,406	5,160,000	1,300,750	6,460,750	13,554,156	136,880	13,691,036
2027	6,065,000	1,032,131	7,097,131	5,430,000	1,036,000	6,466,000	13,563,131	136,880	13,700,011
2028	6,365,000	731,463	7,096,463	5,705,000	757,625	6,462,625	13,559,088	0	13,559,088
2029	4,550,000	466,500	5,016,500	5,995,000	465,125	6,460,125	11,476,625	0	11,476,625
2030	4,780,000	239,000	5,019,000	6,305,000	157,625	6,462,625	11,481,625	0	11,481,625
Totals	$ 106,610,000	$ 86,866,542	$ 193,476,542	$ 96,130,000	$ 84,200,624	$ 180,330,624	$ 373,807,166	$18,246,895	$ 392,054,061

[1] Debt Service Outstanding Net of Capitalized Interest on 2002 Series A Bonds.

[2] Includes payments from certain of the Pledged Revenues of a loan with the U.S. Department of Education outstanding as of the date of delivery of the 2002 Series A Refunding Bonds in the principal amount of $1,847,687 and maturing on February 1, 2027, and payments from Pledged Revenues of certain general obligation bonds of the State categorized as self-liquidating outstanding as of the date of delivery of the 2002 Series A Refunding Bonds in the principal amount of $14,745,347, the last series of which matures in 2017 (the proceeds of which were used for dormitory and dining purposes). Other State debt categorized as self-liquidating which is paid from other sources of revenue is excluded from the above table.

Debt service on the 2002 Series A Refunding Bonds is payable from Pledged Revenues of the University derived from fees and charges for certain auxiliary activities, including the residential life room fee, Student Apartment Rentals, the Greek Housing Fee, the Board (Dining) Fee, the Infrastructure Maintenance Fee, the Parking and Transportation Fee and the General University Fee and such other legally available revenues, including but not limited to other fees and charges and Special Eligible Gifts, as the Board of Trustees of the University may determine to pledge under the Indenture.

The following table sets forth the historical and projected coverage levels for Pledged Revenues and the debt service coverage calculation for the Bonds with respect thereto. The table was prepared by the Office of Financial Planning and Budget at the University. Please see the accompanying list of footnotes and assumptions which are an integral part of this financial statement.

THE UNIVERSITY OF CONNECTICUT
Student Fee Revenue Bonds Coverage Levels[1]
Fiscal Years Ending June 30
(Amounts in Thousands)

	ACTUAL		BUDGETED	PROJECTED				
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Pledged Revenues (Gross)[A]								
Infrastructure Maintenance Fee	$ 3,848	$ 4,711	$ 5,119	$ 5,543	$ 5,816	$ 6,101	$ 6,284	$ 6,473
General University Fee (GUF)	12,458	13,509	14,757	15,971	16,757	17,579	18,106	18,650
Investment Income	640	4,516	362	94	94	94	94	94
Gross Revenues Available	**16,946**	**22,736**	**20,238**	**21,608**	**22,667**	**23,774**	**24,484**	**25,217**
Pledged Revenues (Subject to Expenses Below)[A]								
Apartment Rents-Hilltop			5,104	5,864	6,039	6,221	6,407	6,599
Room Fee	23,954	28,041	29,424	32,570	36,937	37,708	38,840	40,005
Board Fee	24,830	26,794	27,478	31,178	30,926	32,409	35,247	36,305
Greek Housing Fee					1,512	1,557	1,604	1,652
Parking and Transportation Fees	2,333	3,048	3,902	4,468	4,788	5,112	5,440	5,772
	51,117	57,883	65,908	74,080	80,202	83,007	87,538	90,333
Expenses[A]								
Apartments			(1,556)	(2,027)	(2,108)	(2,192)	(2,280)	(2,371)
Dormitories	(21,513)	(23,215)	(25,370)	(26,461)	(29,091)	(29,862)	(30,636)	(31,522)
Dining Services	(24,822)	(25,895)	(27,247)	(29,315)	(29,490)	(30,356)	(33,326)	(34,469)
Greek Housing					(639)	(665)	(691)	(719)
Parking and Transportation Fees	(2,051)	(1,889)	(2,262)	(2,416)	(2,524)	(2,638)	(2,757)	(2,883)
	(48,386)	(50,999)	(56,435)	(60,219)	(63,852)	(65,713)	(69,690)	(71,964)
Net Revenues Available	2,731	6,884	9,473	13,861	16,350	17,294	17,848	18,369
Total Gross and Net Revenue Available for Debt Service	19,677	29,620	29,711	35,469	39,017	41,068	42,332	43,586
Debt Service[B]								
Debt Service on 2002 Series A Refunding Bonds			(2,888)	(6,115)	(6,113)	(6,115)	(6,116)	(6,115)
Debt Service on 2002 Series A Bonds[C]				(3,237)	(5,018)	(5,018)	(5,016)	(5,019)
Debt Service on 2000 Series A Bonds		(5,107)	(2,554)					
Debt Service on 1998 Series A Bonds	(2,080)	(2,078)	(2,080)	(2,081)	(2,080)	(2,077)	(2,078)	(2,077)
Dormitory/Dining Debt Service	(1,432)	(1,368)	(1,606)	(1,495)	(1,596)	(1,277)	(1,413)	(1,409)
Department of Education Loan Debt Service	(137)	(137)	(137)	(137)	(137)	(137)	(137)	(137)
Department of Education Loan - DSRF	(34)	(34)						
Total Debt Service	**(3,683)**	**(8,724)**	**(9,265)**	**(13,065)**	**(14,944)**	**(14,624)**	**(14,760)**	**(14,757)**
Coverage Calculation[D]	**5.34**	**3.40**	**3.21**	**2.71**	**2.61**	**2.81**	**2.87**	**2.95**
(Total Gross and Net Revenue Available - Debt Service)								
Total Gross and Net Revenue Available for Debt Service	19,677	29,620	29,711	35,469	39,017	41,068	42,332	43,586
Less: Debt Service	(3,683)	(8,724)	(9,265)	(13,065)	(14,944)	(14,624)	(14,760)	(14,757)
Transfer to Reserve[E]		(4,516)						
Expenditures for Auxiliary Enterprise Support[F]	(12,458)	(13,509)	(14,757)	(15,971)	(16,757)	(17,579)	(18,106)	(18,650)
Expenditures for Operations & Maintenance-UConn 2000 Projects[G]	(2,408)	(2,633)	(3,401)	(3,556)	(3,830)	(4,118)	(4,300)	(4,490)
Transfer to Reserve Available for Renewal, Replacement and Operations	1,128	238	2,288	2,877	3,486	4,747	5,166	5,689
Reserves Available for Renewal, Replacement and Operations[H]								
Beginning Balance	11,212	11,055	9,095	9,067	10,058	9,458	8,299	10,929
Transfer from (to) Operations	1,128	238	2,288	2,877	3,486	4,747	5,166	5,689
Renewal/Replacement Expenditures	(1,285)	(2,198)	(2,316)	(1,886)	(4,086)	(5,906)	(2,536)	(2,576)
Ending Balance	$ 11,055	$ 9,095	$ 9,067	$ 10,058	$ 9,458	$ 8,299	$ 10,929	$ 14,042

Notes: [1]Please see accompanying footnotes which are an integral part of this financial statement.

(A) Assumptions built into the budgeted and projected revenues and expenses are as follows:

Revenues (Fee rates have been approved through FY 2003. Rates for FY 2004 and FY 2005 will be presented to the Board of Trustees in June 2002 for approval.

Infrastructure Maintenance Fee - The Infrastructure Maintenance Fee, which funds South Campus debt service and current facilities operating and maintenance costs, as well as preventive and deferred maintenance costs, was instituted on July 1, 1997. FY 2003 approved increase is 3.9%; FY's 2004-2007 projected increases are 3.0% each year FY's 2003-2007 enrollment change assumptions; Undergraduates (77.2% of revenue, 4.71%, 2.08%, 2.05%, 0.0%, 0.0%); Graduates/Professional (22.8% of revenue, minimal change in enrollment).

General University Fee - The General University Fee partially supports Athletics, Jorgensen Auditorium, Student Health Services, Campus Activities and Transportation and Parking Services. For FY 2002, the General University Fee is $994 for undergraduates (86% of revenue) and $738 for graduates (14% of revenue). The FY 2003 approved fees are $1,032 and $766 respectively. FY's 2004-2007 projected increases are 3.0% each year. FY's 2003-2007 enrollment change projections; see Infrastructure Maintenance Fee.

Investment Income - Assumed rate of 2.0% earned on Bond funds.

Student Apartment Rentals - FY 2002 reflects 11 months of operations. Annual rent increase projected at 4.0% for FY 2003 and at 3.0% thereafter. Vacancy factor of 7.0% assumed for all years.

Room Fee - The Room Fee for FY 2002 is $3,348/year. The approved fee for FY 2003 is $3,478. FY's 2004-2007 projected increases are 3.0% each year. FY's 2003-2007 occupancy change projections are 7.3%, 2.9%, 0.0%, 0.0%, 0.0%. FY 2001 revenue includes a new dormitory technology fee of $250/year. FY 2002 revenue reflects opening of new Hilltop dormitory. FY 2003 reflects additional students that will be housed temporarily until the North Campus Student Suites and Apartments open in the Fall of 2003. These students will pay a discounted room fee. FY 2004 reflects opening of the North Campus Student Suites and Apartments.

Board Fee - The Board Fee for FY 2002 is $2,950/year. The approved fee for FY 2003 is $3,064, FY's 2004-2007 projected increases are 3.0% each year. FY's 2003-2007 dining hall occupancy change projections are 7.3%, 4.2%, 1.9%, 0.0%, 0.0%. FY 2003 income reflects additional students being fed and who will move into the North Campus Complex in the Fall of 2003 (FY 2004). FY's 2004 and 2005 reflect partial year operation of Jonathan's restaurant (cash sales operation). FY 2006 reflects a return to full year operation.

Greek Housing Fee - Annual rent increase projected at 3.0% each year through FY 2007. Income reflects 100% occupancy level per contract.

Parking and Transportation Fees - The Parking and Transportation Fee consists of the Transit Fee, Parking Permits, Parking Tickets, Transient parking, Meter Revenue and Event Parking. FY's 2001 and 2002 revenues reflect phaseout of the Town of Mansfield portion of non-student parking tickets revenue under a revenue sharing agreement and additional permit sales. FY 2002 revenue reflects opening of new South Garage (2nd fiscal quarter) including new rental revenue of $100,000/year from UConn CO-OP (for partial year opening, annual rent will be $300,000) which is to be relocated in the South Garage. FY 2002 revenue reflects proposed fee increases ranging from 5.6%-14.3%, additional residential parking capacity with the opening of new housing and increased usage of South Garage. FY 2003 revenue reflects full year operation of the South garage.

Expenses

Student Apartments - FY 2002 reflects 11 months of operations. Annual expenses increase projected at 4.0% each year for FY's 2003-2007.

Dormitories - FY 2000 includes one additional biweekly pay period for a total of twenty seven for the year. FY 2001 reflects additional costs associated with the new technology service provided to students as well as a one-time retroactive payroll expense of approximately $1 million due to settlement of a Collective Bargaining contract. FY 2002 reflects additional operating costs associated with the opening of a new dormitory. FY 2004 costs reflect the opening of the North Campus Student Suites and Apartments. Inflationary cost increases projected at amounts averaging 3.0% a year.

Dining Services - FY 2000 includes one additional biweekly pay period for a total of twenty seven for the year. FY 2001 reflects a one-time retroactive payroll expense of approximately $500,000 due to settlement of a Collective Bargaining contract. FY 2002 reflects additional operating costs related to additional students due to the opening of the new Hilltop dormitory. FY 2003 costs reflect additional students being fed who will move into the North Campus Complex in the Fall of 2003 (FY 2004). Inflationary cost increases projected at amounts averaging 3.5% a year. FY's 2004 and 2005 reflect partial year operation of Jonathan's restaurant (cash sales operation). FY 2006 reflects a return to full year operation.

Greek Housing - Annual expenses increase projected at 4.0% each year.

Parking and Transportation - FY 2001 reflects a decrease in costs due to the elimination of contracted shuttle bus service which was replaced with University buses and student labor. FY 2002 reflects additional costs associated with the opening of the South Garage in October 2001.

(B) Pursuant to the Indenture the debt listed herein is of equal rank with the pledge created by this Special Obligation debt. Other State debt categorized as self-liquidating which is paid from other sources of revenue is excluded from the above coverage table.

(C) Projected debt service net of capitalized interest on 2002 Series A Bonds.

(D) No assurance can be given that these coverage levels will not change since the University may authorize additional projects and issue Additional Bonds under the Special Obligation Indenture the effect of which may reduce coverage levels subject to the rate covenant of 1.25 times the maximum Debt Service Requirement on all Outstanding Bonds (including the Additional Bonds). See "NATURE OF OBLIGATION AND SOURCES OF REPAYMENT - University Covenants" and "NATURE OF OBLIGATION AND SOURCES OF REPAYMENT - Additional Bonds" herein.

(E)) Beginning in FY 2000, the University began funding a reserve which is available for debt service for current and future Special Obligation Student Fee Revenue Bonds and other parity debt. As of June 30, 2001, the reserve had a balance of $14,078,136. The reserve is invested in the State's Short Term Investment Fund (STIF). Also, the 1998 Series A Revenue Bonds have a Special Capital Reserve Fund which was funded at $2,126,425 and is invested in Investment Obligations as defined in the Special Obligation Indenture, including federal agency securities and STIF.

(F) Reflects expenditure of the General University Fee for operating support for various Auxiliary Enterprise programs.

(G) Additional funding for UConn 2000 O & M expenditures from other non-pledged operating revenues is projected as follows: FY 2003 - $2.0 million; FY 2004 - $2.3 million; FY 2005 - $2.7 million; FY 2006- $2.7 million; FY 2007 - $2.8 million.

(H) Funds reserved for the payment or reimbursement of the extraordinary expenses incurred for the rebuilding, replacement, relocating, repair and restoration of any UCONN 2000 Project financed by the University under this Indenture and other facilities forming part of the physical university plant so to permit the University to operate and maintain the physical university plant in sound operating condition. Funds may also be used for significant revenue or expense variances.

UCONN 2000 INFRASTRUCTURE IMPROVEMENT PROGRAM

Introduction

The UConn 2000 Infrastructure Improvement Program established by the Act is designed to modernize, rehabilitate and expand the physical plant of the University. The Act provides for a ten year capital budget program and authorizes projects estimated to cost $1,250 million. In accordance with the Act, the University, by affirmative vote of its Board of Trustees, made material revisions to several of the UConn 2000 projects based on a findings and determinations that such revisions are consistent with the intent and purpose of the original projects and that such revisions do not affect the University' s ability to complete the UConn 2000 projects out of the remaining funds to be allocated to such projects. See "The Act" below. Such revisions increased the estimated cost of UCONN 2000 projects from $1,250,000 to $1,352,000, the costs of which have been or will be financed with the University's Special Obligation Bonds. Of that amount, $962 million is to be funded by the proceeds of general obligation bonds of the University secured by the State Debt Service Commitment. An additional $18 million of UConn 2000 projects have been funded through the issuance of State general obligation bonds. The balance of the estimated cost of UConn 2000 projects may be met by the issuance of Special Obligation Bonds, including the 1998 Series A Bonds, the 2002 Series A Bonds and the 2002 Series A Refunding Bonds, by gifts or other revenue or borrowing resources of the University, or by the deferring of projects or achieved savings. To date, under the Act, the University has issued $612,000,000 of bonds for UConn 2000 projects pursuant to its General Obligation Indenture of Trust, dated as of November 1, 1995, which general obligation bonds of the University are secured by the State Debt Service Commitment.

The 2002 Series A Refunding Bonds represents the fourth series of Special Obligation Bonds issued pursuant to the Act and the Special Obligation Indenture. The Special Obligation Bonds are not secured by the State Debt Service Commitment. To date, pursuant to the Indentures, the University has authorized $192,180,000 of Special Obligation Bonds to be issued for UCONN 2000 projects, all but $3,000,000 of which have been issued (excluding Costs of Issuance). See "NATURE OF OBLIGATION AND SOURCES OF REPAYMENT."

The Act

Powers. The Act enables the University to borrow money and enter into financing transactions in its own name and expands the authority of the University to directly supervise construction of its projects including all UConn 2000 Projects. In order for the University to construct the UConn 2000 Projects and issue securities for UConn 2000, the Act, among other things, provides the University with the following powers: (a) to have perpetual succession as a body politic and corporate and an instrumentality and agency of the State; (b) to contract, to sue, to be indemnified, and to defend any action; (c) to indemnify parties and to be sued by the holders of its securities on an express contract; (d) to retain or employ architects, accountants, engineers, legal and securities counsel; (e) to plan, acquire, construct, renovate, equip, own, operate, maintain, dispose of and demolish any project; (f) to acquire, hold or dispose of any interest in real or personal property and to hold, sell, assign, lease, rent or encumber, other than by mortgage, any such interest; (g) to receive money from federal and State governments or others; and (h) to fix and collect fees, tuition, charges, rentals and other charges for enrollment and attendance at and use of the University.

The University may revise, delete and add projects to the list of UConn 2000 Projects, provided a material addition or deletion must be approved by a legislative act of the Connecticut legislature. No revision, addition or deletion can reduce the amount of any State Debt Service Commitment. The University may determine the sequencing and timing of projects, revise estimates of cost and reallocate funds among projects, so long as it has found that all projects not otherwise deleted can be completed. In accordance with the Act, on April 11, 2000, the Board of Trustees of the University approved a material revision to the list of UConn 2000 Projects by including within the Hilltop Dormitory - New project, the Hilltop Student Rental Apartments for which University students are charged rents sufficient to cover the costs of such project and debt service on the portion of the bonds used to finance the project, such rents being pledged under the Indenture for the payment of any Special Obligation Bonds issued thereunder. Also, pursuant to the Act, on November 16, 2001, the Board of Trustees of the University approved material revisions to the list of UConn 2000 Projects by including within the Towers Renovations project, student housing for sororities and fraternities and within the North Campus Renovations project, student suites and apartments, for each of which University students will be charged rents or fees sufficient to cover the costs of such projects and debt service on the portion of the bonds used to finance the projects, such rents and fees being pledged under the Indentures for the payment of any Special Obligation Bonds issued thereunder.

Issuance of Securities

Pursuant to the Act, the University is authorized to issue its general obligation bonds, for which its full faith and credit shall be pledged, and which may be additionally secured by the State Debt Service Commitment, in an aggregate authorized amount not to exceed $962 million over ten years, for the purpose of financing UConn 2000 Projects. The State Debt Service Commitment is defined by the Act as the commitment by the State to pay an annual amount, for the punctual payment of Special Debt Service Requirements on securities issued as general obligations of the University, as the same shall arise and shall become due and payable. Special Debt Service Requirements include, among other things, the principal and sinking fund installments of and interest on such general obligation bonds of the University.

The Act also provides that the University is authorized to issue its special obligation bonds, payable solely from any revenues or other assets, including project revenues, pledged to the payment thereof. Special Obligation Bonds are not secured by the State Debt Service Commitment. The 2002 Series A Refunding Bonds are Special Obligation Bonds under the Act and the Indentures.

Rate Covenant. Pursuant to the Special Obligation Indenture, the University has covenanted that it will establish, fix, and revise from time to time, prior to and during each Fiscal Year and collect in each Fiscal Year, fees representing Pledged Revenues so that the aggregate sum of certain specified fees and charges for certain auxiliary campus activities, together with other amounts available therefor, is equal to no less than an amount equal to 1.25 times the Debt Service Requirements and additional Debt Service Expense Requirements in such Fiscal Year. See "NATURE OF OBLIGATION AND SOURCE OF REPAYMENT" herein. In addition, the Act contains a rate covenant for the benefit of bondholders and the State wherein the University agrees to charge, collect and increase from time to time, tuition, fees and charges for services provided by the University, which together with other Assured Revenues such as those from the Minimum State Operating Provision and the State Debt Service Commitment shall be sufficient to permit the University to operate and maintain itself as an institution dedicated to excellence in higher education, to operate and maintain the physical University plant in sound operating condition and to cover the Special Debt Service Requirements on Outstanding Bonds. See APPENDIX C - "SUMMARY OF CERTAIN PROVISIONS OF THE SPECIAL OBLIGATION INDENTURE OF TRUST."

Minimum State Operating Provision. Pursuant to the Act, the State commits to appropriate, annually, an amount for operations of the University, after consideration of other amounts available to the University for its operations, which amount shall be consistent with the University (including the UConn 2000 Projects) continuing to operate in furtherance of and pursuant to the provisions of the Constitution of the State and applicable law as an institution dedicated to excellence in higher education. However, nothing in the Act shall be construed to preclude the State from appropriating a lower or higher amount than the amount appropriated in the previous fiscal year so long as the appropriation act provides and determines that the University can continue to operate as an institution dedicated to excellence in higher education and such amount so appropriated shall then constitute the Minimum State Operating Provision.

Special Capital Reserve Fund. The Act permits the issuance of special obligation securities of the University which may be additionally secured by either the State's Special Capital Reserve Fund or the Debt Service Reserve Fund or may be secured solely by the Trust Estate. The 2000 Series A Bonds and the 2002 Series A Refunding Bonds are not secured by either a Special Capital Reserve Fund or a Debt Service Reserve Fund. The University's 1998 Series A Bonds, issued in January 1998 are secured by a Special Capital Reserve Fund. A Special Capital Reserve Fund is not available to secure general obligation securities of the University.

Special External Gift and Endowment Funds. The Act creates two funds designed to encourage private sector gifts to fund UConn 2000 Projects and to increase endowment funds of the University.

The Special External Gift Fund is created to receive Special Eligible Gifts from the private sector, in furtherance of UConn 2000. Special Eligible Gifts and interest or other income earned on the Special External Gift Fund are to be used to pay costs of any UConn 2000 Project.

The Endowment Fund is dedicated to endowed professorships, scholarships and programmatic enhancements. To provide an incentive for gifts to the Endowment Fund, the State has agreed to make matching grants to the Endowment Fund in the form of the Endowment Fund State Grants. See Appendix A - "UNIVERSITY FINANCES - Gifts to the University of Connecticut Foundation, Inc."

Construction of Projects. The UConn Infrastructure Improvement Program currently comprises over 70 projects ranging in cost from under $1,000,000 to over $100,000,000. Projects are proposed for several of the University's campuses, with the preponderance of expenditures currently earmarked for the main campus at Storrs. The University is authorized to assume the responsibility and supervision of any project including preparation of detailed plans and specifications for each project. Subject to applicable law, the University maintains construction standards for all projects, including provisions relating to materials and equipment, and health and safety. The Act provides an expedited permitting process for the issuance of any license, permit, approval and administrative action required in connection with any University project.

The Act provides that each contract let in accordance with the Act must provide that payment is limited to, and the State and the University shall have no liability beyond, the amount provided therein.

UConn 2000 Performance Review Report to the General Assembly. The Act provides for semi-annual reporting to certain committees of the General Assembly and on January 15, 1999, the University, as required by the Act, submitted to the Governor and to the Joint Standing Committees of the General Assembly having cognizance of matters relating to education and finance, revenue and bonding, a four year UConn 2000 performance review report detailing certain information specified in the Act for each project undertaken to date under the UConn 2000 Program. The Act provides for the committees to consider the report and determine whether there has been insufficient progress in implementation of UConn 2000 or whether there have been significant cost increases over original estimates as a result of actions taken by the University. If so, the committees may make recommendations for appropriate action to the University and to the General Assembly. On March 10, 1999, the committees determined that the University is managing the UConn 2000 capital projects, discharging its responsibilities, and achieving and implementing the UConn 2000 goals, in full accord with the intent of the Act.

LITIGATION

There is no litigation of any nature pending or threatened against the University restraining or enjoining the issue, sale, execution or delivery of the 2002 Series A Refunding Bonds, or in any way contesting or affecting the validity of the 2002 Series A Refunding Bonds or any proceedings of the University taken with respect to the issuance or sale thereof, the application of the proceeds of the 2002 Series A Refunding Bonds or the existence or powers of the University. The University is defending several suits against it in state and federal court. The Assistant Attorney General for the University is of the opinion that none of those suits, either individually or collectively, place the assets of the University at any significant risk.

COVENANT OF THE STATE

Under the Act, the State has pledged and agreed with the holders of any bonds and notes issued under the Act, including the 2002 Series A Refunding Bonds, that the State will not limit or alter the rights vested in the University until such obligations, together with the interest thereon, are fully met and discharged, provided nothing shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the holders of such bonds and notes.

LEGALITY FOR INVESTMENT

The Act provides that the 2002 Series A Refunding Bonds shall be legal investments and public bodies of the State and its political subdivisions, all municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, banking associations, trust companies, savings banks and savings associations, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, board of trustees and other fiduciaries, and all other persons whatsoever who are now or may be authorized to invest in securities of the State, may properly and legally invest funds, including capital, in their control, or belonging to them. Those securities are also made securities which may properly and legally be deposited with and received by all public officers and bodies of the State or any agency or political subdivision and all municipalities and public corporations for any purpose for which the deposit of securities of the State is now or may be authorized by law.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters related to the authorization, issuance and sale of the 2002 Series A Refunding Bonds are subject to the approval of Hawkins, Delafield & Wood, Hartford, Connecticut, and New York, New York, Bond Counsel to the University. Bond Counsel proposes to deliver their approving opinion with respect to the 2002 Series A Refunding Bonds substantially in the form set forth in Appendix D hereto. Certain legal matters will be passed upon for the Underwriters by their counsel, Pullman & Comley, LLC, Bridgeport and Hartford, Connecticut.

TAX EXEMPTION

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to delivery of the 2002 Series A Refunding Bonds in order that interest on the 2002 Series A Refunding Bonds not be included in gross income of the owners thereof for Federal income tax purposes under Section 103 of the Code. The Tax Regulatory Certificate of the University and the State which will be delivered concurrently with the delivery of the 2002 Series A Refunding Bonds will contain representations, covenants and procedures relating to compliance with such requirements of the Code. Pursuant to the Tax Regulatory Certificate, the University and the Treasurer agree and covenant that each shall at all times perform all acts and things necessary or appropriate under any valid provision of law in order to ensure that such amounts shall not be included in the gross income of the owners thereof for Federal income tax purposes under the Code.

In the opinion of Bond Counsel, under existing statutes and court decisions and assuming continuing compliance by the University and the Treasurer with their representations and covenants contained in the Tax Regulatory Certificate, interest on the 2002 Series A Refunding Bonds is not included in gross income for Federal income tax purposes pursuant to Section 103 of the Code, and such interest is not treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code with respect to individuals or corporations. However, interest on the 2002 Series A Refunding Bonds is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. For other Federal tax information, see "Original Issue Discount", "Original Issue Premium" and "Certain Additional Federal Tax Consequences" herein.

State Taxes

In the opinion of Bond Counsel, under existing statutes, interest on the 2002 Series A Refunding Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Owners of the 2002 Series A Bonds should consult their tax advisors with respect to the applicable state and local tax consequences of ownership of the 2002 Series A Bonds (other than with respect to the exclusion of the interest on the 2002 Series A Refunding Bonds from the Connecticut income tax on individuals, trusts and estates) and the disposition of the 2002 Series A Bonds.

Original Issue Discount

The excess, if any, of the principal amount payable at a scheduled maturity of 2002 Series A Refunding Bonds over the initial public offering price of such Bonds constitutes original issue discount that is not includable in gross income for Federal income tax purposes to the same extent as interest on the 2002 Series A Refunding Bonds. For purposes of the preceding sentence, the "initial public offering price" refers to the initial offering price to the public (excluding bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the 2002 Series A Refunding Bonds constituting a maturity was sold.

Original issue discount accrues in accordance with a constant interest method based on the compounding of interest, and an owner's adjusted basis in a 2002 Series A Bond having original issue discount (a "Discount

Bond") for purposes of determining gain or loss on disposition will be increased by the amount of any such accrual. A portion of the original issue discount that accrues in each year to an owner of a Discount Bond that is a corporation will be included in the calculation of the corporation's Federal alternative minimum tax liability. Consequently, corporate owners of a Discount Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability even though such owners have not received a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the determination for Federal income tax purposes of original issue discount accrued upon sale or redemption of Discount Bonds, and with respect to the state and local tax consequences of owning Discount Bonds.

Original Issue Premium

The excess, if any, of the price paid (excluding accrued interest) by the first owner of a 2002 Series A Bond over the principal amount due to be repaid at the maturity of such bond (an "OIP Bond") constitutes original issue premium. In general, under the Code, an owner of an OIP Bond must amortize the bond premium over the remaining term of such OIP Bond, based on the owner's yield over the remaining term of such OIP Bond, determined on the basis of constant yield principles. An owner of an OIP Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period, under such owner's regular method of accounting, against the bond premium allocable to that period. Under certain circumstances, as a result of the tax cost reduction requirements of the Code relating to the amortization of bond premium, the owner of an OIP Bond may realize a taxable gain upon its disposition even though the OIP Bond is sold or redeemed for an amount less than or equal to the owner's original acquisition cost.

Owners of OIP Bonds are advised to consult with their tax advisors with respect to the Federal, state and local tax consequences of owning such bonds.

Certain Additional Federal Tax Consequences

The following is a brief discussion of certain Federal income tax matters with respect to the 2002 Series A Refunding Bonds under existing statutes. It does not purport to deal with all aspects of Federal taxation that may be relevant to particular owner of a 2002 Series A Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the 2002 Series A Refunding Bonds.

As noted above, interest on the 2002 Series A Refunding Bonds may be taken into account in computing the tax liability of corporations subject to the Federal alternative minimum tax imposed by Section 55 of the Code. Interest on the 2002 Series A Refunding Bonds may also be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Prospective owners of the 2002 Series A Refunding Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, and individuals otherwise eligible for the earned income tax credit, and to taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for Federal income tax purposes.

Legislation affecting municipal bonds generally is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the 2002 Series A Refunding Bonds will not have an adverse effect on the tax-exempt status or market price of the 2002 Series A Bonds.

RATINGS

The 2002 Series A Refunding Bonds maturing in the years 2002 to 2013, inclusive, have been rated "Aa3" by Moody's Investors Service Inc. ("Moody's"), 99 Church Street, New York, New York and "AA-" by Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"), 55 Water Street, New York, New York. The 2002 Series A Refunding Bonds maturing in the years 2014 to 2023, inclusive, and in the years 2026 and 2029 have been rated "Aaa" by Moody's and "AAA" by Standard & Poor's. The ratings assigned by Moody's and Standard & Poor's express only the view of such rating agencies. The explanation and significance of the ratings can be obtained from Moody's and Standard & Poor's, respectively. Such ratings are not intended as a recommendation to buy or own the 2002 Series A Refunding Bonds. There is no assurance that any ratings will continue for any period of time or that they will not be revised or withdrawn. Any revision or withdrawal of any of such ratings on the 2002 Series A Refunding Bonds may have an adverse effect on the market price thereof.

CONTINUING DISCLOSURE UNDERTAKING

Public Act No. 95-270 which became effective June 22, 1995, gives the University the specific authority to enter into continuing disclosure agreements in accordance with the requirements of Securities and Exchange Commission Rule 15c2-12 (the "Rule"). Pursuant to Article XV of the Special Obligation Indenture, the University as issuer of the 2002 Series A Refunding Bonds under the Rule has included an article (the "Continuing Disclosure Article", a summary of which is attached as Appendix E to this Official Statement), which article shall constitute the University's written undertaking for the benefit of the beneficial owners of the Bonds and which shall apply to all Bonds of the University under the Special Obligation Indenture. Under this Article (such Article herein called the "Continuing Disclosure Undertaking"), the University agrees to provide or cause to be provided, in accordance with the requirements of the Rule, (i) certain annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the Bonds and (iii) timely notice of a failure to provide the required annual financial information on or before the date specified in the Continuing Disclosure Undertaking. The Underwriters' obligation to purchase the 2002 Series A Refunding Bonds shall be conditioned upon their receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Undertaking.

The intent of such undertaking is to provide on a continuing basis the information described in the Rule. Accordingly, there is reserved the right to modify the disclosure thereunder or format thereof so long as any such modification is made in a manner consistent with the Rule. Furthermore, to the extent that the Rule no longer requires the issuers of municipal securities to provide all or any portion of such information to be provided under such undertaking, the obligation pursuant to the Rule to provide such information also shall cease immediately.

The purpose of such undertaking is to conform to the requirements of the Rule and not to create new contractual or other rights other than the remedy of specific performance in the event of any actual failure by the University to comply with its written undertaking. Furthermore, the Continuing Disclosure Undertaking shall provide that any failure by the University to comply with any provisions of such undertaking shall not constitute an Event of Default with respect to the Bonds under the Special Obligation Indenture.

UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions precedent, to purchase all but not less than all of the 2002 Series A Refunding Bonds from the University at an aggregate purchase price of $97,276,598.32 (representing the aggregate principal amount of the 2002 Series A Refunding Bonds plus original issue discount of $1,747,947.05 and less Underwriters' discount of $601,348.73) plus accrued interest. The 2002 Series A Refunding Bonds may be reoffered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the 2002 Series A Refunding Bonds into investment trusts) at prices lower than those stated on the inside cover page of this Official Statement and such public offering prices may be changed, from time to time, by the Underwriters.

FINANCIAL ADVISOR

P.G. Corbin & Company, Inc. is serving as financial advisor in connection with the issuance of the 2002 Series A Refunding Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

McGladrey & Pullen, LLP will deliver to the University, on or before the settlement date of the 2002 Series A Refunding Bonds, its attestation report indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the University and its representatives. Included in the scope of its examination will be a verification of the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the defeasance obligations to pay, when due, the maturing principal of and interest and redemption premium on the 2000 Series A Bonds refunded with the proceeds of the 2002 Series A Refunding Bonds, and (b) the mathematical computations supporting the conclusion of Bond Counsel that the 2002 Series A Refunding Bonds are not "arbitrage bonds" under the Code.

FINANCIAL STATEMENTS OF THE UNIVERSITY

Included in Appendix A is various financial information relating to the University. The audited financial statements of the University (excluding the Health Center, the University of Connecticut Foundation and the University of Connecticut Law School Foundation) contained in Schedule 1 have been included herein in reliance upon the Certificate of Audit of the Auditors of Public Accounts of the State dated December 21, 2001.

ADDITIONAL INFORMATION

Periodic public reports relating to the financial condition of the University and its various operations are prepared by officers of the University and provided to the Board of Trustees at its regular monthly meetings. In addition, the University regularly reports to the Governor, the Secretary of the Office of Policy and Management and various committees of the State Legislature and regularly receives reports from consultants, commissions and special task forces relating to various aspects of the University's financial affairs. The University will make available copies of its official statements relating to the issuance of its securities under the

Indenture from time to time upon request through the Vice President for Financial Planning and Management or through the Office of the State Treasurer.

Additional information concerning the University may be obtained upon request of the President, Phillip E. Austin, Attn.: Lorraine M. Aronson, Vice President for Financial Planning and Management, 352 Mansfield Road, U-2122, Storrs, Connecticut 06269, (860) 486-5115.

Additional information concerning the State may be obtained upon request from the Office of the State Treasurer, Honorable Denise L. Nappier, Attn.: Catherine S. Boone, Assistant Treasurer for Debt Management, 55 Elm Street, Hartford, Connecticut 06106, (860) 702-3127.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the University or the State and the purchasers or holders of any of the 2002 Series A Refunding Bonds.

This Official Statement is submitted only in connection with the issuance and sale of the 2002 Series A Refunding Bonds by the University and may not be reproduced or used in whole or in part for any other purpose.

Dated: February 7, 2002

Pursuant to the UConn 2000 Act,
the 2002 Series A Refunding Bonds described
above have been sold by the Treasurer
of the State of Connecticut in
conjunction with the University.

TREASURER OF THE STATE OF CONNECTICUT

By: /s/ Denise L. Nappier
Denise L. Nappier
State Treasurer

THE UNIVERSITY OF CONNECTICUT

By: /s/ Lorraine M. Aronson
Lorraine M. Aronson
Vice President for Financial Planning and Management

APPENDIX A
UNIVERSITY OF CONNECTICUT
INFORMATION CONCERNING THE UNIVERSITY

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APPENDIX A
UNIVERSITY OF CONNECTICUT

February 7, 2002

This Appendix A, furnished by the University of Connecticut (the "University") contains information through February 7, 2002, except as expressly provided herein. This Appendix A and the schedules attached hereto should be read collectively and in their entirety.

Board of Trustees

UNIVERSITY OF CONNECTICUT

INTRODUCTION

The University of Connecticut was established and exists as an institution for the education of residents of the State of Connecticut. The University of Connecticut, originally established in 1881, is one of the nation's nine colonial land grant colleges. Since it was established, the University has consistently expanded its academic program and physical plant to meet the higher educational needs of State residents. In April 1881, the Connecticut General Assembly established the Storrs Agricultural School after accepting a gift of 170 acres of land, several buildings, and money from Charles and Augustus Storrs. The School opened on September 28, 1881, with twelve students in the first class. Before the turn of the century there were two name changes, to Storrs Agricultural College in 1893 and to Connecticut Agricultural College in 1899. In 1933, it became Connecticut State College, reflecting its steady advances and broadened mission. In 1939, the General Assembly designated it the University of Connecticut, reflecting its graduate and professional education, research, and public service programs. In 1965, the University became the flagship institution of higher education in the State under the new Constitution of the State of Connecticut which in Article VIII, Section 2 provides that the State shall maintain a system of higher education including the University of Connecticut, dedicated to excellence in higher education.

As of October 2001, the University had over 160,000 alumni and 24,051 students (including the Health Center) studying in 17 colleges and schools offering 106 undergraduate and 84 graduate and professional degree programs. In addition to the main campus in Storrs, there are five undergraduate regional campuses (one of which also houses the graduate School of Social Work), a School of Law and a complex of health and educational facilities (sometimes referred to herein as the "University of Connecticut Health Center" or "Health Center"). The Health Center consists of the School of Medicine, the School of Dental Medicine, medical and dental clinics and the John Dempsey Hospital. The University campuses comprise 4,266 acres of land and 214 major buildings, and are strategically located throughout the State. The University competes with public and private institutions for students.

The State's support for the University reflects the status of the University as the flagship institution of the State system of higher education.

Although governed by a single Board of Trustees with one Chief Executive Officer, the University and the Health Center maintain separate budgets and are by statute separate entities for purposes of maintaining operating funds and State appropriations. The University has a Chancellor and Provost for University Affairs and the Health Center has an Executive Vice President for Health Affairs. Information concerning the Health Center is included under the heading "UNIVERSITY OF CONNECTICUT HEALTH CENTER" below in this Appendix A.

GOVERNANCE, ACADEMIC PROGRAMS AND CAMPUSES

Board of Trustees

Composition. The Board of Trustees of the University of Connecticut consists of 19 persons. The Governor, the Commissioner of Agriculture and the Commissioner of Education are ex-officio members of the Board of Trustees. The Governor is the ex-officio President of the Board of Trustees and is authorized to appoint twelve members of the Board of Trustees who reflect the State's geographic, racial and ethnic diversity. Two members of the Board of Trustees are to be elected by the University alumni; and two are to be elected by the students enrolled at the institutions under jurisdiction of the Board of Trustees.

Membership as of January 1, 2002. The name, term, position and affiliation or profession of each member of the Board of Trustees is as follows:

Name	Term Ends	Position	Affiliation/Profession
The Honorable John G. Rowland		President ex-officio	Governor of the State of Connecticut
The Honorable Theodore S. Sergi		Member ex-officio	Commissioner of Education
The Honorable Shirley C. Ferris		Member ex officio	Commissioner of Agriculture
Roger A. Gelfenbien	2003	Chair	Retired Partner, Accenture
Louise M. Bailey	2003	Secretary and Vice-Chair	Government Affairs Consultant
James F. Abromaitis	2007	Member	Commissioner of Economic and Community Development, State of Connecticut
Christopher J. Albanese	2002	Member	Attorney, O'Connell, Flaherty & Attmore
Phillip P. Barry	2005	Member	Retired University Employee and Former Member of Mansfield Town Council
William R. Berkley	2005	Vice-Chair	Chairman, CEO, W.R. Berkley Corporation
Michael H. Cicchetti, Esq.	2007	Member	Attorney, Cicchetti & Tansley
Linda P. Gatling	2003	Member	Teacher, Southington Public Schools
Dr. Lenworth M. Jacobs, Jr.	2007	Vice-Chair	Surgeon, Hartford Hospital
Claire R. Leonardi	2005	Vice-Chair	Private Equity Investment Partner, Fairview Capital
Michael J. Martinez	2005	Member	President, Martinez & Associates, LLC
Frank A. Napolitano	2003	Member	Management Consultant
Denis J. Nayden	2007	Vice-Chair	Chairman & CEO, GE Capital Corp.
David W. O'Leary	2003	Member	Lobbyist, Robinson & Cole, LLP
Richard Treibick	2005	Vice-Chair	Chairman of the Board, Cable Holdings, Inc.

Duties of the University of Connecticut Board of Trustees. Subject to State-wide policy and guidelines established by the Board of Governors for Higher Education, the Board of Trustees of the University is authorized to establish rules and general policies for the governance of the University, including its mission, regional campuses, degrees, and academic programs. The Board of Trustees appoints the President, manages the investments and directs the expenditures of the University. The Board of Trustees is required by law to review and approve University budget requests and propose facility, planning and capital expenditure budget priorities. The Board of Trustees may employ the faculty and other personnel needed to operate and maintain the University. Within the limitation of appropriations from the General Assembly, the Board of Trustees is authorized to fix the compensation of University personnel, establish terms and conditions of their employment and prescribe their duties and qualifications. The Board of Trustees is authorized to constitute its professional staff and establish compensation and classification schedules for such personnel.

Officers of the Board of Trustees. The officers of the Board of Trustees, apart from the Governor, who is President ex-officio, are the Chair, Vice-Chairs and Secretary. The Chair is privileged to make or discuss motions, and to vote on all questions. The Chair may designate a Vice-Chair to act in his or her absence.

Committees of the Board of Trustees. The Board of Trustees acts as a committee of the whole on all matters requiring action. The Board of Trustees is authorized by the Act to adopt a resolution delegating to the finance committee of its Board, any officer, official or trustee of such committee or other authorized officer or employee of the University such matters relating to the issuance and sale of securities in the name of the University on behalf of the State as it may determine appropriate, except the authorization of the amount of, the nature of, and property to be financed by, such securities; provided that, the Board of Trustees must retain overall control, responsibility and supervision.

University Administration

Administration. The Board of Trustees is authorized by law to appoint a President of the University. The President is the chief executive officer of the University. The President is responsible for carrying out the policies and enforcing the rules adopted by the Board of Trustees. In furtherance of its February 10, 1995 strategic plan, the Board of Trustees adopted a central management structure. Under this structure, the Board of Trustees may appoint two chancellors, each of whom also serves as a provost, and vice presidents. The President reports directly to the Board of Trustees. The Chancellor/Provost for Health Affairs is the chief operating and academic officer of the Health Center. The Chancellor/Provost for University Affairs is the chief operating and academic officer of the Storrs campus, the School of Law, the School of Social Work and the regional campuses. The Executive Vice President for Health Affairs, the Chancellor/Provost for University Affairs, the Vice President for Financial Planning and Management, and the Vice President for Institutional Advancement report directly to the President of the University.

The Board of Trustees appointed Philip E. Austin, former Chancellor of the University of Alabama System as the 13th President of the University of Connecticut on July 19, 1996. President Austin earned his Doctorate in Economics from Michigan State University. He served as President of Colorado State University and Chancellor of the Colorado State University System from 1984 to 1989 and prior to that served as an economics professor and provost and vice president for academic affairs at the City University of New York's Bernard Baruch College. He also headed a doctoral program at George Washington University from 1977 to 1978. In the early to mid-1970s he was the deputy assistant secretary for education with the U.S. Department of Health, Education and Welfare.

The names and backgrounds of the other principal administrative officers of the University are as follows:

Name	Position	Background
John D. Petersen	Chancellor/Provost for University Affairs	Ph.D., University of California (Santa Barbara), 14 years administrative experience including Wayne State and Clemson University.
Peter J. Deckers, M.D.	Executive Vice President for Health Affairs and Dean of the School of Medicine, University of Connecticut Health Center	M.D., Boston University School of Medicine, 14 Years administrative and clinical experience served at the University of Connecticut Health Center.
Lorraine M. Aronson	Vice President for Financial Planning and Management	B.A., Radcliffe College, Harvard University; J.D., Boston University School of Law. 25 years administrative experience served at the Connecticut State Department of Education, the Connecticut Department of Social Services (formerly known as the Connecticut Department of Income Maintenance), the Connecticut Office of Policy and Management and the University of Connecticut.
Edward T. Allenby	Vice President for Institutional Advancement	B.S., University of Delaware. 26 years administrative experience including the University of Delaware and the College of William and Mary.

Legal Services. The University receives legal services from the Office of the State Attorney General. Two Assistant Attorneys General are in residence at the Storrs campus. The University also retains private counsel on occasion through the office of the Attorney General. The Act authorizes the University to use legal services of any private attorney in connection with the construction, operation or maintenance of any UConn 2000 Project at its discretion. Pursuant to the Act, the University has retained attorneys in connection with the construction of UConn 2000 Projects.

Strategic Planning

Adopted on February 10, 1995, the Strategic Plan now serves as the Board of Trustees' blueprint for the University's future. It describes a University on the road to educational pre-eminence.

> The University of Connecticut aspires to be the outstanding public university in the nation…a center for lifelong learning which excels in both teaching and research…a diverse community whose values promote mutual respect, inspire intellectual curiosity and encourage service to society…an environment that fosters academic and artistic achievement as well as productive and responsible student life…an institution with a global perspective that recognizes its special obligation to enhance the quality of life and economic well-being of Connecticut.

The Strategic goals approved by the Board of Trustees are as follows:

(A) Provide a challenging and supportive learning environment that fosters achievement and intellectual interaction among undergraduates, graduate students and faculty members and promotes excellence in research, scholarship and artistic creativity.

(B) Recruit and retain outstanding students, faculty and staff.

(C) Create a physical environment that reflects our expectation of excellence and encourages interaction among a diverse population.

(D) Enhance our sense of community by increasing and valuing interaction while developing a strong sense of pride and ownership.

(E) Allocate and develop resources on the basis of mission value and performance. Hold the community of students, faculty and staff accountable for the success of the University.

(F) Streamline administrative functions.

(G) Promote the University's role in fulfilling the needs of the State, its citizens and its economic institutions.

(H) Foster a sense of partnership with the State.

Just as UConn 2000 is the General Assembly's blueprint for transforming the physical infrastructure, the Strategic Plan is the blueprint for reshaping UConn's scholastic and social environment. These blueprints may be separate, but they are interdependent; while it is the Board's vision of renewal that sets the context and direction for the capital building program, it is the legislature's support that turns the vision into the bricks and mortar of lecture halls, research labs and residential and recreational facilities.

Detailed below is a summary report highlighting some of the progress that has been made to date with respect to the UConn 2000 Program and the Strategic Plan.

- Student Recruitment and Enrollment: Student enrollment has increased in size, diversity and academic skill. Since 1997, freshman enrollment has increased nearly 43 percent and minority enrollment is up 58 percent. The average SAT score of the freshman class for Fall 2001 was twenty-eight points higher than that of the entering class of 1997. The number of Honors/Scholars have increased from 198 in 1997 to 307 in 2001 which reflects a growth of 55%.

- Investments in regional campus facilities provided impetus to clarify their academic role and scope and tailor academic programs to regional strengths--such as degree programs in information technology and coastal studies at Stamford and Avery Point respectively.

- State-of-the-art equipment is essential to good instruction and research. Budgeted expenditures for equipment during the first five years of UConn 2000 total $127.5 million, 86% of which is for educational equipment. Eighty-four high tech classrooms have been equipped. This commitment has enabled the University to recruit new researchers and attract federal and private grant funds.

- Development and acquisition of digital information resources for the University's library has meant that the benefits of a major research library at Storrs can now be extended not just to students and faculty throughout the main campus, but to the regional campuses, Law School and Health Center as well. Following the physical renovation of the Homer Babbidge Library, use of that facility is running 25 percent above its previous all-time high.

- The UConn 2000 endowment matching program has proven to be a tremendous incentive for private giving by alumni and other benefactors to the University. The initial three-year $20 million matching grant initiative was fully subscribed in only 18 months. Annual gift receipts have risen from $8.2 million in 1995 to $25.6 million in 1999. Based on the success of this program, the General Assembly extended the match through calendar year 2012 resulting in new matching funds of $115 million.

- Having new, state-of-the-art facilities and equipment has greatly enhanced the University's ability to recruit a world-class faculty. In response to the goal of attracting and retaining top quality students and faculty, the University was able to hire 55 new full-time faculty in the fall of 2001.

- Linda Otis, a Health Center faculty member, is part of a team whose invention of an ultra-high resolution dental imaging system is included in an international listing of the 100 most significant technological developments of 1998. Only nine of the 100 inventions were developed by universities including four from the Massachusetts Institute of Technology.

- In southwestern Connecticut, GE Capital, XEROX and Warburg Dillon Read are just a few of the Fairfield County corporations that have partnered with the University at its Stamford campus to create the Connecticut Information Technology Institute (CITI). CITI's mission is to build a hub in information technology that responds to the educational needs of the region by providing flexible, creative and instructionally sound solutions to workforce development.

- The University has implemented new programs to help freshmen make a comfortable and meaningful transition to college life, including expanded orientation activities, freshmen interest groups, freshmen seminars and seminars on undergraduate learning skills designed to offer freshmen the opportunity to relate with faculty, staff and other students in small group settings.

- The integration of technology into the teaching and learning environment has accelerated in the past two years. The University has adopted a course tools standard that is introduced to students through the First Year Experience. Beginning in Fall 2000, over 500 courses used this technological means of delivering course materials. To support faculty members and departments as they adapt to the new environment, in Spring 2000 the University initiated the Student Educational Technological Assistant program, under which undergraduates are recruited, trained and paid to provide high quality assistance. Finally, the Institute for Teaching and Learning is working with selected units to rethink the structure of the curriculum and its delivery within this new environment.

- The University' s commitment to student success includes the freshman seminars that enroll close to 60% of all new freshmen; the creation of the Academic Center for Entering Students to support students in their choice of major; the UConn Connects program that identifies students at risk and provides them with a mentor; and the creation of freshman residence with enhanced programming, supported by a vibrant core of students trained as peer mentors and advisors.

- The University has committed to making a research experience an integral part of the undergraduate curriculum. To that end, we have established an office for undergraduate research with the responsibility of connecting students with research options on campus, supporting departmental efforts to expand research opportunities, and provide summer funding to students.

- The University' s commitment to performance-based budget decentralization places it at the state-of-the-art level in resource management. The University has joined a small but growing group of schools that have reengineered their budgeting systems to substitute mission-enhancing initiatives for detailed controls, to motivate and empower deans and vice chancellors/provosts and to hold them accountable for performance.

- Academic program assessment is underway to assist the University and its constituent academic units in the pursuit of excellence. The process is intended to (1) evaluate program quality and needs, (2) identify targets and opportunities for program development and improvement, and (3) guide the allocation and reallocation of resources. So far forty departments have completed the three-semester process or have completed self-studies, hosted site visits and sculpted plans that are ready to be finalized with their deans and the Chancellor. Another seven have begun a self-studies of their areas and have had an initial meeting with the leadership team that is coordinating the process. A total of more than 70 departments will be evaluated. As a result of this process, changes are currently underway in Physics, Mathematics, Marine Sciences, Philosophy and Nursing.

Status of UConn 2000 Projects

The following table lists the status of UConn 2000 Projects by funding source for which bonds have been issued to date:

Projects Authorized	Project Status
General Obligation Bonds	
Agricultural Biotechnology Facility	Phase I Complete, Phase II in Progress
Avery Point Marine Science Research Center	Completed September 2001
Benton State Art Museum Addition	In Design
Business School Renovations	In Design
Central Warehouse - New	Completed December 2000
Chemistry Building	Completed November1998
Deferred Maintenance & Renovation Lump Sum-Phase I & II	Continuing
Equipment, Library Collections & Telecommunications-Phase I & II	Continuing
Gant Plaza Deck	Completed September 2001
Gentry Renovations	In Design
Heating Plant Upgrade	Completed January 2001
Hilltop Dormitory Renovations	Completed September 2001
Horticulture Conversion	Completed September 2001
Ice Rink Enclosure	Completed November1998
International House Conversion	Completed May 2001
Litchfield Agricultural Center	In Construction
Mansfield Apartments Renovation	Completed September1997
Mansfield Training School Improvements	Continuing
Music Drama Addition	Completed September 1999
North Superblock Site & Utilities	Completed November1997
Northwest Quadrant Renovation	Completed October 2000
Parking Garage-North	Completed January1998
Pedestrian Walkways/(a.k.a. Fairfield Road Pedestrian Mall)	Completed December 1998
School of Business - New	Completed September 2001
School of Pharmacy	In Design
Stamford Downtown Relocation	Completed December1998
Student Union Addition	In Design
Technology Quadrant-Phase IA	In Construction
Technology Quadrant-Phase II[1]	In Design
Underground Steam & Water Upgrade	Completed January 2001
Waring Building Conversion	Completed September 2001
Waterbury Property Purchase	Completed January 1999
White Building Renovation	Completed May 1999
Wilbur Cross Building Renovation	Phase I Complete; Phase II in Progress
Special Obligation Student Fee Revenue Bonds	
Alumni Quadrant Renovations[2]	In Design
East Campus North Renovations[3]	In Design
Hilltop Housing Complex[4]	Completed September 2001
North Campus Renovations (including Suites and Apartments)[2]	In Design
Parking Garage-South[4]	In Construction
Shippee/Buckley Renovations[3]	In Design
South Campus Complex[5]	Completed January 1999
Towers Renovations (including Greek Housing)[2]	In Design

[1]On February 9, 2000 construction was halted on the Biological Sciences building and the University terminated its relationship with the general contractor for the project, HRH/Atlas Construction, due to concerns with the contractor' s performance. Since then, the University and the holder of the payment and performance bonds, Liberty Mutual, have signed a Fronting Agreement whereby Liberty Mutual has agreed to pay the University $25.3 million to complete the project. Turner Construction Company has begun the work and completion is scheduled for Fall 2002.

[2]Partially funded with proceeds from the University's General Obligation Bonds and partially funded with the proceeds of the 2002 Series A Bonds.

[3]Funded with the proceeds of the 2002 Series A Bonds.

[4]The Hilltop Housing Complex is comprised of the Hilltop Dormitory New and the Hilltop Student Rental Apartments and was funded with the proceeds of Student Fee Revenue Bonds, 2000 Series A.

[5]Funded with the proceeds of UConn Student Fee Revenue Bonds, 2000 Series A.

[6]The South Campus Project was partially funded with UConn Student Fee Revenue Bonds, 1998 Series A.

The Board of Governors for Higher Education

The University, including the Health Center, is a constituent unit of the State system of higher education. The Board of Governors for Higher Education is the state-wide policy-making body for the State system of higher education. For a discussion of the Board of Governor's role in presenting the University's budget, see "UNIVERSITY FINANCES - Budget and Budgeting Procedures of the University" below in this Appendix A.

Campuses and Physical Plant

General Information. Of the eight campuses, Storrs is the largest campus with 4,104 acres and 142 major buildings. Additionally, as of November, 2001, there are 73 residence halls, all on the Storrs campus, serviced by eight large dining halls and 4 small unit dining facilities designed to provide room and board for just over 9,500 graduate and undergraduate students. There are five undergraduate regional campuses strategically located throughout the State at Avery Point in Groton, Stamford, Torrington, Waterbury and West Hartford. In addition to the regional campuses, the University includes The University of Connecticut School of Law, located in West Hartford, and the Health Center, located in Farmington. Collectively these campuses are serving a student body of over 24,000 in the 2001-2002 academic year. The University is involved in over a $1 billion construction program for which the proceeds of the 2002 Series A Bonds will be used. See "UCONN 2000 INFRASTRUCTURE IMPROVEMENT PROGRAM," in this Official Statement.

Academic Programs and Degrees Conferred

The University offers a broad spectrum of liberal arts and sciences, professional and graduate education degree programs through its 17 colleges and schools, including the School of Dental Medicine, School of Medicine and School of Law. The University confers eight kinds of undergraduate degrees in 106 majors, 13 graduate degrees in 80 fields of study and four graduate professional programs. The University also offers individualized majors and interdisciplinary fields of study. The University has several special facilities and programs, including its Connecticut Information Technology Institute, Advanced Technology Institute, Marine Sciences and Technology Center, the Center for Survey Research and Analysis, the Institute of Materials Science and the Environmental Research Institute.

COMPETITION AND COMPETITIVENESS

Accreditation and Ranking

The University is accredited by the New England Association of Schools and Colleges and several other accreditation bodies for specific schools and programs.

The University is ranked 48 out of 330 public universities in the country by the National Science Foundation in research and development spending. The institution is classified with only 101 other public institutions nationwide as an Extensive Doctoral/Research University by the Carnegie Foundation. To qualify for this classification, universities must offer a full range of baccalaureate programs, be committed to graduate education through the doctorate and give high priority to research. Additionally, universities must award 50 or more doctoral degrees annually across at least 15 disciplines.

The quality of the University's diverse graduate programs is enhanced by the presence of exceptional graduate students. Of the 5,400 matriculated graduate students at both the master's and doctoral levels in academic year 2001-2002, approximately 1,900 were supported on merit based graduate assistantships and approximately 700 on merit based predoctoral and other fellowships. This support was awarded in 80 fields of study in the arts and sciences and professional disciplines. These assistantships and fellowships have made it possible for the University to compete for quality graduate students.

Student Enrollment and Admission

Enrollment. In academic year 2001-02 undergraduate degree enrollment increased by 5.9% (including an 8.7% increase in freshmen) reflecting the added residential capacity with the opening of the new Hilltop Dormitory and Hilltop Student Rental Apartments at the Storrs campus. Graduate degree student enrollment declined by 0.2% while Graduate non-degree students, whom account for 0.2% of total enrollment, declined 35.1%. Law school enrollment increased by 0.6%. Planned freshman enrollment growth for the near future will be more modest as the University approaches enrollment capacity.

Total Enrollment Data
(Head Count Excluding Health Center)[1]
Fall 1997-2001

	1997	1998	1999	2000	2001
Undergraduates					
Storrs	11,318	11,682	12,325	13,208	14,050
Regional Campuses[2]	3,064	3,173	3,416	3,473	3,580
TOTAL	14,382	14,855	15,741	16,681	17,630
Graduates / Professionals	6,867	6,543	6,500	6,254	5,950
TOTAL	**21,249**	**21,398**	**22,241**	**22,935**	**23,580**

[1]Includes non-degree and part-time students.
[2]Includes miscellaneous locations.

Percentage of Enrollment By Residence Status
Storrs Campus
Fall 1997-2001

	Undergraduate Percent		Graduate Percent	
Fall	**In-State**	**Out-of-State**	**In-State**	**Out-of-State**
1997	84.3%	15.7%	72.3%	27.7%
1998	83.3%	16.7%	75.6%	24.4%
1999	81.2%	18.8%	76.2%	23.8%
2000	79.0%	21.0%	74.9%	25.1%
2001	76.9%	23.1%	72.7%	27.3%

Schedule of Freshmen Enrollment
All Campuses
Fall 1997-2001

Fall	Freshmen Applications	% Change in Applications	Accepted	Enrolled	% Change in Enrolled	Enrolled as a % of Accepted
1997	10,730	-2.3%	8,238	2,759	-0.5%	33.5%
1998	11,311	5.4	8,980	3,225	16.9	35.9
1999	12,642	11.8	9,878	3,645	13.0	36.9
2000	12,969	2.6	9,816	3,585	-1.6	36.5
2001	13,673	5.4	10,357	3,897	8.7	37.6

Admissions. The University of Connecticut is rated as 'competitive' by Barron's Profiles of American Colleges, 24. For the past five years, the Scholastic Aptitude Test (SAT) scores for students entering the University consistently exceeded the state-wide and national SAT score averages.

Average Total SAT Scores
Fall 1997-2001

Fall	Storrs Campus	Regional Campuses	State of Connecticut Average	National Average
1997	1,112	1,002	1,011	1,013
1998	1,112	998	1,016	1,016
1999	1,120	1,007	1,019	1,017
2000	1,136	1,016	1,019	1,016
2001	1,140	1,008	1,019	1,020

Tuition and Other Fees

Pursuant to State law, the Board of Trustees is authorized to adopt a comprehensive schedule of tuition and other fees which is expected to prevail during the following fiscal year.

Tuition. For the academic year 2002 students classified as full-time undergraduate residents of Connecticut pay tuition of $4,448. Full-time out-of-state undergraduates pay $13,566 per year. In the 2001 academic year, total tuition revenues were $89,498,339 of which $35,176,787 were out-of-state tuition revenues. Undergraduates accounted for 86% of tuition revenues in 2001 academic year. In June 2001, the Board of Trustees approved a tuition rate increase of 3.9% for academic year 2003.

Mandatory Fees. For academic year 2002, undergraduate students must pay a General University Fee of $994 per year. Students also pay $382 per year in other fees, of which $94 is for various student controlled organizations, $258 is for infrastructure maintenance and $30 is a transit fee. For academic year 2001, the General University fee generated $13.5 million of revenue. Commencing in 1998 and again in 2000 and 2002, certain fees have been pledged for the payment of debt service on the University's Special Obligation Bonds, 1998 Series A, 2000 Series A and 2002 Series A. See "UNIVERSITY FINANCES - University Indebtedness and Capitalized Lease Obligations" in this Appendix A. In June 2001, the Board of Trustees approved increases in mandatory fees for academic year 2003, to the following amounts: General University Fee - $1,032, and Infrastructure Maintenance Fee - $268.

Other Fees. There are numerous optional fees at the University. The primary optional fees for the academic year 2002 are the room and board fee which includes the new charge for technology services ($250) and parking and transportation. In June 2001, the Board of Trustees approved an increase in the Board Fee for 2003 to $3,064 and the Room Fee to $3,478.

Annual Cost of an Undergraduate In-State Student Enrolled at the University
Academic Years 1998-2003

	1998	1999	2000	2001	2002	2003
Tuition	$ 4,158	$ 4,158[1]	$4,158[1]	$4,282	$4,448	$4,622
Room & Board	5,462	5,544	5,660	6,062[3]	6,298	6,542
General University Fee	882	908	932	958	994	1,032
Other Fees	202[2]	264	314	356	382	392[4]
Total	**$10,704**	**$10,874**	**$11,064**	**$ 11,658**	**$12,122**	**$12,588**

[1]Reflects tuition freezes as approved by the Governor, Legislature and University Board of Trustees with foregone tuition added to the University's State appropriation.

[2]In academic year 1998 the University instituted an Infrastructure Maintenance Fee of $120 per academic year to fund debt service for certain University Special Obligation Bonds. Commencing in 1998, certain fees have been pledged for the payment of debt service on the University's Student Fee Revenue Bonds 1998 Series A as well as the Student Fee Revenue Bonds 2000 Series A and 2002 Series A. See Appendix A "University Indebtedness and Capitalized Lease Obligations."

[3]In academic year 2001, the University increased the Room Fee by $250 to reflect the inclusion of service for Internet, telephone and cable television which had previously been paid by the students to the individual service providers.

[4]Of these fees, $94 will be collected by the University on behalf of various student controlled organizations.

Undergraduate Out-of-State and In-State
Tuition, Fees, Room and Board
for the University's Top 10 Competitors,
for Fiscal Year 2001-2002

School	Out-of-State Student Cost	In-State Student Cost
Boston University	$37,150	$37,150
Boston College	35,105	35,105
Syracuse University	33,200	33,200
Northeastern University	33,000	33,000
Quinnipiac University	28,210	28,210
Providence College	27,885	27,885
University of Rhode Island	22,708	13,930
University of New Hampshire	22,627	13,207
University of Connecticut	**21,240**	**12,122**
University of Massachusetts	19,492	12,282
University of Delaware	19,054	10,305

Student Financial Aid

The University provides financial aid and counseling. The University has a policy of admitting students without regard to financial ability and a policy of providing assistance to those admitted who demonstrate need. During academic year 2001 approximately 12,314 students received some form of University administered student aid, not including the tuition waivers discussed below.

Scholarships, Grants and Work-Study. There are a number of State, Federal and private student financial aid programs available, including the Federal Pell Grant of $400 to $3,300 and the Federal Supplemental Education Opportunities Grant (SEOG) of up to $2,000. Both are awarded annually based on need. In addition, the University offers a number of scholarships. The University also offers Federal Work-Study employment which is need-based and Student Labor employment which is available to all students.

Loan Programs. There are several loan programs at the University. The Federal Perkins Loan Program and the Subsidized Federal Stafford Loan are based on financial need. Unsubsidized Federal Stafford Loans are available to students who do not qualify for the Subsidized Federal Stafford Loans. Additionally, there is the Federal Parent Loan to Undergraduate Students (PLUS) program. The University also provides funds to students through University loans, primarily for short-term emergency situations.

Tuition Waivers and Graduate Assistantships. The University is required by law to waive tuition for certain veterans and children of veterans, certain students over the age of 62 and graduate assistants. The University is required by collective bargaining agreements to waive tuition for dependents of certain employees. The foregone revenue resulting from such waivers in the 2001 academic year was $22,004,096, of which 80.3% were provided to graduate assistants.

Financial Aid to University Students
For Fiscal Years 1997-2001

	1997	1998	1999	2000	2001
Scholarships/Grants					
Institutional	$16,322,113	$19,597,503	$19,274,031	$23,223,774	$21,572,202
State - CT	1,989,593	3,409,993	5,457,252	7,184,256	8,173,545
State - Non CT	68,758	89,200	97,245	109,110	122,775
Federal Funds	4,399,084	4,829,126	5,563,886	5,970,153	6,716,856
Private	5,161,307	5,540,706	7,139,542	7,988,910	9,265,784
Total Scholarships/Grants	27,940,855	33,466,528	37,531,956	44,476,203	45,851,162
Loans					
Private	936,529	1,680,330	1,737,269	1,789,388	1,843,070
Federal	41,552,009	44,115,256	47,242,151	51,374,234	49,840,439
Total Loans	42,488,538	45,795,586	48,979,420	53,163,622	51,683,509
Student Employment					
University Student Payroll	7,297,936	7,284,081	7,360,600	8,564,241	9,680,180
Federal Work Study	1,145,592	1,268,445	1,471,692	1,339,723	1,371,277
Total Student Employment	8,443,528	8,552,526	8,832,292	9,903,964	11,051,457
GRAND TOTAL	**$78,872,921**	**$87,814,640**	**$95,343,668**	**$107,543,789**	**$108,586,128**

UNIVERSITY FINANCES

Financial Management

As noted earlier, the University's Board of Trustees has the authority for fiscal oversight of the University. The two Chancellors are the Chief Operating Officers of the University and the Vice President for Financial Planning and Management is the Chief Financial Officer of the University. In addition to the State appropriation, the University receives tuition, fees and grants and contract revenues. Some of these revenues may be restricted or dedicated as to use by the terms of the appropriation, gift, grant or contract.

The authority granted to the University in the Act builds upon the successful implementation of the operational autonomy and responsibility provided in several pieces of legislation known as the Flexibility Acts, enacted in the early 1990's. Unprecedented for Connecticut State government, the University became responsible and accountable for its operational decisions independent of many of the previously imposed regulatory requirements. The responsibilities assigned to the University included a block grant State appropriation, check-writing authority, position control, purchasing authority and management of capital projects not exceeding $2 million. This dollar limitation has been eliminated with the passage of UCONN 2000. The enactment of UCONN 2000 was an extension of the authority vested in the University by the Flexibility Acts, and the result, in part, of the University's documented effectiveness in using the powers granted to it thereby.

Financial Statements of the University

The audited financial statements of the University (excluding the Health Center, the University of Connecticut Foundation, Inc. and The University of Connecticut Law School Foundation, Inc.) for the fiscal year ended June 30, 2001, including the related statements of changes in fund balances for the year then ended, the statements of current funds revenues, expenditures and other changes in fund balances for the period ended June 30, 2001, and Notes to financial statements, together with the independent auditors' report thereon of December 22, 2001 are included as Schedule 1 to this Official Statement.

In fiscal year 1996, the University had an Unrestricted Current Funds operating deficit of $22.6 million, including a one-time accounting adjustment of $10.6 million to recognize a liability for compensated absences. Subsequently, the University developed and the Board of Trustees approved a budget balancing plan designed to bring the Operating Budget in balance. The plan was predicated upon reductions in operating costs as well as revenue enhancements and the use of existing fund balances. The University reduced some operating costs by reducing staff and deferring equipment purchases, maintenance and capital improvements. Additionally, the University increased tuition and fees.

Primarily as a result of the above actions, for the fiscal years 1998-2001, the University experienced a cumulative net gain of $13.8 million in its Unrestricted Current Funds operating budget. Below is a five-year presentation of Current Funds Revenues, Expenditures and Other Changes in Fund Balances for the University. See "UNIVERSITY OF CONNECTICUT HEALTH CENTER" below in this Appendix A for a similar display.

University of Connecticut
Statement of Current Fund Revenues, Expenditures, and Other Changes in Fund Balances
for the Fiscal Years 1997-2001

Revenues	**1997**	**1998**	**1999**	**2000**[4]	**2001**
Tuition and Fees[1]	$102,518,625	$105,461,417	$110,742,558	$122,141,197	$134,465,735
State Appropriations	188,260,041	204,171,237	213,181,741	234,872,559	238,381,846
Federal Grants & Contracts	40,680,699	38,099,889	45,728,277	48,111,674	57,982,340
State Grants & Contracts	8,205,184	14,816,736	10,904,297	20,339,588	19,909,298
Local Grants & Contracts	2,000	2,000	2,000	16,000	2,000
Private Gifts, Grants & Contracts	13,444,041	14,766,990	18,382,763	23,071,543	23,234,698
Investment Income	4,173,351	4,709,550	5,017,256	5,956,148	6,467,580
Sales & Serv of Ed Activities	9,568,677	8,762,226	9,997,841	11,508,457	12,411,491
Sales & Serv of Aux[2]	55,965,592	57,836,323	62,533,837	67,681,421	78,055,811
Other Sources	5,831,336	7,317,795	7,292,726	7,149,818	9,320,834
Total Current Revenues	**428,649,546**	**455,944,163**[3]	**483,783,296**	**540,848,405**	**580,231,633**
Expenditures & Mandatory Transfers					
Education and General					
Instruction	140,465,843	138,601,130	145,897,909	157,545,658	171,004,504
Research	51,834,699	53,342,628	54,848,000	64,796,851	62,086,721
Public Service	20,542,786	20,170,164	21,046,960	22,650,386	29,015,612
Academic Support	47,428,890	50,180,995	60,510,462	63,745,185	61,724,033
Student Services	7,671,877	14,159,558	16,366,173	17,465,140	17,149,855
Institutional Support	40,669,645	36,258,733	36,166,331	43,835,480	42,236,499
Scholarships & Fellowships	24,047,655	29,201,146	31,173,310	36,452,073	41,270,209
Plant Operations &	25,990,050	27,961,610	32,565,413	34,439,472	40,732,089
Total Education and General Expenditures	**358,651,445**	**369,875,964**	**398,574,558**	**440,930,245**	**465,219,522**
Mandatory Transfer for Debt Retirement	3,597,659	4,132,095	4,694,996	8,706,751	13,918,507
Total Education and General	**362,249,104**	**374,008,059**	**403,269,554**	**449,636,996**	**479,138,029**
Auxiliary Services Expenditure	67,948,285	69,318,925	78,725,389	83,907,813	91,379,252
Total Expenditures & Mandatory Transfers	**430,197,389**	**443,326,984**	**481,994,943**	**533,544,809**	**570,517,281**
Other Transfers, Additions &(Deductions)					
Excess of Restricted Receipts Over Transfers to Revenues	(517,809)	3,409,161	(1,846,489)	1,851,590	(1,748,585)
Transfers From:					
Unrestricted Funds		131,190	181,311	311,286	(691,774)
Restricted Funds	401,465				691,774
Loan Funds				225	12,163
Endowment Principal					
Transfers To:					
Unrestricted Funds			(181,311)	(311,286)	
Restricted Funds	(401,465)	(131,190)			
Endowment Principal	(7,314)	(21,429)	(194,052)	(57,637)	
Loan Funds		152,000		3,627	(116,909)
Plant Funds	(1,261,601)	(1,659,148)	(6,125,955)	(3,564,624)	(7,005,645)
Total Other Transfers & Additions (Deductions)	**(1,786,724)**	**1,880,584**	**(8,166,496)**	**(1,766,819)**	**(8,858,976)**
Net Increases (Decrease) in Fund Balance	**(3,334,567)**	**14,497,763**[3]	**(6,378,143)**	**5,536,777**	**855,376**
Current Funds Fund Balance	**$40,637,276**	**$55,135,039**	**$48,756,896**	**$54,293,673**	**$55,149,049**

[1]Commencing 1998, certain fees have been pledged for the payment of debt service of the University's Special Obligation Bonds.

[2]Auxiliary Enterprise revenues consist primarily of room and board fees and Athletic department income.

[3]Includes $4.8 million grant from the State, received late in FY 1998, for Year 2000 conversion costs. Expenditure of these funds occurred in FY 1998-99.

[4]Comparative figures for FY 2000 included in Exhibit C to Schedule 1 hereto have been restated to reflect the cumulative effect of GASB Statement No. 33 which became effective with FY 2001. The amounts listed in this table have not been restated for FY2000 or prior fiscal years.

Budget and Budgeting Procedure of the University

The University submits separate biennial operating and capital budgets to the Governor and General Assembly through the Board of Governors for Higher Education. The operating budget request sets forth a proposed expenditure plan for the amount necessary to meet cost increases while providing a constant level of services. It may also include an amount for new or expanded programs. The operating budget includes various revenue sources including the State appropriation and tuition and fees as well as other revenue sources. The Health Center submits separate operating and capital budgets and receives a separate appropriation and allotment. For discussion of the Health Center, see "UNIVERSITY OF CONNECTICUT HEALTH CENTER" below in this Appendix A.

The University's Board of Trustees annually approves separate Unrestricted Operating Budgets for the University and the Health Center. The Governor may reduce State agency allotments by not more than five percent unless approved by the Appropriations Committee of the General Assembly. Allotment reductions shall be applied by the Board of Governors for Higher Education among the appropriations to the boards of trustees of the constituent units. The Board of Governors for Higher Education shall apply such reductions after consultation with the Secretary of the Office of Policy and Management and the State Higher Education constituent unit boards of trustees. Any reductions of more than five percent of the appropriations of any constituent units shall be submitted to the Appropriations Committee of the General Assembly which shall, within ten days, approve or reject such reduction.

During each fiscal year, the Board of Trustees of the University must submit to the General Assembly, through the Department of Higher Education and the Office of Policy and Management, a report of the actual expenditures of the University of Connecticut Operating and Research Funds and Health Center Operating Fund containing such relevant information as the Board of Governors for Higher Education may require. Currently, the University submits a quarterly report of annual budgeted and actual year-to-date revenues and expenditures for the Operating (including the State appropriation) and Research Funds. Effective July 1, 1996, the General Fund which consisted of the State appropriations was merged into and became part of the Operating Fund at the University.

The University is required to submit its biennial budget request on forms prescribed by the Office of Policy and Management (Governor's fiscal office) and the Department of Higher Education. The budget request reflects the use of Department of Higher Education formulas for calculation of instruction, library and physical plant current services.

The General Assembly appropriates and allocates funds directly to the University and Health Center separately. The University's Capital Budget request process has been replaced by the Act beginning in fiscal year 1996. The Act provides for a ten year Capital Budget program of the University and authorizes projects estimated to cost $1,250 million. In accordance with the Act, the University, by affirmative vote of its Board of Trustees, made material revisions to the UCONN 2000 projects based on findings and determinations that such revisions are consistent with the intent and purpose of the original projects and that such revisions do not affect the University's ability to complete the UCONN 2000 projects out of the remaining funds to be allocated to such projects. Such revisions increased the estimated cost of UCONN 2000 projects from $1,250 million to $1,352 million of which $962 million is to be financed by bonds of the University, secured by the State debt service commitment and $18 million has been funded by State general obligation bonds. The balance may be financed by gifts or other revenue unless projects are deferred or savings are achieved. With respect to the $962 million, Phase I is for fiscal years 1996-99 and totals $382 million, and Phase II is for fiscal years 2000-05 and totals $580 million. Rather than annual requests for the next ten years, the University is required to provide a semi-annual update as to the progress of capital projects approved as part of UCONN 2000.

University Budget

Fiscal Year 2002.

The original fiscal year 2002 Spending Plan reflects a balanced budget. However, subsequent negative events occurred that have caused the University to develop a savings plan to keep the budget in balance. Specifically, State support was reduced by $5.2 million and the University's payout for the Maintainers Contract was more than projected ($0.4 million). The savings plan is expected to include continuation of the current vacancy management program and potential savings from Energy accounts as well as other actions to control expenditures.

Revenue. State support, in the form of the State appropriation and fringe benefits, is the largest source of revenue. The $256.3 million in State support reflects four separate State rescissions totaling $5.2 million. In addition, a letter from the Office of Policy and Management dated November 27, 2001 indicates the possibility of future fiscal year 2002 rescissions. Specifically, the letter mentions the possibility that the remaining appropriation from the fiscal year 2001 surplus ($4.2 million) most likely will not be allotted until later in the fiscal year, if at all. The State Support also reflects a decrease of $2,292,022 which represents funds that were appropriated in fiscal year 2002 but will be budgeted by the University in fiscal year 2003. State Support (net of the recissions) is $18.1 million more than the fiscal year 2001 amount after adjusting for one-time allotments in fiscal year 2001. State support represents 41.3% of the total fiscal year 2002 projected revenue.

Tuition and Fees are the second largest source of revenue comprising 24.5% of the fiscal year 2002 projected total. Net Tuition and Fee revenue is projected to be $152.2 million. The projected tuition and fee revenue would represent an increase of $17.7 million or 13.2% over the fiscal year 2001 amount. This increase primarily reflects a 3.9% tuition rate increase (approved June 2000) and an increase in undergraduate degree-seeking students of 5.9%. Auxiliary Enterprise Sales/Service revenue is projected to be $82.3 million. Residence halls and rental properties ($36.2 million), dining services ($26.9 million) and athletics ($15.6 million) generate most of the Auxiliary Enterprise revenue. Residence hall and Dining Services revenue is projected to increase by $7.5 million over fiscal year 2001. This reflects rate increases of 3.9% (approved June 2000), an increase in occupancy and the opening of the new Hilltop dormitory and apartments.

Grants and Contracts and Other Revenue is projected to be $129.2 million which is comparable with the prior year and above the initial budgeted amount of $119.6 million. This is entirely due to Research Fund revenue which has exceeded the budget for the first four months of the current fiscal year.

Expenditures/Transfers. Total expenditures and transfers are projected at a level of $620.0 million. This represents an increase of $49.5 million or 8.7% over the fiscal year 2001 level taking into account the impact of one-time events in fiscal year 2001. Besides increasing enrollment, the largest item contributing to this increase is additional collective bargaining costs of $14.4 million, including fringe benefits. Salaries and fringe benefits account for approximately 64% of total Operating Fund expenditures. In addition, spending for strategic priorities is budgeted to increase by $20.3 million. Other significant increases in the fiscal year 2002 spending plan include the following: Residential Life and Dining Services - $10.1 million (primarily reflecting the opening of the new Hilltop Dormitory and the Hilltop Student Rental Apartments), and Energy - $2.3 million.

Current Funds - Current Estimate
Fiscal Year 2001-02

	EDUCATION & GENERAL	AUXILIARY	TOTAL	UNRESTRICTED	RESTRICTED
REVENUES					
State Support[1]	$256,303,581	$	$256,303,581	$256,303,581	$
Student Tuition & Fees	134,567,343	17,583,392	152,150,735	152,150,735	
Grants & Contracts	95,953,823	6,875,469	102,829,292	16,900,000	85,929,292
Sales/Services Aux Enterprises		82,346,700	82,346,700	82,346,700	
Other Revenue	26,382,400		26,382,400	24,874,300	1,508,100
TOTAL CURRENT REVENUES	**513,207,147**	**106,805,561**	**620,012,708**	**532,575,316**	**87,437,392**
EXPENDITURES/TRANSFERS					
Educational & General	513,207,147		513,207,147	426,295,255	86,911,892
Auxiliary Enterprises		106,805,561	106,805,561	106,280,061	525,500
TOTAL EXPEND/TRANSFERS	**513,207,147**	**106,805,561**	**620,012,708**	**532,575,316**	**87,437,392**
NET GAIN (LOSS) CURRENT FUNDS	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**

[1]Reflects all State recissions to date.

Fiscal Year 2003 Budget Proposal.

The fiscal year 2003 budget was presented to the Board of Trustee for initial approval on June 29, 2000. It was subsequently revised and presented for secondary approval on June 26, 2001. This budget will be updated and presented to the Board of Trustees for final approval in June 2002. The fiscal year 2003 budget proposal provides funding for current services, enhancement to existing programs, and an additional increase in funding for the regional campuses. The proposed budget assumes a projected growth in undergraduate degree seeking students of 6.6% (due to the fact that Fall 2001 degree seeking undergraduate enrollment growth was 2.2% under budget, the University will be revising fiscal year 2003 degree seeking enrollment growth downward to approximately 5.0%). The proposed budget described herein has been revised to reflect the actual fiscal year 2003 State Appropriation and other State support. Other revisions to this budget will be made in the Spring of 2002 prior to final approval as noted above.

The budget proposal includes total revenue of $657.9 million and total expenditures of $657.9 million resulting in a balanced budget.

Revenue. For fiscal year 2003 State support is budgeted at a level of $273.9 million (appropriation/allotments $203.9 million; $2.3 million from funds appropriated in fiscal year 2002 from the fiscal year 2001 surplus and allocated to fiscal year 2003; $0.1 million of the fiscal year 2002 recission allocated to fiscal year 2003; fringe benefits $67.9 million).

Net tuition and fee revenue is budgeted at $166.2 million, an increase of $14.0 million or 9.2% over the fiscal year 2002 estimate. This increase in predicated upon a 3.9% approved rate increase and a projected increase in degree seeking undergraduate students of 6.6%. However, as noted above, this enrollment increase will probably be revised downward as the final fiscal year 2003 budget is developed.

Auxiliary Enterprise Sales/Services revenue is projected to be $87.6 million, which is an increase of $5.3 million or 6.4% over the fiscal year 2002 estimate. The increased revenue reflects an approved rate increase for dormitory and dining fees of 3.9%, as well as higher ticket prices for certain Athletic department events.

Expenditures/Transfers. Total fiscal year 2003 expenditures and transfers of $657.9 million are budgeted to increase by $35.9 million or 5.8% over the fiscal year 2002 proposed amount. However, as the final fiscal year 2003 budget is developed, expenditures will be adjusted to reflect any revisions to revenue in order to keep the total budge in balance.

The largest item of expenditure increase is $15.5 million of additional collective bargaining costs. Also, contributing to the fiscal year 2002-03 increase is $15.7 million of rollout costs for Strategic Initiatives including $4.4 million for Academic Excellence, $1.4 million for Research/Economic Development, $4.0 million for Student Access Service and $5.9 million for Infrastructure, Support and Operations.

Current Funds Budget
Fiscal Year 2002-03

	EDUCATION & GENERAL	AUXILIARY	TOTAL	UNRESTRICTED	RESTRICTED
REVENUES					
State Support	$273,941,601	$	$273,941,601	$273,941,601	$
Student Tuition & Fees	147,703,082	18,512,547	166,215,629	166,215,629	
Gifts, Grants & Contracts	96,824,230	6,625,500	103,449,730	17,400,000	86,049,730
Sales/Services Aux Enterprises		87,555,051	87,555,051	87,555,051	
Other Revenue	26,692,240		26,692,240	25,184,140	1,508,100
TOTAL CURRENT REVENUES	545,161,153	112,693,098	657,854,251	570,296,421	87,557,830
EXPENDITURES/TRANSFERS					
Educational & General	545,161,153		545,161,153	458,128,823	87,032,330
Auxiliary Enterprises		112,693,098	112,693,098	112,167,598	525,500
TOTAL EXPEND/TRANSFERS	545,161,153	112,693,098	657,854,251	570,296,421	87,557,830
NET GAIN (LOSS) CURRENT FUNDS	$ 0	$ 0	$ 0	$ 0	$ 0

State Support of the University - Appropriations

The State of Connecticut develops a biennial budget which contains the University budget. However, the appropriations are applicable to each specific year and the second year' s appropriation is subject to review and adjustment. The University has historically received a substantial percentage of its operating revenue from the State General Fund Appropriation. In the State system of higher education, the University of Connecticut receives more State support than any other State institution of higher education. The University has in its mission teaching, research and public service components. The annual State appropriation the University receives is in the form of a block grant and is allocated quarterly. The University has independent authority to purchase goods and services, hire, to fire and promote administrators, faculty and staff, and plan, design and construct capital projects.

The University's State appropriation for the current fiscal year ending June 30, 2002 is $191,432,718. The actual amount allocated was $186,315,872 after deducting for State imposed rescissions of $5,116,846. Additionally, $4,219,218 (net of a $265,089 rescission) has been allocated to the University Operating Reserves (including a FY 2003 Reserve draw down of $2,156,530). Finally, the State allocates fringe benefits to the University (FY 2002 - $67,925,021) from central State accounts. The combined operating appropriation and allotments of $256,303,581 represents 41.3% of total fiscal year 2002 Current Funds projected budgeted revenues. The University also received a grant of $7,500,000 from the State Department of Higher Education for the Endowment State Matching Grant Program. The actual amount available after deducting for a State imposed rescission of 5.91% is $7,058,261. For a discussion of the Endowment State Matching Grant Program, see "Gifts to the University of Connecticut Foundation, Inc." below in this Appendix A.

Schedule of State Operating and Endowment Support and Estimated Fringe Benefits to the University for Fiscal Years 1999-2003

Fiscal Year	Operating Appropriations[1] And Allotments	Estimated Fringe Benefits	Total	Endowment Appropriations And Allotments
1999	$161,408,577	$49,047,060	$210,455,637	$6,778,823[2]
2000	182,389,682[3]	60,456,471[4]	240,846,153	7,500,000[5]
2001	182,670,207	59,300,846	241,971,053	5,000,000
2002	188,378,560[6]	67,925,021	256,303,581	7,058,261[7]
2003	206,016,580	67,925,021		7,500,000

[1]Excludes State general obligation bonds issued to fund University capital projects.

[2]$1,778,823 of Endowment Funds were appropriated in FY 1997-98 and carried forward for allotment in FY 1998-99.

[3]Includes $8.7million of funding for one-time costs ($6.2 for one extra pay period in FY 1999-00 and $2.5 million for one-time legal costs).

[4]Includes $2.1 million of funding for one-time costs of an extra pay period in FY 1999-00.

[5]Beginning in FY 1999-00, the State Endowment Matching funds will be received as a grant from the Department of Higher Education rather than as an appropriation to the University.

[6]Includes $5,246,443 in rescissions. Reflects allocation of $2,156,530 of the FY 2002 appropriation to FY 2003 by the University.

[7]Includes $441,739 for State-imposed rescission.

State Support of the University - Bond Issuance

In addition to appropriating funds for the general operating support of the University, the State has authorized its general obligation bonds to fund capital projects of the University. Certain of those State bonds are categorized as self-liquidating, meaning the University reimburses the State for the principal and interest on such bonds from revenues generated by the University from the operation of the projects funded with the proceeds of the State bonds. For further discussion of the University's liability to the State with respect to these self-liquidating State general obligation bonds, see "University Indebtedness and Capitalized Lease Obligations" below in this Appendix A. See "UNIVERSITY OF CONNECTICUT HEALTH CENTER - Recent Events" below in this Appendix A for a discussion of State support to fund capital projects of the Health Center.

In May 2000, the State authorized its general obligation bonds in the amount of $91,200,000 for the construction of a State-owned football stadium for use by the University's football team and for other events. The University does not have any repayment obligations with respect to the bonds issued by the State for the football stadium and is not responsible for the stadium operating budget. The University's obligations and opportunities as a tenant of the stadium are outlined in a Memorandum of Understanding with the State Office of Policy and Management.

State Legislative Bond Authorizations for the University
(excluding the Health Center)
For Fiscal Years 1997-05

State General

Fiscal Year	State General Obligation Bonds	UCONN 2000	Total
1997	$9,400,000	$112,001,000	$121,401,000
1998		93,146,000	93,146,000
1999		64,311,000	64,311,000
2000	2,000,000[2]	130,000,000	132,000,000
2001	20,000,000[2]	100,000,000	120,000,000
2002		100,000,000	100,000,000
2003		100,000,000	100,000,000
2004		100,000,000	100,000,000
2005		50,000,000	50,000,000

[1]Secured by State Debt Service Commitment
[2]For the development of a new downtown campus for the University of Connecticut in Waterbury.

Grants and Contracts

Revenue from all grants and contracts totaled $101.1 million in fiscal year 2001, representing 17.4% of current funds revenues reported by the University. Revenue from governmental grants and contracts, including financial aid and recovery of indirect costs, totaled $77.9 million for this time period. Governmental grants and contracts represented 13.4% of current funds revenues and increased by 13.9% from the prior fiscal year and increased 59.3% from fiscal year 1997.

Governmental Grants and Contracts
For Fiscal Years 1997-2001
(in Millions of Dollars)

Fiscal Year	Amount
1997	$ 48.9
1998	52.9
1999	56.6
2000	68.4
2001	77.9

During fiscal year 2001, the Storrs and Regional campuses of the University received sponsored project funding from Federal sources such as the Department of Health and Human Services, the National Science Foundation and the United States Department of Agriculture totaling $44.2 million.

The University has recently created a Center for HIV Intervention and Prevention, Center for Drug Discovery, Center for Regenerative Biology and the Connecticut Institute for Cell Innovation. Programs continuing include research in the following areas:

Biomedical Imaging, with emphasis on fiber-optic communications, optical sensors and laser material processing.

The Program in Drug Design which seeks to design, discover and develop new drug molecules for the treatment and diagnosis of diseases. The program's work has already led to three licenses with pharmaceutical companies, one patent and four other patent applications.

The Advanced Technology Institute program is conducting research with composites, ceramics and plastics as keys to 21st Century manufacturing.

Also, the Biotechnology/Pharmaceutical Center is conducting research projects designed to stimulate the biotechnology industry in Connecticut including the development of gene transfer technology leading to fast-growing and/or disease resistant crops and animals and the identification of potential pharmaceuticals from natural sources.

The Marine Science and Technology Center has successful programs in Aquaculture, autonomous submersible vehicles and other marine topics.

The Environmental Research Institute conducts research in a variety of environmental areas ranging from air quality monitoring, pollution prevention and lead paint encapsulation.

Gifts to the University of Connecticut Foundation, Inc.

Charitable donations from private sources for the University of Connecticut, including gifts made to the University of Connecticut Foundation, Inc., totaled $50.6 million (receipts only) during fiscal year 2001, as compared to $8.2 million in 1995. The endowment has also increased dramatically. From June 30, 1995 to 2001, total endowment assets have grown from $50 million to $209 million. Total assets of the University of Connecticut Foundation reached $251 million at June 30, 2001. The University's 20% alumni giving rate places it among the best public universities in the country.

On May 3, 2001, the University publicly announced the $300 million *Campaign UCONN*. The Campaign, the largest ever undertaken by any public university in New England, seeks to raise $75 million each for scholarships and faculty support and $150 million for program support and select facility enhancements. As of October 30, 2001 the Campaign has received $170 million in gifts and commitments.

These results reflect the continued growth and improvement of the Institutional Advancement Program at the University. This program features sophisticated annual fund, deferred giving, major donor, corporation and foundation fundraising capabilities together with asset management, public and alumni relations, marketing and constituency development programs.

In 1995, the State of Connecticut appropriated $20 million in matching grants for private donations to endowments. This program was such a resounding success that it has been extended twice. The most recent extension, granted in June 2001, runs through calendar year 2012. The resulting $115 million in new matching funds will generate a potential $230 million in private endowments, for a target total of $345 million to support the University - a substantial return on the State's investment.

UCONN 2000, the State endowment matching program and the infrastructure program itself, has generated a level of excitement about the University which has proven to be an incentive for private giving by alumni and other benefactors of the University. Over the past two years the University has received the following State endowment match eligible gifts:

- The Berkley Foundation, Inc. has committed $200,000 to establish the W.R. Berkley Endowment Fund for the Program for Talented Teens. Its purpose is to support programs designed to pair secondary students with education mentors in the University's Neag School of Education. The programs will work toward encouraging the students to apply their powers of intellectual creativity toward solving "real world" problems.

- An anonymous donor committed $400,000 to fund a Nutmeg Scholarship and a Day of Pride Scholarship both for incoming freshmen. These scholarships are the most prestigious offered by UCONN.

- Dr. Charles J. Burstone, retired head of the UCONN Health Center School of Medicine's Orthodontics Department, endowed a professorship with $500,000 to advance research and education in orthodontics at the School of Dental Medicine. His gift will help recruit a senior faculty member with clinical experience to prepare more qualified professionals to enter the field.

- Daniel Flynn '62, his wife Barbara, and the John G. Martin Foundation together pledged $1 million to create the Flynn-Martin Fund for Excellence at the UCONN School of Law. The fund's resources will enable faculty to participate in high-profile activities (assuming leadership roles in those circles), and will sponsor prominent legal scholars and other speakers who visit the school.

- The Kim Family Fund has committed $250,000 to provide financial support for programs at the University's Department of Neuroscience within the School of Medicine. Specific uses for the income allocated to this fund shall be determined by the Dean of the School.

- The University established several significant educational partnerships within the General Electric family. Collectively, the GE Fund, GE Capital, and GE Industrial Systems have pledged $11 million to help catalyze the University's emergence as an educational leader in e-business and e-engineering and to bolster the University's diversity initiatives. These funds represent the largest single corporate investment in the University and will support the Schools of Engineering and Business.

  The GE family investment will fund:

  - the construction and equipping of 18,000 square feet at the Stamford campus, including the creation of a 10,000-square-foot state-of-the-art GE Capital e-lab, in which students and faculty will work with GE Capital staff to analyze e-projects and explore new e-commerce models;

- the development of an e-engineering center, including cutting-edge joint research projects with GE Industrial Systems to prepare students for the integrated, global, team-based engineering used in industry today;
- new "e-learning" approaches to incorporate information technology into effective teaching and learning practices; and
- programs to support increased enrollment and success of under-represented minority engineering and business students.

- The Andrew W. Mellon Foundation awarded a $665,000 grant to support the partnership between the University and the African National Congress (ANC). The grant will fund the recording and transcriptions of the oral histories of some 200 ANC party members and leaders, many of them now elderly. The histories will then be made available to scholars for research and study at the Thomas J. Dodd Research Center and at the University of Fort Hare, located in Alice, South Africa. The grant will also support the archives project.

- The University received a $460,000 grant from the United Negro College Fund for a linkage with Fort Hare University in South Africa's Eastern Cape Province, the oldest and most illustrious historically black institution in South Africa. The three-year Tertiary Education Linkages Project (TELP) grant enables University faculty, staff, and administrators from across the institution to form a mutually beneficial partnership with colleagues at the historically black university. Academic links will be forged in the areas of comparative human rights, education, and agriculture. Other priorities identified by Fort Hare include training for top management, advice on improving fund raising, communications strategies, enrollment and retention of students and college readiness for less academically gifted students, as well as faculty and student exchanges.

- United Technologies Corporation (UTC) committed $4 million to the School of Engineering to support new engineering education initiatives. The UTC gift is the largest ever to the School of Engineering and the largest corporate gift ever to a public school of engineering in New England. As the largest gift UTC has ever given to an educational institution, it will be used to endow three chaired faculty positions, establish the Advanced Technology Clinic, sponsor four junior faculty positions and establish an endowment for the undergraduate scholarships.

- The Ford Foundation donated $500,000 to the Accelerated Schools Program which came to the University last spring to enhance the Neag School of Education. The Accelerated Schools Program is a national reform movement dedicated to turning schools, particularly those with large at-risk populations into places where all students are brought into the academic mainstream.

- The Kresge Foundation awarded a $750,000 challenge grant to the School of Business to help fund construction of the new School of Business building and provide new impetus to broaden the school's donor base. The new 10,000 square foot facility will be home to the school's five business departments: accounting, finance, management, marketing and operations and information management. It will also include full-time undergraduate, MBA and Ph.D. programs.

- Aetna Financial Services committed more than $2.7 million to the School of Business Administration. The Aetna Center for Financial Services will conduct research on long-term savings, investment, and income management, and will seek to inform relevant public policy debate. Fundamental to the center's mission will be the creation of a financial services database, to be sustained by and available to academic and corporate subscribers. Part of Aetna's gift will be used to endow the Aetna Chair in Financial Services, a new faculty position.

- Other significant gifts included a $1.3 million commitment for the Visitors Center, a $1 million gift from The Treibeck Family Foundation to establish the Treibeck Family Chair for the Connecticut Information Technology Institute (CITI), a $1.5 million dollar gift to establish the James L. and Shirley A. Draper Chair in American History and a $1 million gift from Sam Orr to establish scholarships for students from his hometown.

Private investment at the level of magnitude seen at the University of Connecticut is a function of loyalty or generosity of donors, as well as the outcome of a rational assessment of University goals, the University's level of performance, the State's commitment of ongoing support for University transformation, and the University's decision to invest resources to fund raising efforts.

The overwhelming majority of private gifts made for the benefit of the University are contributed to The University of Connecticut Foundation, Inc. Established in 1964, the Foundation is an independent, privately governed, non-profit corporation chartered under the laws of the State of Connecticut and designated as a 501(c)(3) organization by the Internal Revenue Service. The Foundation accepts and administers gifts of tangible personal property, real estate, securities, cash and deferred gifts whether restricted or unrestricted.

The University of Connecticut Foundation, Inc.
Summary of Total Assets, Revenue and Expenditures
for Fiscal Years 1997-2001

	1997 (000's)	1998 (000's)	1999 (000's)	2000 (000's)	2001 (000's)
Endowment Funds	$85,843	$122,911	$ 175,744	$183,756	$169,745
All Other	22,896	30,904	33,747	79,759	81,350
Total Assets	108,739	153,815	209,491	263,515	251,095
Support and Revenue					
Contributions and Educational Support	18,620	32,544	39,051	42,427	39,148
Payment from the University	3,804	3,604	3,300	3,150	3,300
Investment Income and Other Revenues, Net	14,161	22,909	29,413	29,319	(24,000)
Total Support & Revenue	36,585	59,057	71,764	74,896	18,448
Expenditures					
Transfers to and on behalf of the University	8,114	10,372	12,752	18,668	20,322
General Administration & Development	5,253	5,699	6,418	8,295	10,382
Total Expenditures	13,367	16,071	19,170	26,963	30,704
Excess of Support & Revenue over Expenditures	$23,218	$42,986	$52,594	$47,933	($12,256)

University Indebtedness and Capitalized Lease Obligations

The State of Connecticut issues certain general obligation bonds categorized as self-liquidating bonds. Self-liquidating bonds are issued to fund the construction and renovations of revenue-generating capital projects. The University reimburses the State in the amount equal to the debt service on self-liquidating bonds issued to fund the construction and renovation of revenue-generating capital projects on University campuses. The University reimburses the State with revenue from student fee charges. As of the date of delivery of the 2002 Series A Refunding Bonds, the State of Connecticut had issued an outstanding $14,745,347 of self-liquidating bonds for University capital projects. The University also has outstanding $537,672,147 of its general obligation bonds secured by the State Debt Service Commitment. Additionally, the University has outstanding $1,847,687 of unsecured debt to the U.S. Department of Education which matures on February 21, 2027 and $7,160,899 of unsecured debt related to capital lease obligations which matures on various dates through 2006.

The University issued its first series of Special Obligation Bonds, Student Fee Revenue 1998 Series A, in the original principal amount of $33,560,000 with a 30-year maturity on February 4, 1998, the proceeds of which were used to partially finance a new dormitory and dining facility. In May 2000, the University issued its $89,570,000 Student Fee Revenue Bonds, 2000 Series A to finance an additional parking garage, dormitories and an apartment style student living complex, which are being refunded by the 2002 Series A Refunding Bonds. On February 14, 2002, the University will deliver its $75,430,000 Student Fee Revenue Bonds, 2002 Series A, the proceeds of will be used to finance renovations and improvements to existing dormitories, student suites and apartments and housing for sororities and fraternities. As of the date of delivery of the 2002 Series A Refunding Bonds the amount of Special Obligation Bonds outstanding is $202,740,000.

The following table sets forth all bonds of the University outstanding as of the date of delivery of the 2002 Series A Refunding Bonds:

THE UNIVERSITY OF CONNECTICUT
Total Bonds Outstanding

	Amount Issued Originally	Amount Outstanding Currently	Dated Date[1]
General Obligation Bonds			
1996 Series A	$ 83,929,715	$58,404,715	January 1, 1996
1997 Series A	124,392,432	98,392,432	April 1, 1997
1998 Series A	99,520,000	84,580,000	June 1, 1998
1999 Series A	79,735,000	72,000,000	March 1, 1999
2000 Series A	130,850,000	124,295,000	March 1, 2000
2001 Series A	100,000,000	100,000,000	March 15, 2001
TOTAL	$618,427,147	$537,672,147	
Student Fee Revenue Bonds			
1998 Series A	$33,560,000	$31,180,000	January 1, 1998
2002 Series A	75,430,000	75,430,000	January 15, 2002
2002 Series A Refunding	96,130,000	96,130,000	February 1, 2002
TOTAL	$205,120,000	$202,740,000	

[1]The General Obligation Bonds issued in 1996 and 1997 include capital appreciation bonds, which were dated their date of delivery.

Employee Data

Faculty and Staff. As of October 2001, the University had 4,470 full-time equivalent ("FTE") employees. Faculty accounted for 1,152 FTE employees. The University also employs 373 FTE graduate assistants included in the total employee number above. Additionally, the University hires adjunct lecturers on a semester by semester basis as needed who are not included in the above employee count. In Fall 2001, 72% of full-time teaching faculty were tenured, 17% were tenure track and the remaining were non-tenure track faculty. The average age of full-time faculty was 49.

Nine bargaining units represented approximately 3,768 FTE union members as of October 2001. Approximately 16% of University faculty and staff were non-union employees. The University bargains with two units covering 2,644 FTE employees; the American Association of University Professors and the University of Connecticut Professional Employees Association, both of which have settled contracts that expire on June 30, 2002 and June 30, 2005, respectively. Law school faculty, University exempt (management) and graduate assistants, and certain temporary and part-time employees are not represented by bargaining units. The remaining seven unions covering 1,124 FTE employees bargain directly with the State and have settled contracts with expiration dates ranging from June 30, 2002 to June 30, 2005. There is one union that does not have a settled contract.

Pension Plans. Most State employees receive pension benefits under a State pension plan. The State pays directly to plan providers the cost of providing such pension benefits to University employees. The University reimburses the State for the cost of providing pension benefits under State pension plans to University employees, to the extent that their salary is not paid out of the State General Fund Appropriation. Various retirement plans are available for University employees none of which are administered by the University. Approximately 48% of University employees are covered under the State pension plan and the balance are covered under private pension plans.

Insurance

The University, as an agency of the State, is self-insured, for general liability purposes, on an unreserved basis. The State purchases blanket policies covering other risks, including property, casualty and hazard insurance for all State agencies. The State pays all premiums for such insurance policies. The University reimburses the State for the cost of coverage of items purchased with other than State appropriation funds. The University may request an allotment of insurance proceeds resulting from the loss of University property. The Act authorizes the University to purchase insurance for its assets, actions and activities. The University directly purchases workers' compensation insurance as part of an owner-controlled insurance program (OCIP) for most UCONN 2000 projects.

UNIVERSITY OF CONNECTICUT HEALTH CENTER

General

An academic and organizational unit of the University of Connecticut, the Health Center is a comprehensive State-owned training, patient care and research facility located in a complex of buildings in suburban Farmington, Connecticut. The Health Center was established in 1961 and is currently comprised of the School of Medicine, the School of Dental Medicine, the John Dempsey Hospital, and related ambulatory clinic facilities, research laboratories, health sciences library, medical library and administrative and other support facilities. The Health Center operates more than 400 clinical and educational programs throughout

Connecticut. The Health Center is a referral center for persons with certain illnesses requiring complex patient care. As of Fall 2001, the Health Center has 471 professional students in the Schools of Medicine and Dental Medicine, 357 graduate students in Masters and Doctoral programs, and 702 residents, interns and post doctoral fellows. The Health Center submits separate operating and capital budgets to the Governor and the General Assembly and receives its appropriation and allotment separate from the University. See "UNIVERSITY FINANCES - Budget and Budgeting Procedures" in this Appendix A.

Academic Programs of the School of Medicine and School of Dental Medicine

Post Baccalaureate Programs. The Schools of Medicine and Dental Medicine each conducts a four-year, post baccalaureate program leading to the M.D. and D.M.D. degrees, respectively.

Residency. The School of Medicine and the School of Dental Medicine each offers residency programs which provide the advanced training in preparation for licensure practice and certification within a field of specialization.

Graduate Programs. Programs leading to either a Ph.D. or Master's degree in medically related sciences are offered in nine biomedical sciences and in community health and dental sciences. There are also programs of post-doctoral education of biomedical scientists.

Continuing Education. The schools provide facilities and/or opportunities for the practicing professionals to continue their education by offering a wide variety of courses, lectures, seminars, and visiting lectureships.

Research. The faculty of the School of Medicine is generally expected to develop an active research program, both to advance knowledge within their field of expertise and to enhance the quality of the educational program. Approximately $72 million is generated by the research activities of the various faculties which supplements appropriations from the State of Connecticut.

University of Connecticut Clinical Operations

The faculty practices of the Health Center are the key components of the Health Center's integrated health care delivery system administratively designated the "University of Connecticut Clinical Operations" ("Clinical Operations"). Clinical Operations is a vehicle of the Health Center through which the Health Center provides patient care and supports medical and dental training. Clinical Operations is also the vehicle through which the Health Center contracts with managed care and other health care payors, engages in joint ventures, affiliations and other arrangements. Clinical Operations also does business through the University of Connecticut Hospital Finance Corporation (the "Finance Corporation"), a statutory corporation authorized to enter into joint ventures, other affiliations and contracts in furtherance of the operations of the clinical programs.

The John Dempsey Hospital. The John Dempsey Hospital has 204 beds and is located in Farmington, a suburb of Hartford. It serves as the primary teaching hospital for the Schools of Medicine and Dental Medicine, and participates in the clinical education of students from other health profession education programs. As the primary teaching hospital, it contains a full range of services, including surgery, medicine, cardiac care, psychiatry, and obstetrics and gynecology. The Hospital is also the focus of specialized programs, including programs dealing with arthritis, lupus, alcoholism, cancer, hemophilia, high risk pregnancies, newborn intensive care, dental diseases in the handicapped, and taste and smell deficiencies.

UCONN Medical Group and University Dentists. UCONN Medical Group (UMG) and University Dentists include an extensive array of ambulatory clinics representing the range of specialty and primary fields that comprise medicine and dentistry operated by UMG and University Dentists.

School of Dental Medicine - Dental Clinics. The Dental Clinics offer comprehensive dental care provided by dental students (predoctoral students) in multidisciplinary clinics or by dental residents (postdoctoral students) receiving advanced or specialty training under the supervision of licensed clinical faculty. The Predoctoral Teaching Program is designed to train dental students to be future general dentists or specialists. Dental care provided in the predoctoral program is provided by students under the supervision of experienced dentists. The Postdoctoral Teaching Program is a practice comprised of licensed dentists who spend 2 to 6 years under intensive training to be specialists in endodontics, periodontics, oral surgery, orthodontics, pediatric dentistry, prosthodontics, or advance education general dentistry (AEGD).

Strategic Plan Initiative

In June 2000, the UCONN Board of Trustees adopted a new Strategic Plan for the Health Center. The Plan articulated the following mission for the Heath Center:

> University of Connecticut Health Center will provide outstanding medical, dental and graduate education, research and clinical care. The Health Center will deliver a highly innovative educational curriculum that will be coordinated with focused areas of research excellence and clinical programs that are an essential part of community health services which benefit Connecticut' s population and enhances the vitality of the region.

The Integrated Strategic Plan incorporated the Education and Research Plans with a new clinical Plan. The primary focus of the Integrated Strategic Plan is in four areas: Brain and Human Behavior, Cancer, Musculoskeletal Disease and Connecticut Health (initiatives promoting the health of Connecticut citizens).

Market Assessment and Strategic Planning

The Health Center employs a variety of means to access the market. Using data available from the Connecticut Hospital Association and the Office of Health Care Access, John Dempsey Hospital assesses its performance relative to other hospitals and in terms of market share. Both John Dempsey Hospital and UCONN Medical Group use publicly available and purchased data sets relative to population and disease trends, utilization rates for services, physician and service demand. Health Center executives and product line leaders, both physician and non-physician staff, through professional associations, networking with peers and patient interactions, supply data, information and expertise that is used for assessment and planning. Public input is sought through formal and informal interactions with the Health Affairs Committee of the Board of Trustees, the State legislature, Town of Farmington, Connecticut officials, community leaders, patients and the many people who attend the public programs of the Heath Center. Strategic plans are developed given the market assessment, in combination with an assessment of the strengths of the Health Center programs and staff. The Health Center has focused efforts on programs that integrate the academic, research, and clinical strengths of the institution to serve the health care needs of the citizens of the State of Connecticut. In order best to extend the access to the Health Center services, it has established and continues to seek relationships with other health care providers including and especially primary care providers.

The Health Center is expected to continue to be pressured as managed care penetration in the region continues. The Health Center has adopted a strategy of actively monitoring the market and pursuing agreements with all managed care payors. The Health Center has entered into participation agreements with most of the major HMOs and PPOs. Payors are increasingly interested in shared risk arrangements with providers. The Health Center has executed a number of risk agreements and will likely be pressured to do more. The Health Center is actively developing the programs and systems necessary to accept and manage risk.

Professional Liability, Insurance and Litigation

Professional Liability. As a State agency, the Health Center is immune under the doctrine of sovereign immunity from suit and liability, unless such sovereign immunity is expressly waived by an act of, or pursuant to power granted by, the General Assembly. Fetterman v. University of Connecticut 192 Conn. 539 (1984). The General Assembly has not enacted a general waiver of the sovereign immunity; however, the General Assembly has granted power to the State Claims Commissioner to grant permission to sue the State for the acts and omissions of State, including its agencies (such as the Health Center) if the Claims Commissioner finds it just and equitable and where a claimant has presented a question of law or fact under which the State, were it a private person, could be liable. The Health Center is not legally obligated to satisfy judgments resulting from damages ordered as a result of such suits. In addition, the State has statutorily granted immunity to and obligated itself to protect and save harmless State officers, employees and students enrolled at the Health Center who are engaged in a supervised program of clinical practice for credit, which is part of the curriculum of the Health Center, unless such person acted in a wanton, reckless or malicious manner in the discharge of their duties, or function.

Insurance. The Health Center operates a statutorily created insurance fund designated the "Malpractice Insurance Fund" (the "Fund"). The Fund is a separate trust fund of the Finance Corporation. The Fund is required by State law to be established and actuarially funded and operated by the Corporation and to be held by the Treasurer. The Fund is charged with all payments required to satisfy claims against the Health Center arising from the delivery of healthcare services. Since the Fund was established in 1987, the Health Center has not maintained private professional liability insurance. The Fund has paid all claims against the Health Center and the State for professional liability since 1987. The Hospital Group has implemented quality assurance, risk assessment and peer review processes to mitigate, identify and evaluate risks. The sufficiency of the amount of money in the Fund is determined quarterly and deposits are made to the Fund as needed to assure that the amount of money in the Fund is actuarially sufficient. At June 30, 2001, the Fund had a balance of $9,025,463.

Litigation. The Health Center is currently defending several suits in state and federal court. The Assistant Attorney General for the Health Center is of the opinion that none of those suits, individually or collectively, place the assets of the Health Center at a significant risk.

Employment

The Health Center employs 466 full-time faculty and 3,178 full-time staff personnel. Health Center employees are State employees. The terms and conditions of employment of 3,097 employees are governed by collective bargaining agreements. The State bargains with all bargaining units representing Health Center employees except the University Health Professions (the "UHP"), which negotiates directly with the Health Center.

Recent Events

In November, 1999, the Health Center reported that it projected operating losses of approximately $21.2 million for the fiscal year ending June 30, 2000. As with academic medical centers across the country, the deficit was primarily due to federal funding cuts and changes caused by managed care. Since December 1999, the University has implemented annually cost reduction and revenue enhancement plans. These operating efficiencies and revenue improvements, coupled with a one-time special State appropriation of $16.9 million ($12.5 million for fiscal year 2000 and $4.4 million for fiscal year 2001), have resulted in the Health Center closing its last two fiscal years in balance. In fact, for the fiscal year ended June 30, 2001, the Health Center has an excess of revenues over expenses of $313,341, which is $145,426 ahead of the planned excess of revenues over expenses of $167,915.[1]

HEALTH CENTER FINANCES

Unaudited Financial Statements of the Health Center

Below is a five-year presentation of Unaudited Current Funds Revenues, Expenditures and Other Changes in Fund Balance for the Health Center.[2]

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[1] This fiscal data comes from the periodic financial reporting which the Health Center has been submitting to the Connecticut General Assembly (as well as to the University Board of Trustees), and has been reviewed for the General Assembly by the accounting firm of PriceWaterhouse Coopers. Such financial report reflects a revised accounting period that ends on June 30 for the consolidated operations of the Health Center. Previously, the John Dempsey Hospital component of the Health Center had a fiscal year ending on September 30, while all other operations had a fiscal year ending on June 30. Also, the Health Center's consolidated financial reporting as submitted to the General Assembly apportions the special appropriation over two State fiscal years (FY 2000 and FY 2001) as intended by the General Assembly. The State auditors financial statement on page A-32, in addition to reflecting a mix of the June 30 and September 30 fiscal year, also recognizes the entire special appropriation in FY 2000. All of these reasons account for the differences in financial representation. Please note that the Health Center, having secured the approvals of the relevant regulatory agencies, will hence forth be producing financial statements on a State fiscal year (June 30) basis.

[2] Note that although governed by a single Board of Trustees with one Chief Executive Officer, the University and the Health Center maintain separate budgets and are by statute separate entities for purposes of maintaining operating funds and State appropriations.

University of Connecticut Health Center
Statement of Current Fund Revenues, Expenditures, and Other Changes in Fund Balances
for the Fiscal Years 1997 through 2001

	1997	1998	1999	2000	2001
Revenues:					
Student Fees and Tuition	$ 6,892,838	$ 6,900,706	$ 6,831,902	$7,553,607	$7,846,259
State Appropriations	73,277,119	89,590,360	98,760,048	122,516,470	112,486,860
Federal Grants and Contracts	27,716,578	31,121,163	32,186,869	36,990,744	39,290,688
State Grants and Contracts	2,020,987	2,273,002	2,316,869	2,711,618	2,884,444
Private Gifts, Grants and Contracts	11,306,616	11,588,561	12,633,977	15,194,714	16,134,460
Investment Income	959,040	346,804	806,577	920,945	1,670,339
Sales & Services of Auxiliary Enterprises	30,221,228	34,723,495	38,988,759	41,528,460	45,237,600
Patient Revenues	182,500,603	206,789,575	231,295,395	232,610,067	239,505,184
Other Sources	440,170	1,499,597	787,510	574,385	946,109
Total Revenues	**335,335,179**	**384,833,263**	**424,607,906**	**460,601,010**	**466,001,943**
Less Patient Revenues and					
Independent Operations	**182,500,603**	**206,789,575**	**231,295,395**	**232,610,067**	**239,505,184**
Education and General Revenues	**152,834,576**	**178,043,688**	**193,312,511**	**227,990,943**	**226,496,759**
Expenditures and Mandatory Transfers					
Education and General:					
Instruction	65,421,333	69,391,590	69,557,479	94,668,196	86,025,280
Research	28,073,808	33,735,852	33,911,556	39,428,482	43,560,535
Public Service	2,341,336	4,018,221	4,543,717	13,770,343	1,039,211
Academic Support	8,167,323	9,330,575	8,820,564	12,143,899	9,906,838
Student Services	885,679	1,011,526	939,316	881,894	682,041
Institutional Support	34,936,200	43,378,243	45,088,786	30,759,133	38,384,165
Operation and Maintenance of Plant	9,046,810	9,220,305	9,651,457	14,338,898	12,806,379
Scholarships & Fellowships	1,099,810	1,366,437	1,306,684	1,141,689	1,192,769
Educational and General Expenditures	149,972,299	171,452,749	173,819,559	207,132,534	193,597,218
Mandatory Transfers For:					
Principal and Interest	357,390	378,425	547,636	353,913	356,298
Total Education and General	150,329,689	171,831,174	174,367,195	207,486,447	193,953,516
Other Expenditures - Patient Care	180,752,660	222,716,635	250,998,301	255,134,816	281,597,322
Total Expenditures and Mandatory Transfers	**331,082,349**	**394,547,809**	**425,365,496**	**462,621,263**	**475,550,838**
Other Transfers and Additions (Deductions)					
Excess of restricted Receipts Over					
Transfers to Revenues	860,665	2,058,231	1,330,121	1,409,836	3,305,709
Excess of Employee Advances Over Payments					
Refunded to Grantors	(64,099)	(191,046)	(231,844)	(268,716)	(300,072)
Subsidy Transfer					
Interest Transfer					
Research Project Award					
Grant Funding Transfer					
Administrative Programs					
Non-Mandatory Transfers			(447,438)	(590,963)	(302,087)
State Transfer					
Loan Fund Transfer					
Student Activities Fund Transfer					
Total Other Transfer Additions (Deductions)	796,566	1,867,185	620,839	550,157	2,703,550
Net Increase (Decrease) in Fund Balance	**$(5,049,396**	**$(7,847,361)**	**$(106,751)**	**$(1,470,096)**	**$(6,845,345)**

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STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

KEVIN P. JOHNSTON

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

ROBERT G. JAEKLE

INDEPENDENT AUDITORS' REPORT

The Board of Trustees of the
University of Connecticut

We have audited the accompanying balance sheet of the University of Connecticut as of June 30, 2001, and the related statements of changes in fund balances and of current funds revenues, expenditures and other changes in fund balances for the year then ended. The University is a component unit of the University of Connecticut system, which includes the University of Connecticut, the University of Connecticut Health Center, the University of Connecticut Foundation, Inc. and the University of Connecticut Law School Foundation, Inc. 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 audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University, as of June 30, 2001, and the changes in fund balances and the current funds revenues, expenditures and other changes in fund balances for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Sincerely,

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

December 21, 2001
State Capitol
Hartford, Connecticut

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FINANCIAL STATEMENTS

UNIVERSITY OF CONNECTICUT
BALANCE SHEET
June 30, 2001

Assets	Current Funds Unrestricted	Current Funds Restricted	Endowment and Similar Funds	Loan Funds
Cash	$ 54,547,413	$ 3,786,906	$ 1,453,338	$ 661,675
Investments	17,256,379		5,385,176	
Accounts Receivable	9,543,554	17,675,458		
Loans Receivable - Net				11,929,881
Due from State of Connecticut	25,165,315	250		
Due from Related Agencies	56,163	203,622		
Due from Other Funds	481,061			
State Debt Service Commitment				
Inventories	1,999,060			
Land				
Net Non-structural Improvements				
Net Buildings				
Net Equipment				
Construction in Progress				
Deferred Charges	2,864,321	97,289		
Other Assets	44,124			
Total Assets	$ 111,957,390	$ 21,763,525	$ 6,838,514	$ 12,591,556
Liabilities and Fund Balances				
Accounts Payable	$ 7,325,527	$ 1,566,216	$	$
Wages Payable	25,816,738	2,089,550		
Compensated Absences	17,884,389			
Due to the State of Connecticut	8,517,289	309,448		
Due to Related Agencies	4,250			
Due to Other Funds		634,743	389	
Deposits held in Custody for Others				
Installment Loans				
Interest Payable UC2000				
Bonds Payable UC2000				
Revenue Bonds Payable				
Bonds Payable				
Deferred Income	14,145,880			
Other Liabilities	277,836			2,582
Total Liabilities	$ 73,971,909	$ 4,599,957	$ 389	$ 2,582
Fund Balances:				
Restricted:				
Federal Loan Funds	$	$	$	$ 11,810,191
Other Loan Funds				778,783
Other		17,163,568	6,838,125	
Total Restricted	$	$ 17,163,568	$ 6,838,125	$ 12,588,974
Unrestricted	55,869,870			
Amount Financed in Future Years	(17,884,389)			
Net Investment in Plant				
Total Fund Balances	$ 37,985,481	$ 17,163,568	$ 6,838,125	$ 12,588,974
Total Liabilities and Fund Balances	$ 111,957,390	$ 21,763,525	$ 6,838,514	$ 12,591,556

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

Agency Funds	Plant Funds: Unexpended	Plant Funds: Retirement of Indebtedness	Plant Funds: Investment In Plant	Total (memo only)
$ 1,721,953	$ 6,944,359	$ 12,686,338	$	$ 81,801,982
	113,306,540	8,315,877		144,263,972
14,938	1,296,252			28,530,202
				11,929,881
	23,632,485			48,798,050
				259,785
125,456	31,035			637,552
		6,630,221	542,177,146	548,807,367
	133,540			2,132,600
			12,241,568	12,241,568
			70,811,946	70,811,946
			600,882,707	600,882,707
			244,769,967	244,769,967
			201,264,585	201,264,585
		6,306,076		9,267,686
	100,000			144,124
$ 1,862,347	$ 145,444,211	$ 33,938,512	$ 1,672,147,919	$ 2,006,543,974
$	$ 27,560,390	$	$	$ 36,452,133
	27,682			27,933,970
				17,884,389
	7,755			8,834,492
2,363				6,613
		2,420		637,552
1,859,984				1,859,984
			7,160,899	7,160,899
		6,630,223		6,630,223
			542,177,147	542,177,147
	31,222,941		90,157,059	121,380,000
			16,718,692	16,718,692
				14,145,880
		918,328		1,198,746
$ 1,862,347	$ 58,818,768	$ 7,550,971	$ 656,213,797	$ 803,020,720
$	$	$	$	$ 11,810,191
				778,783
	681,048			24,682,741
$	$ 681,048	$	$	$ 37,271,715
	85,944,395	26,387,541		168,201,806
				(17,884,389)
			1,015,934,122	1,015,934,122
$	$ 86,625,443	$ 26,387,541	$ 1,015,934,122	$ 1,203,523,254
$ 1,862,347	$ 145,444,211	$ 33,938,512	$ 1,672,147,919	$ 2,006,543,974

UNIVERSITY OF CONNECTICUT
STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended June 30, 2001

	Current Funds Unrestricted	Current Funds Restricted	Endowment and Similar Funds
Revenues and Other Additions			
Current Fund Revenues and Additions	$ 497,738,668	$ 87,538,506	$
State Appropriations - Unexpended Plant Funds			
Gifts			149,033
Investment Income		1,131,827	27,159
Interest on Loans Receivable			
Expended for Plant Facilities			
Sale of UC2000 Bonds			
State Debt Service Commitment			
Miscellaneous			
Fair Value Adjustment			
Total Revenues and Other Additions	**$ 497,738,668**	**$ 88,670,333**	**$ 176,192**
Expenditures and Other Deductions			
Educational and General Expenditures	$ 382,763,812	$ 82,455,710	$
Auxiliary Services Expenditures	91,375,797	3,455	
Indirect Costs Recovered		7,925,953	
Loan Assignments, Cancellations and Writeoffs			
Administrative Costs			
Expended for Plant Facilities (including Non-Capitalized Expenditures)			
Disposal of Plant Facilities			
Current Year Depreciation			
Fair Value Adjustment			1,089,384
Miscellaneous			
Interest on Indebtedness			
Total Expenditures and Other Deductions	**$ 474,139,609**	**$ 90,385,118**	**$ 1,089,384**
Transfers Among Funds			
Additions (Deductions)			
Mandatory - Debt Payment	$ (13,918,507)	$	$
Mandatory - Other			
Non-Mandatory:			
Current Unrestricted		(691,774)	
Current Restricted	691,774		(12,163)
Endowments		12,163	
Loans	(116,909)		
Unexpended Plant	(6,999,570)	(6,075)	
Total Transfers	**$ (20,343,212)**	**$ (685,686)**	**$ (12,163)**
Net Increase (Decrease) for the Year	$ 3,255,847	$ (2,400,471)	$ (925,355)
Fund Balances at Beginning of Year	34,729,634	19,564,039	7,763,480
Fund Balances at End of Year	**$ 37,985,481**	**$ 17,163,568**	**$ 6,838,125**

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

Exhibit B

	Plant Funds			
Loan Funds	Unexpended	Retirement of Indebtedness	Investment In Plant	Total (memo only)
$	$	$	$	$ 585,277,174
	20,000,000			20,000,000
107,749	2,891,479			3,148,261
		4,851,189		6,010,175
335,917				335,917
			217,566,423	217,566,423
	100,000,000			100,000,000
		23,011,241		23,011,241
	3,333,350	31,731		3,365,081
		136,248		136,248
$ 443,666	$ 126,224,829	$ 28,030,409	$ 217,566,423	$ 958,850,520
$	$	$	$	$ 465,219,522
				91,379,252
				7,925,953
60,581				60,581
166,948				166,948
	206,098,427			206,098,427
			6,768,811	6,768,811
			41,594,086	41,594,086
				1,089,384
		312,252		312,252
		30,467,736		30,467,736
$ 227,529	$ 206,098,427	$ 30,779,988	$ 48,362,897	$ 851,082,952
$	$ 1,725,866	$ 10,488,664	$ 1,703,977	$
	53,828,187		(53,828,187)	
116,909	6,999,570			6,424,705
	6,075			685,686
				12,163
				(116,909)
				(7,005,645)
$ 116,909	$ 62,559,698	$ 10,488,664	$ (52,124,210)	$ 0
$ 333,046	$ (17,313,900)	$ 7,739,085	$ 117,079,316	$ 107,767,568
12,255,928	103,939,343	18,648,456	898,854,806	1,095,755,686
$ 12,588,974	$ 86,625,443	$ 26,387,541	$ 1,015,934,122	$ 1,203,523,254

UNIVERSITY OF CONNECTICUT
STATEMENT OF CURRENT FUND REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES

Exhibit C

For the Year Ended June 30, 2001
(with comparative figures for 2000)

	Current Funds Unrestricted	Current Funds Restricted	For the Years Ended June 30 2001 Total	For the Years Ended June 30 2000* Total
Revenues				
Tuition and Fees	$ 134,465,735	$	$ 134,465,735	$ 122,141,197
State Appropriations	238,381,846		238,381,846	234,872,559
Federal Grants & Contracts	6,639,103	51,343,237	57,982,340	48,111,674
State Grants & Contracts	3,108,247	16,801,051	19,909,298	20,339,588
Local Grants & Contracts		2,000	2,000	16,000
Private Gifts, Grants & Contracts	9,870,044	13,364,654	23,234,698	23,345,543
Investment Income	5,485,557	982,023	6,467,580	5,956,148
Sales & Services of Educational Activities	12,411,491		12,411,491	11,508,457
Sales & Services of Auxiliary Enterprises	78,055,811		78,055,811	67,681,421
Other Sources	9,320,834		9,320,834	7,149,818
Total Current Revenues	$ 497,738,668	$ 82,492,965	$ 580,231,633	$ 541,122,405
Expenditures and Mandatory Transfers				
Instruction	$ 166,294,180	$ 4,710,324	$ 171,004,504	$ 157,545,658
Research	11,752,496	50,334,225	62,086,721	64,796,851
Public Service	21,885,890	7,129,722	29,015,612	22,650,386
Academic Support	60,940,464	783,569	61,724,033	63,745,185
Student Services	15,776,151	1,373,704	17,149,855	17,465,140
Institutional Support	42,171,106	65,393	42,236,499	43,835,480
Scholarships & Fellowships	23,211,436	18,058,773	41,270,209	36,452,073
Plant Operation & Maintenance	40,732,089		40,732,089	34,439,472
Total Expenditures	$ 382,763,812	$ 82,455,710	$ 465,219,522	$ 440,930,245
Mandatory Transfer For Debt Retirement	13,918,507		13,918,507	8,706,751
Total Expenditures and Mandatory Transfers	$ 396,682,319	$ 82,455,710	$ 479,138,029	$ 449,636,996
Auxiliary Services Expenditures	91,375,797	3,455	91,379,252	83,907,813
Total Auxiliary Services Expenditures	$ 91,375,797	$ 3,455	$ 91,379,252	$ 83,907,813
Total Expenditures and Mandatory Transfers	$ 488,058,116	$ 82,459,165	$ 570,517,281	$ 533,544,809
Other Transfers and Additions (Deductions)				
Excess of Restricted Receipts Over Transfers to Revenues	$	$ (1,748,585)	$ (1,748,585)	$ 1,577,590
Transfers From:				
Unrestricted Funds		(691,774)	(691,774)	311,286
Restricted Funds	691,774		691,774	
Loan Funds		12,163	12,163	225
Transfers To:				
Unrestricted Funds				(311,286)
Endowment Principal				(57,637)
Loan Funds	(116,909)		(116,909)	3,627
Plant Funds	(6,999,570)	(6,075)	(7,005,645)	(3,564,624)
Total Other Transfers and Additions (Deductions)	$ (6,424,705)	$ (2,434,271)	$ (8,858,976)	$ (2,040,819)
Net Increase (Decrease) in Fund Balances	$ 3,255,847	$ (2,400,471)	$ 855,376	$ 5,536,777

* Restated for the cumulative effect of adoption of GASB Statement No. 33. See Note 1.

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

NOTES TO FINANCIAL STATEMENTS

University of Connecticut
Notes to Financial Statements June 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related Entities

The University of Connecticut (University) is a component unit of the University of Connecticut system, which includes the University, the University of Connecticut Health Center, the University of Connecticut Foundation, Inc., and the University of Connecticut Law School Foundation, Inc. The financial statements represent the transactions and balances of the University only. The University offers undergraduate and graduate degrees and does research at several locations in the State of Connecticut. The University of Connecticut Health Center offers medical and dentistry degrees and operates a teaching and research hospital. The University of Connecticut Foundation, Inc. and The University of Connecticut Law School Foundation, Inc. raise funds to promote, encourage, and assist education and research at the University, the University Health Center, and the Law School.

Basis of Accounting

The financial statements of the University of Connecticut have been prepared on the accrual basis of accounting. The Statement of Current Fund Revenues, Expenditures and Other Changes is a statement of financial activities of current funds related to the current reporting period. It is not intended to present the results of operations or the net income or loss for the period, as would a statement of income or a statement of revenue and expenses.

Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the University, the accounts of the University are maintained in accordance with the principles of "fund accounting." This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accord with specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted fund balances allocated for specific purposes by action of the Board of Trustees. Externally restricted funds may be used only in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds, over which the Board of Trustees retains full control to use in achieving any of its institutional purposes.

Fund Classifications

Current Funds - Unrestricted

Current unrestricted funds account for all resources available for current operations that have not been restricted as to use by outside donors. Current operations include expenditures for educational and general purposes of the University, together with auxiliary services operations. Auxiliary services include student residences, food services, and athletics, among others.

Current Funds - Restricted

Current restricted funds account for resources made available to the University for operating purposes that have been restricted by outside donors. These resources generally are in the form of gifts, grants, and contracts received by the University in support of research, educational, and public service activities. Revenues are recognized when related funds have been expended, except for nonexchange items. These are recognized when all applicable eligibility requirements have been met.

Endowment and Similar Funds

Endowment and similar funds are subject to the restrictions of gift instruments, requiring that the principal be invested in perpetuity. Quasi-endowment funds have been established by the University's administration for the same purposes as endowment funds. Future expenditures of such funds require appropriate administrative approval.

Loan Funds

Loan funds account for resources, primarily from the Federal Government, which provide loans to students on a revolving basis. Repayments of principal and interest become available for loans to other students. Interest is recorded when received.

Agency Funds

Agency funds account for resources handled in a custodial manner for other agencies and affiliated organizations.

Plant Funds

Plant funds account for the resources invested in and available for University land, buildings, equipment, other capital assets and the related debt retirement.

New Accounting Standards

Governmental Accounting Standards Board (GASB) Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, was released in December 1998 and adopted during fiscal 2001. The restatement of Exhibit C of the financial statements was implemented for fiscal 2000. Statement No. 33 describes in which fiscal year nonexchange transactions involving cash and other financial and capital resources should be recorded. Nonexchange transactions are those where a government, corporation or individual gives value to another party without receiving equal value in exchange, or receives value from another party without directly giving equal value in exchange. Statement No. 33 requires recipients of government-mandated and voluntary nonexchange transactions to recognize revenue when all applicable eligibility requirements are met for these transactions.

The University reviewed nonexchange transactions and determined that the net effect of implementing Statement No. 33 was to increase restricted revenues on Exhibit C by $33,800 and $274,000 in fiscal 2001 and 2000, respectively.

In June 1999 GASB issued Statement No. 34, followed by Statement No. 35 in November 1999. Both become effective with fiscal 2002. These statements provide accounting and financial reporting guidelines and enhance the usefulness and comprehension of financial reports by external users. Statements No. 34 and 35 will change the financial statement format, eliminating multiple column fund reporting and adding management discussion and analysis and a cash flow statement.

2. CASH AND INVESTMENTS

Statement No. 3 of the GASB requires governmental entities to categorize deposits and investments to give an indication of the level of credit risk assumed by the University at year-end. Category 1 includes investments that are insured or registered, or for which securities are held by the University or its agent in the name of the University. Category 2 includes uninsured and unregistered investments for which securities are held by the broker's or dealer's trust department or agent in the name of the University. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the University's name. Investments that are not evidenced by securities are not categorized.

The University's cash balance as of June 30, 2001 was $81,801,982, and included $81,344,241 in cash balances maintained by the State of Connecticut Treasurer. The remaining $457,741 consisted primarily of deposits with financial institutions. The deposits were considered uninsured and uncollateralized (Category 3).

Collateralized deposits are deposits protected by State statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal at least to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio - a measure of the bank's financial condition. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank. Portions of the bank balance of the State of Connecticut were insured by the Federal Deposit Insurance Corporation or collateralized. As a State agency, the University benefits from this protection, though the extent to which the deposits of an individual State agency such as the University are protected, cannot be readily determined.

The University's cash management investment policy authorizes the University to invest in the State of Connecticut Treasurer's Short Term Investment Fund, United States Treasury bills, United States Treasury notes and bonds, United States Government Agency obligations, banker's acceptances, certificates of deposit (including EURO Dollars), commercial paper, money market funds, repurchase agreements, and savings accounts.

The University designated The University of Connecticut Foundation, Inc. (Foundation) as the manager of the University's endowment funds. The Foundation makes spending allocation distributions to the University for each participating endowment. The distribution is spent by the University in accordance with the respective purposes of the endowments and the policies and procedures of the University. Effective July 1, 2000 University endowment investments managed by the Foundation were moved from Fleet Investment Services to the Foundation's pooled portfolio, which is actively managed by professional investment managers as determined by the Investment Committee of the Foundation's Board of Directors. The Foundation has established asset allocation guidelines for its pooled investment portfolio, which provides that the maximum exposure with any one manager would be 15%. The portfolio guidelines provide for a target asset class allocation as follows:

Asset Class	Percentage
Fixed Income	25% - 40%
Equities	60% - 75%

The University's investments, which are carried at fair value, totaled $144,263,972 as of June 30, 2001 and included the following:

	Cost	Fair Value
Endowments:		
Foundation Managed (Category 1)	$ 3,588,539	$ 5,372,046
Corporate Bonds (Category 1)	14,000	13,130
Other:		
U.S. Government Agency Securities (Category 1)	2,125,000	2,083,399
State of Connecticut Investment Pool (Not Categorized)	131,112,718	131,112,718
Corporate Notes (Category 3)	5,682,679	5,682,679
Total Investments	**$142,522,936**	**$144,263,972**

Certain funds are held by outside fiscal agents and are not under the direct control of the University. Accordingly, the assets of these funds are not included in the financial statements. The fair value amount of these funds at June 30, 2001 was $13,766,226. Investment income earned on these assets is transferred to the University in accordance with the applicable trust agreement. Income received from those sources for the year ended June 30, 2001 was $467,595.

3. INVESTMENT IN PLANT

Land, buildings, non-structural improvements and equipment are reported at cost at date of acquisition or market value at date of donation, in the case of gifts.

Beginning with fiscal year 2002 GASB Statements Nos. 34 ands 35 require recognition of depreciation on buildings, non-structural improvements and equipment. The University has recorded depreciation expense since fiscal 1998, as allowed for by GASB Statement No. 8. Depreciation has been recorded on a straight-line basis over the estimated useful lives of the respective assets.

Building components and non-structural improvements have estimated useful lives from 2 years to 60 years. Equipment has estimated useful lives of 3 years to 30 years.

The following shows these assets at cost less accumulated depreciation:

Buildings at Cost	$760,361,218
Less Accumulated Depreciation	159,478,511
	$600,882,707
Non-Structural Improvements at Cost	$101,456,940
Less Accumulated Depreciation	30,644,994
	$ 70,811,946
Equipment at Cost	$364,083,244
Less Accumulated Depreciation	119,313,277
	$244,769,967

4. INVENTORIES

Consumable supplies are expensed when received with the exception of certain central inventories. Cost of inventory is determined by various methods, including the first-in, first-out method.

5. UCONN 2000 CAPITAL IMPROVEMENTS

Public Act No. 95-230 enables the University to borrow money in its own name for a special ten year capital improvement program (UConn 2000) designed to modernize, rehabilitate, and expand the physical plant of the University. It authorizes projects estimated to cost $1,250,000,000, of which $962,000,000 is to be financed by bonds of the University; $18,000,000 is to be funded by State General Obligation bonds; and the balance of $270,000,000 may be financed by gifts, other revenue, or borrowing resources of the University.

Bonds issued as of June 30, 2001 are:

1996 Series A	$ 83,929,715
1997 Series A	124,392,432
1998 Series A	99,520,000
1999 Series A	79,735,000
2000 Series A	130,850,000
2001 Series A	100,000,000

These bonds are general obligations of the University, for which its full faith and credit are pledged, and are payable from all assured revenues. The bonds are additionally secured by the pledge of and a lien upon the State Debt Service Commitment. The State Debt Service Commitment is the commitment by the State to pay an annual amount of debt service on securities issued as general obligations of the University. The University, consistent with the Act, is relying upon the receipt of the annual amount of the pledged State Debt Service Commitment for the payment of the bonds and, accordingly, is not planning to budget any of the other revenues for the payment of the bonds. Under the master indenture, the University expects to issue additional bonds to finance UConn 2000 projects secured by the State Debt Service Commitment.

The University may also issue Special Obligation bonds backed by certain pledged revenues of the University. On February 4, 1998, the University issued $33,560,000 of the Student Fee Revenue Bonds 1998 Series A to fund $30,000,000 of the South Campus Project; $2,126,425 of a Special Capital Reserve Fund held by the Trustee Bank; and the remainder to pay costs of issuance, including the underwriter's discount. The bonds have a final maturity of November 15, 2027.

The 2000 Series A bonds dated May 15, 2000 represent the second series of Special Obligation bonds issued in the amount of $89,570,000. The bond proceeds funded three UConn 2000 projects: Hilltop Dormitory at $21,000,000, Hilltop Student Rental Apartments at $42,000,000, and Parking Garage South at $24,000,000. The bonds have a final maturity of November 15, 2029.

The Special Obligation bonds are secured by certain gross and net pledged revenues of the University, including the Infrastructure Maintenance Fee and other legally available revenues as further described in the Indentures of Trust.

During fiscal year 2001 the University received approval for two separate supplemental indentures allowing the refunding of General Obligation bonds and Special Obligation bonds. Depending on market conditions and other factors, the University may issue either General Obligation or Special Obligation refunding bonds at some future date.

On November 16, 2001, the University Board of Trustees authorized project bond proceeds totaling $72,180,000 of University Special Obligation Student Fee Revenue bonds 2002 Series A, for the purpose of funding North Campus suites and apartments and student residences including fraternities and sororities.

6. LONG-TERM DEBT PAYABLE

Debt principal outstanding for self-liquidating bond issues, UConn 2000 bond issues, and other loans, as of June 30, 2001, is as follows:

	Issue Date		Balance
Bonds	March 1992	original	$1,474,638
	September 1992	refund	2,093,467
	March 1993	original	649,125
	March 1993	refund	297,653
	October 1993	refund	936,453
	March 1994	original	640,148
	August 1994	original	90,708
	March 1995	original	479,532
	March 1995	refund	185,604
	October 1995	original	613,489
	November 1996	refund	522,642
	March 1997	original	4,114,786
	September 1997	refund	324,283
	February 1998	refund	999,203
	June 2001	refund	1,415,419
	GO 1996 Series A	original	62,909,715
	GO 1997 Series A	original	98,392,432
	GO 1998 Series A	original	84,580,000
	GO 1999 Series A	original	72,000,000
	GO 2000 Series A	original	124,295,000

	GO 2001 Series A	original	100,000,000
	Rev 1998 Series A	original	31,810,000
	Rev 2000 Series A	original	89,570,000
Loans	US Dept Ed Towers Loan		1,881,542
	Installment Purchases		7,160,899
Total			$687,436,738

Estimated cash basis interest and principal requirements for the long-term debt for the next five years are as follows:

	State Debt Service Commitment	University Long-Term Debt
2002		
State DSC	$56,809,174	
Rev Bond 1998		$2,080,288
Rev Bond 2000		5,107,217
Self Liquidating Bonds		2,031,682
US Dept Ed Towers Loan		136,880
Installment Loans		2,453,308
		11,809,375
2003		
State DSC	56,434,536	
Rev Bond 1998		2,080,545
Rev Bond 2000		6,463,858
Self Liquidating Bonds		1,900,892
US Dept Ed Towers Loan		136,880
Installment Loans		2,037,571
		12,619,746
2004		
State DSC	55,368,211	
Rev Bond 1998		2,079,513
Rev Bond 2000		6,464,727
Self Liquidating Bonds		2,217,865
US Dept Ed Towers Loan		136,880
Installment Loans		1,716,358
		12,615,343
2005		
State DSC	54,645,899	
Rev Bond 1998		2,077,152
Rev Bond 2000		6,465,583
Self Liquidating Bonds		1,839,700
US Dept Ed Towers Loan		136,880
Installment Loans		1,536,291
		12,055,606
2006		
State DSC	52,147,536	
Rev Bond 1998		2,077,985
Rev Bond 2000		6,466,832
Self Liquidating Bonds		1,884,743
US Dept Ed Towers Loan		136,880
Installment Loans		238,701
		10,805,141

7. BOND FINANCED ALLOTMENTS

The University recognizes an asset when an allotment is processed for State General Obligation bonds or when bonds to be funded from University resources are sold.

8. RETIREMENT PLAN

All regular full-time employees participate in one of two retirement plans. The State Employees' Retirement System, a single employer defined benefit public employee retirement system, is administered by the State and covers most full-time employees. The State of Connecticut is statutorily responsible for the pension benefits of University employees who participate in this plan. The University makes contributions on behalf of the employees through a fringe benefit charge assessed by the State. Alternatively, employees may choose to participate in the Teacher Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF). TIAA/CREF is a national organization used to fund pension benefits for educational institutions. Under this arrangement, the University and the plan participants make annual contributions to TIAA/CREF to purchase individual annuities equivalent to retirement benefits earned.

With respect to the University's Department of Dining Services, of its approximately 280 full-time employees, 189 are eligible to participate in two retirement plans. All eligible Dining Services' employees participate in the Department of Dining Services Money Purchase Pension Plan and another defined contribution plan, the University of Connecticut Department of Dining Services 403(b) Retirement Plan.

9. COMPENSATED ABSENCES AND WAGES PAYABLE

Accrued vacation and accrued sick leave balances for employees are recorded in the accompanying financial statements at June 30, 2001, totaling $16,591,750 and $1,292,639, respectively. These liabilities are recorded in accordance with GASB Statement No. 16 and represent the amounts earned by eligible employees through June 30, 2001.

Wages payable included salaries and wages for amounts owed at June 30, 2001. The State of Connecticut administers benefit and retirement plans for the University. Therefore, the payable for fringe benefits related to wages payable is included in Due to the State of Connecticut as of June 30, 2001.

On July 23, 2001 the State Legislature approved an arbitration award between the State of Connecticut and the Connecticut Employees Union Independent concerning the Maintenance and Service (NP-2) bargaining unit for the period July 1, 1999 through June 30, 2002. The estimated amount for wages related to the approved arbitration through June 30 2001 is included in wages payable, and totals approximately $3,700,000. This amount was funded through State appropriations in each applicable bargaining year. Unlike the year-end accrual for other wages payable, it is not reflected as a Due from the State of Connecticut at June 30, 2001. The related fringe benefit amount, approximately $1,700,000, is included in Due to the State of Connecticut.

10. POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 9, the State provides post retirement health care and life insurance benefits to University employees, in accordance with State Statutes, Sections 5-257(d) and 5-259(a). When employees retire, the State pays 100% of their health care insurance premium cost (including the cost of dependent's coverage). In addition, the State pays 100% of the premium cost for a portion of the employee's life insurance continued after retirement. The amount of life insurance continued at no cost to the retiree is determined in a formula based on the number of years of State service that the retiree had at time of retirement. The State finances the cost of post retirement health care and life insurance benefits on a pay-as-you-go basis through an appropriation in the General Fund.

11. COMMITMENTS

On June 30, 2001, the University had outstanding commitments (over $100,000 each) totaling $67,951,812, which included $61,282,427 of commitments related to capital projects. Of the total amount, $12,612,253 was included in June 30, 2001 accounts payable. In addition to the amount for capital outlay, commitments were also related to research, academic and institutional support. Of these commitments, the University expects $3,654,680 to be reimbursed by Federal grants.

12. DEFERRED INCOME AND CHARGES

Tuition and fees collected as of June 30, 2001, but applicable to 2001 summer sessions, are reported as deferred income. Deferred income totaled $14,145,880 and is comprised primarily of tuition from summer sessions. Deferred charges relating to these sessions are reported in the period the tuition and fees are recognized as income. Deferred charges in current unrestricted totaled $2,864,321. Deferred charges in plant funds totaling $6,306,076 represent the cost of issuance and discounts on certain bond issues, which will be amortized in plant funds over the terms of the respective bond issues.

13. TUITION WAIVERS AND GRADUATE ASSISTANTSHIPS

The University is required by law to waive tuition for certain veterans and children of veterans, certain students over the age of 62, and graduate assistants. The University is required by collective bargaining agreements to waive tuition for UCPEA employees and dependents of certain other employees. Tuition and fee revenue does not include foregone revenue resulting from tuition waivers. Waivers totaled $22,004,096 in fiscal year 2001. Approximately 80% of such waivers were provided to graduate assistants.

14. CONTINGENCIES

The University of Connecticut is a party to various legal actions arising in the ordinary course of its operations. While it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material effect on the University's financial statements.

University of Connecticut
Trustees and Financial Officers
June 30, 2001

Appendix B

STATE OF CONNECTICUT

As of October 30, 2001

There follows in this **Appendix B** a brief description of the State of Connecticut (the "State" or "Connecticut"), together with certain information concerning its governmental organization, its economy and a description of certain State financial procedures.

The information in this **Appendix B** is derived from portions of the State's Annual Information Statement dated as of October 30, 2001

GOVERNMENTAL ORGANIZATION AND SERVICES

Introduction

The components and structure of State governmental organization are laid out in the State's Constitution and the General Statutes of Connecticut. A number of State-wide and regional authorities and similar bodies are also created or provided for in the General Statutes or by Special Act of the General Assembly. County government was functionally abolished in Connecticut in 1960. Local governmental functions are generally performed by the 169 cities and towns, or by special purpose authorities, districts and similar bodies located within the cities and towns. A number of regional bodies exist to perform governmental functions that would otherwise be performed at the local level. Most of the State's 169 cities and towns were established or incorporated during the 18th and 19th centuries, and many are still governed under charters enacted by the General Assembly by Special Act. The State's Constitution grants home rule powers to cities and towns, within certain limitations. A large number of smaller municipalities lack charters, and the components and structure of these municipalities are determined directly by the General Statutes. The General Statutes also contain a variety of provisions pertaining to the organization and operation of all units of local government, including both those with charters and those without. In addition to the 169 cities and towns that are the basic units of local government in Connecticut, the General Statutes provide procedures for the creation of many types of local special purpose authorities, districts and similar bodies. These include, among others, local housing authorities, regional school districts, and a variety of special tax and service districts.

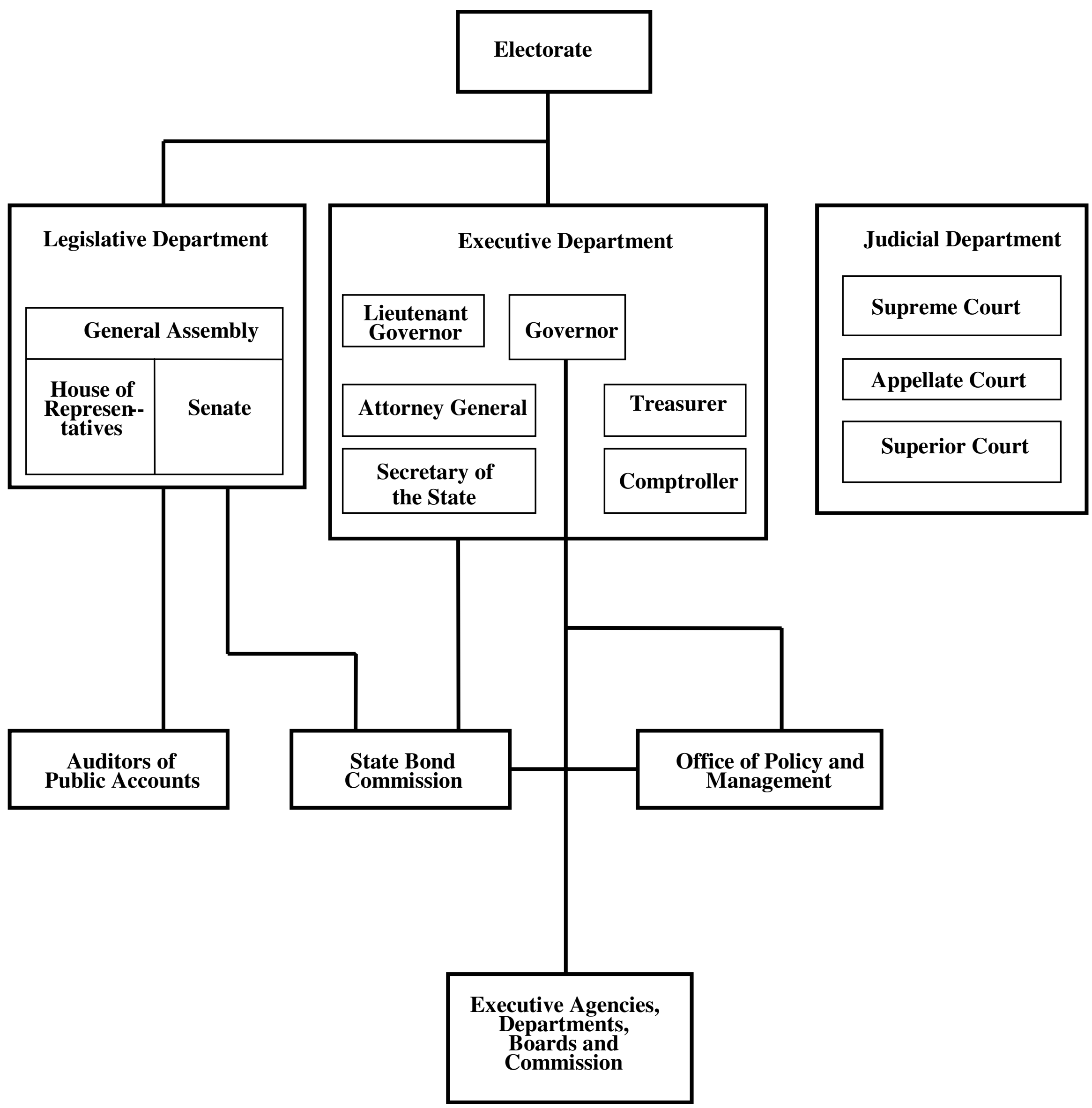
Under Connecticut law, all municipal governmental bodies have only the powers specifically granted to them by the State and the ancillary powers that are necessarily implied by powers explicitly granted. Municipalities which have the power to tax and to issue debt are explicitly denied the power by statute to file petitions to become debtors under Chapter Nine of Title 11 of the Federal Bankruptcy Code without the prior written consent of the Governor.

State Government Organization

Under the State Constitution, the legislative, executive and judicial functions and powers of State government are divided among three distinct branches referred to in the Constitution as "departments": the legislative department, the executive department and the judicial department. The following table shows the structure of the three departments.

TABLE B-1

Structure of State Government



Legislative Department. Legislative power is vested in the General Assembly, composed of the Senate and House of Representatives. Currently the Senate consists of 36 members, each representing a single senatorial district, and the House of Representatives consists of 151 members each representing a single assembly district. Both the number of members and the boundaries of the legislative districts may vary in accordance with the requirements of the State's Constitution. The General Assembly is assisted by a full-time staff. General Assembly employees are included under the legislative function in **Tables B-2** and **B-3** below.

General Assembly members are elected biennially at the general election in November in even numbered years and take office in the January following their election. Elections for the General Assembly were held in November 2000, and the new members took office in January 2001.

A regular session of the General Assembly is held each year. These sessions run from January through June in odd-numbered years and February through May in even-numbered years. The General Assembly reconvenes for special sessions in general only in emergencies or to consider bills or appropriations vetoed by the Governor. Even-year sessions are supposed to be limited to budgetary, revenue and financial matters, bills and resolutions raised by committees of the General Assembly and certified emergencies.

Two Auditors of Public Accounts, who cannot be of the same political party, are appointed by the General Assembly to four-year terms. The State Auditors are required to make an annual audit of the accounts of the Treasurer and the Comptroller and, biennially or as frequently as they deem necessary, to audit the accounts of each officer, department, commission, board and court of the State government authorized to expend State appropriations. The Auditors are required to report unauthorized, illegal, irregular or unsafe handling or expenditure of State funds or any actual or contemplated breakdown in the safeguarding of any resources of the State promptly upon discovery to the Governor, the State Comptroller, the Attorney General and appropriate legislative agencies. Each budgeted agency of the State must keep its accounts in such form and by such methods as to exhibit facts required by the State Auditors. A full-time staff assists the State Auditors. Employees of the State Auditors are included under the legislative function in **Tables B-2** and **B-3** below.

Executive Department. The present Governor, Lieutenant Governor, Secretary of the State, Treasurer, Comptroller and Attorney General, whose offices are mandated by the State's Constitution, were elected at the general election in November 1998 and assumed office in January 1999. Elections for all of these offices are held every four years. The Governor and Lieutenant Governor are elected as a unit.

The supreme executive power of the State is vested in the Governor. The Governor has the constitutional responsibility for ensuring that the laws are faithfully executed, giving the General Assembly information on the state of the government, and recommending to the General Assembly such measures as the Governor may deem expedient. The Governor is empowered to veto bills and line items in appropriations bills, but the General Assembly may reconsider and repass such matters upon a two-thirds vote of each house, whereupon such bills or appropriations become law. Broad appointive and investigative powers are conferred upon the Governor by statute. The Lieutenant Governor serves as President of the Senate and becomes Governor in case of the inability of the Governor to exercise the powers and perform the duties of the office.

The Treasurer is primarily responsible for receiving and disbursing all monies belonging to the State, superintending the collection of State taxes and revenues and the investment of State funds, administering certain State trust funds and managing State property. Subject to the approval of the Governor, the Treasurer is authorized, when necessary, to make temporary borrowings evidenced by State obligations. In addition, the State Bond Commission may delegate to the Treasurer the responsibility for determining the terms and conditions and carrying out the issuance of State debt.

The Secretary of the State administers elections, has custody of all public records and documents, and certifies to the Treasurer and the Comptroller the amount and purpose of each appropriation made by the General Assembly.

The Comptroller's primary duties include adjusting and settling public accounts and demands and prescribing the method of keeping and rendering all public accounts. All warrants and orders for the disbursement of public money are registered with the Comptroller. The Comptroller also has authority to require reports from State agencies upon any matter of property or finance and to inspect all records in any public office, and is responsible for examining the amount of all debts and credits of the State. The Comptroller is required to issue monthly reports on the financial condition of the State, which are prepared on a modified cash basis and are not audited.

The Attorney General has general supervision over all legal matters in which the State is an interested party except those legal matters over which prosecuting officers have discretion. The duties of the office include giving advice and on request rendering legal opinions to the legislative and executive departments as to questions of law. Among the Attorney General's statutory duties concerning State financial matters are membership on the State Bond Commission, the approval of all State contracts or leases and appearing before any committee of the General Assembly to represent the State's best interests when any measure affecting the State Treasury is pending.

In addition to the constitutionally mandated offices, the General Statutes provide for a number of executive branch agencies, departments and commissions, each of which generally has its own agency head appointed by the Governor, in most cases with the advice and consent of one or both houses of the General Assembly. Of these statutorily established offices, the one most directly related to the fiscal operation and condition of the State is the Office of Policy and Management. The Secretary of the Office of Policy and Management is directly responsible to the Governor for policy development in four major areas: budget and financial management, policy development and planning, management and program evaluation, and intergovernmental policy. The Office of Policy and Management has significant responsibility in preparing the State budget, in assisting the Governor in policy development and in representing the State in most collective bargaining negotiations. It is the duty of the Office of Policy and Management to prepare and furnish to the General Assembly and Comptroller financial and accounting statements relating to the State's financial condition and general accounts, and to examine and assist in the organization, management and policies of departments and institutions supported by the State in order to improve their effectiveness. The Secretary of the Office of Policy and Management, like the Comptroller, is empowered to inspect the financial records and to require reports of State agencies.

Employees of the executive department are included in **Tables B-2** and **B-3** below under all function headings except the legislative and judicial functions. A list of the major executive branch agencies, departments and commissions, by function headings, is found in **Table B-5**.

Judicial Department. The State's judicial department consists of three principal trial and appellate courts: the Superior Court, the Appellate Court, and the Supreme Court.

The Superior Court is vested with original trial court jurisdiction over all civil and criminal matters. There are approximately 157 sitting Superior Court judges, each nominated by the Governor and appointed by the General Assembly to eight-year terms.

On July 1, 1983, the Appellate Court was created and the appellate session of the Superior Court was dissolved. The Appellate Court hears appeals from decisions of the Superior Court except for certain matters which are directly appealable to the Supreme Court. There are nine Appellate Court judges nominated by the Governor and appointed by the General Assembly to eight-year terms.

The Connecticut Supreme Court reviews decisions of the Appellate Court and, in certain cases, of the Superior Court. Except in cases where original jurisdiction exists in the Supreme Court, there is no right of review in the Supreme Court unless specifically provided by statute. The Supreme Court consists of seven Justices (one Chief Justice and six Associate Justices) nominated by the Governor and appointed by the General Assembly to eight-year terms.

In addition to the principal trial and appellate courts, there is a Court of Probate in each of 130 probate districts situated throughout the State.

Employees of the judicial department are shown in **Tables B-2** and **B-3** under the judicial function heading.

Quasi-Public Agencies. In addition to the budgeted components of State government provided for in the State's Constitution and the General Statutes, important State-wide governmental functions are performed by quasi-public agencies, authorities and similar bodies created under the General Statutes. A number of these entities receive significant funding from the State, although they are not budgeted agencies of the State. Each of these entities is governed by a board of directors chosen in accordance with its respective enabling statute. These boards generally include legislative appointees, gubernatorial appointees and ex officio directors holding certain executive branch offices.

State Employees

Employment Statistics. Statistics regarding approximate filled permanent full-time positions within budgeted components of State government are shown on the following two tables.

TABLE B-2

State Employees[(a)]
By Function of Government

Function Headings[(b)]	1997[(c)]	1998	1999	2000	2001
Legislative	415	427	438	434	447
General Government	3,960	3,745	3,853	3,910	3,910
Regulation and Protection	4,376	4,200	4,319	4,550	4,592
Conservation and Development	1,410	1,399	1,420	1,463	1,457
Health and Hospitals	8,444	8,280	8,709	8,747	8,635
Transportation	3,790	3,675	3,610	3,643	3,626
Human Services	2,477	2,347	2,391	2,375	2,332
Education, Libraries and Museums	12,990	13,494	14,130	14,357	14,921
Corrections	9,856	9,346	9,454	10,027	9,956
Judicial	2,852	2,971	3,068	3,224	3,342
Totals	50,570	49,884	51,392	52,730	53,218

(a) Table shows approximate filled full-time positions as of June 30 in each of the listed years.
(b) A breakdown of the agencies, boards, commissions and similar bodies included in each of the listed government function headings is shown in **Table B-5**.
(c) The State offered an Early Retirement Incentive Program with a window of April 1 through August 1, 1997. Approximately 1,200 full time employees took advantage of this program through June 30, 1997.

SOURCE: Office of Policy and Management

TABLE B-3
State Employees as of June 30, 2001[a]
By Function of Government and Fund Categories

Function Headings	General Fund	Special Transportation Fund	Other Appropriated Funds	Special Funds – Non-Appropriated	Federal Funds	Private Contributions	TOTALS
Legislative	447						447
General Government	3,097	12	9	436	36	320	3,910
Regulation and Protection	2,177	675	603	175	953	9	4,592
Conservation and Development	734		7	292	304	120	1,457
Health and Hospitals	8,231			79	312	13	8,635
Transportation		3,508		118			3,626
Human Services	1,992		16		310	14	2,332
Education, Libraries and Museums	10,137			4,591	193		14,921
Corrections	9,813			87	56		9,956
Judicial	3,259			12	73		3,342
Totals	39,887	4,195	635	5,790	2,235	476	53,218

(a) Table shows approximate filled full-time positions.

SOURCE: Office of Policy and Management

Collective Bargaining Units and Process. The General Statutes guaranty State employees, other than elected or appointed officials and certain management employees and others with access to confidential information used in collective bargaining, the right to organize and participate in collective bargaining units. There are presently 32 such bargaining units representing State employees.

The General Statutes establish the general parameters of the collective bargaining process with respect to bargaining units representing State employees. At any given point in time, there are generally a number of collective bargaining units with agreements under negotiation. All collective bargaining agreements require approval of the General Assembly. The General Assembly may approve any such agreement as a whole by a majority vote of each house or may reject any such agreement as a whole by a majority vote of either house. An arbitration award may be rejected in whole by a two-thirds vote of either house of the General Assembly upon a determination that there are insufficient funds for full implementation of the award.

The General Statutes deny State employees the right to strike. Questions concerning employment or bargaining practices prohibited by the sections of the General Statutes governing collective bargaining with regard to State employees may generally be brought before the State Board of Labor Relations.

Information regarding employees participating in collective bargaining units and employees not covered by collective bargaining is shown on the following table:

TABLE B-4

Full-Time Work Force[a]
Collective Bargaining Units and
Those Not Covered by Collective Bargaining

Bargaining Unit/Status Group	Percentage of State Employees Represented[b]	Contract Status, if any
Covered by Collective Bargaining		
Administrative Clerical	10.12%	Contract in place through 6/30/2002
Correction Officers	9.31%	Contract in place through 6/30/2001[c]
Maintenance and Service	8.60%	Contract in place through 6/30/2002
Health Care Non-Professionals	8.45%	Contract in place through 6/30/2005
Social and Human Services	7.53%	Contract in place through 6/30/2002
Administrative and Residual	6.16%	Contract in place through 6/30/2003
Engineering, Scientific and Technical	5.04%	Contract in place through 6/30/2001[d]
Health Care Professionals	4.87%	Contract in place through 6/30/2005
University Health Professionals (University of Connecticut Health Center)	3.25%	Contract in place through 6/30/2002
Judicial Employees	2.65%	Contract in place through 6/30/2002
University of Connecticut Faculty	2.42%	Contract in place through 6/30/2002
Connecticut State University Faculty	2.32%	Contract in place through 6/30/2002
University of Connecticut Professional Employee Association	2.28%	Contract in place through 6/30/2005
State Police	2.17%	Contract in place through 6/30/2004
Congress of Connecticut Community Colleges	2.14%	Contract in place through 6/30/2002
Vocational Technical School Teachers	2.00%	Contract in place through 6/30/2003
Education Professionals (Institutions)	1.81%	Contract in place through 6/30/2001[c]
Judicial Professionals	1.80%	Contract in place through 6/30/2002
Protective Services	1.67%	Contract in place through 6/30/2004
Other Bargaining Units (11 units)	3.02%	Varies by Unit
Total Covered by Collective Bargaining	87.61%	
Not Covered by Collective Bargaining		
Auditors of Public Accounts	0.19%	Not Applicable
Other Employees	12.20%	Not Applicable
Total Not Covered by Collective Bargaining	12.39%	
Total Full Time Work Force	100.00%	

(a) PA 97-148 granted collective bargaining rights effective July 1, 1999 to a group of per diem employees (Special Deputy Sheriffs) who are not included here. The group of employees has chosen to bargain collectively and are currently in negotiations after a referendum in November 2000 to determine that the employees will be transferred to the Judicial Branch.
(b) Percentage expressed reflects approximately 53,218 filled full-time positions as of June 30, 2001.
(c) The State and the bargaining unit are currently in arbitration for a successor agreement.
(d) The arbitration award for the successor four year contract has been issued by the arbitrator but has not yet been taken up by the General Assembly.

Source: Office of Policy and Management.

Governmental Services

Services provided by the State or financed by State appropriations are classified under one of ten major government function headings or are classified as "non-functional". These function headings are used for the State's General Fund and for other funds of the State used to account for appropriated moneys. State agencies, boards, commissions and other bodies are each assigned to one of the function headings for budgeting purposes. The following table shows a breakdown of the government function headings according to the major agencies, boards, commissions and other bodies assigned to them.

TABLE B-5
Function of Government Headings[(a)(b)]

Legislative
Legislative Management
Auditors of Public Accounts
Commission on the Status of Women
Commission on Children
Commission on Latino and Puerto Rican Affairs
African-American Affairs Commission

General Government
Governor's Office
Secretary of the State
Lieutenant Governor's Office
State Elections Enforcement Commission
Ethics Commission
Freedom of Information Commission
Judicial Selection Commission
State Properties Review Board
State Treasurer
State Comptroller
Department of Revenue Services
Division of Special Revenue
State Insurance and Risk Management Board
Gaming Policy Board
Office of Policy and Management
Department of Veterans' Affairs
Department of Administrative Services
Department of Information Technology
Department of Public Works
Attorney General
Office of the Claims Commissioner
Division of Criminal Justice
Criminal Justice Commission

Regulation and Protection
Department of Public Safety
Police Officers Standards and Training Council
Board of Firearms Permit Examiners
Department of Motor Vehicles
Military Department
Commission on Fire Prevention and Control
Department of Banking
Department of Insurance
Office of Consumer Counsel
Department of Public Utility Control
Department of Consumer Protection
Office of Managed Care Ombudsman
Department of Labor
Office of Victim Advocate
Commission on Human Rights and Opportunities
Office of Protection and Advocacy for Persons with Disabilities
Office of the Child Advocate
Workers' Compensation Commission

Conservation and Development
Department of Agriculture
Department of Environmental Protection
Council on Environmental Quality
Connecticut Historical Commission
Department of Economic and Community Development
Agricultural Experiment Station

Health and Hospitals
Department of Public Health
Office of Health Care Access
Office of the Medical Examiner
Department of Mental Retardation
Department of Mental Health and Addiction Services
Psychiatric Security Review Board

Transportation
Department of Transportation

Human Services
Department of Social Services
Soldiers', Sailors', and Marines' Fund

Education, Libraries and Museums
Department of Education
Board of Education and Services for the Blind
Commission on the Deaf and Hearing Impaired
State Library
Department of Higher Education
University of Connecticut
University of Connecticut Health Center
Charter Oak College
Teachers' Retirement Board
Regional Community-Technical Colleges
Connecticut State University

Corrections
Department of Correction
Board of Pardons
Board of Parole
Department of Children and Families
Council to Administer Children's Trust Fund
County Sheriffs

Judicial
Judicial Department
Public Defenders Services Commission
State Marshal Commission

(a) In addition to the ten listed government function headings, the State also employs a "non-functional" heading under which are grouped various miscellaneous accounts including debt service and State employee fringe benefit accounts.
(b) Listing of agencies, boards, commissions and similar bodies is as of July 1, 2001.

SOURCE: Office of Policy and Management

In addition to services provided directly by the State, various State-wide and regional quasi-public agencies, authorities and similar bodies also provide services. Such entities principally assist in the financing of various types of facilities and projects. In addition to their own budgetary resources and the proceeds of their borrowings, a number of such entities have received substantial funding from the State, which the entities generally use to provide financial assistance to the general public and the private and nonprofit sectors.

Because Connecticut does not have an intermediate county level of government between State and local government, local entities provide all governmental services not provided by the State and quasi-public agencies. Such services are financed principally from property tax revenues, State funding of various types and federal funding.

STATE ECONOMY

Connecticut is a highly developed and urbanized state. It is situated directly between the financial centers of Boston and New York. Connecticut is located on the northeast coast and is the southernmost of the New England States. It is bordered by Long Island Sound, New York, Massachusetts and Rhode Island. More than one quarter of the total population of the United States and approximately 60% of the Canadian population live within 500 miles of the State.

Economic Resources

Population Characteristics. Connecticut had a population count of 3,405,565 in April 2000. The State's population growth rate, which exceeded the United States' rate of population growth during the period 1940 to 1970, slowed substantially during the past three decades. The following table presents the population trends of Connecticut, New England and the United States since 1940. (Estimated mid-year population figures from 1991 through 1999 have not yet been revised to take the 2000 census into account.)

TABLE B-6

Population
(In Thousands)

	Connecticut		New England		United States	
Calendar Year	Total	% Change	Total	% Change	Total	% Change
1940 Census	1,709	%	8,437	%	132,165	%
1950 Census	2,007	17.4	9,314	10.4	151,326	14.5
1960 Census	2,535	26.3	10,509	12.8	179,323	18.5
1970 Census	3,032	19.6	11,847	12.7	203,302	13.4
1980 Census	3,108	2.5	12,349	4.2	226,542	11.4
1990 Census	3,287	5.8	13,207	6.9	248,710	9.8
2000 Census	3,406	3.6	13,923	5.4	281,422	13.2
1991….	3,289	0.0	13,201	(0.1)	252,153	1.1
1992….	3,275	(0.4)	13,188	(0.1)	255,030	1.1
1993….	3,272	(0.1)	13,216	0.2	257,783	1.1
1994….	3,268	(0.1)	13,243	0.2	260,327	1.0
1995….	3,265	(0.1)	13,283	0.3	262,803	1.0
1996….	3,267	0.1	13,329	0.3	265,229	0.9
1997….	3,269	0.1	13,378	0.4	267,784	1.0
1998….	3,273	0.1	13,429	0.4	270,248	0.9
1999….	3,282	0.3	13,496	0.5	272,691	0.9

Note: 1940-2000, April 1 Census. Figures are for census comparison purposes.

1991-1999, Mid-year estimates.

SOURCE: United States Department of Commerce, Bureau of the Census

The State is highly urbanized with a 2000 population density of 703 persons per square mile, as compared with 80 for the United States as a whole and 222 for the New England region. More than 80% of the population resides within the State's four largest metropolitan areas of Hartford, Waterbury, Bridgeport and New Haven.

Transportation. Connecticut has an extensive network of expressways and major arterial highways which provide easy access to local and regional markets. Bradley International Airport, in Windsor Locks, is well situated for overseas air freight operations and is accessible from all areas of the State and Western Massachusetts.

Railroad freight service is provided to most major towns and cities in the State, and connections are provided with major eastern railroads as well as direct access to Canadian markets. In addition, Connecticut's proximity to the ports of New York and Boston provides it with access to European and South American export markets. The State's harbors at Bridgeport, New Haven and New London can accommodate deep draft vessels.

Connecticut provides financial assistance for all of the urban and rural bus services operating in the State. In addition, the State supports commuter express bus operations, American with Disability Act services, and ridesharing programs. Rail commuter service operates between New Haven and New York City and related points. Also, rail commuter service operates between New London and New Haven.

Connecticut initiated a transportation infrastructure renewal program in 1984 and continues that program today. It has resulted in the restoration and enhancement of the major components of the transportation system and provides for the continued maintenance of these systems.

Utility Services. The power grid that supplies electricity to the entire State is owned and operated by both private and municipal electric companies. Transmission lines connect Connecticut with New York, New England and Canada. These interconnections allow the companies serving Connecticut to meet large or unexpected electric load requirements from resources located outside of Connecticut's boundaries. All electric utilities in the State are members of the New England Power Pool and operate as part of the regional bulk power system. An independent system operator, ISO New England, Inc., operates this regional system.

Legislation passed in 1998 provided for the restructuring of the electric industry in Connecticut. As of July 2000, most consumers in Connecticut can choose an independent electric supplier as their provider of electricity. The electricity is still delivered to the consumer over the wires of the regulated distribution companies (Connecticut Light & Power Company and The United Illuminating Company). Electric suppliers are not subject to rate regulation by the State Department of Public Utility Control (DPUC), but must receive a license issued by the DPUC before commencing service to consumers. In general, Connecticut consumers located in a municipally owned electric service territory are not subject to the 1998 restructuring legislation. These consumers continue to purchase and receive their electrical needs from the municipal electric company.

The restructuring legislation mandated a 10 percent rate reduction (from 1996 levels) subject to specific adjustments during the period of 2000 to 2003. This "standard offer" service is available to all consumers except those that had already entered into special contracts with the electric companies. The legislation also provides a procedure allowing for the recovery of utility's stranded costs, including the issuance of revenue bonds.

Natural gas service is provided to parts of the State through one municipal and three private gas distribution companies, including Yankee Gas Services Company, Connecticut Natural Gas Company, and Southern Connecticut Gas Company. Over the past two years, Energy East Corp. has acquired both Connecticut Natural Gas and Southern Connecticut Gas. Energy East is a New York-based regional utility holding company. Yankee Gas has also been recently acquired by Northeast Utilities.

Since 1996 the DPUC is allowing some competitive market forces to enter the natural gas industry in Connecticut. Commercial and industrial gas consumers can choose non-regulated suppliers for their natural gas requirements. The gas is delivered to the consumer using the local distribution company's mains and pipelines. This competitive market is not yet available to the residential consumer.

In addition to the electric and natural gas industries, telecommunications services are also in the process of being opened to competition. Local exchange telephone service is provided in the State by local exchange carriers (LECs) and competitive local exchange carriers (CLECs). Three LECs currently offer local telephone services in Connecticut. They are The Southern New England Telephone Company (SNET), which has been acquired by SBC Communications, Inc., Woodbury Telephone Company (a wholly-owned subsidiary of SNET) and Verizon New York Inc. Connecticut also has approximately 130 CLECs certified to provide local exchange services including AT&T Communications of New England, Cox Connecticut Telecommunication, LLC and Connecticut Telephone and Communications Systems, Inc.

Connecticut is dependent upon oil, including imported oil, for a portion of its energy requirements. This dependence is greatest in the transportation sector. Connecticut also relies on heating oils in both the residential and commercial sectors, and is reliant on residual oils and diesel fuels for the production of electricity. This petroleum dependence can make Connecticut particularly affected by developments in the oil commodity markets. Events that affect the international or domestic production of oil, the domestic and international refining capabilities, or the transportation of petroleum products within the United States or into the New England region can have an effect on Connecticut's local oil markets.

Economic Performance

***Personal Income*.** Connecticut has a high level of personal income. Historically, the State's average per capita income has been among the highest in the nation. The following table shows total and per capita personal income for Connecticut residents during the period from 1991 to 2000 and compares Connecticut per capita personal income as a percentage of both New England and the United States.

TABLE B-7

Connecticut Personal Income by Place of Residence

Calendar Year	Connecticut		Connecticut Per Capita as % of	
	Total (Millions)	Per Capita[(a)]	New England	United States
1991	88,344	26,775	115.4	133.6
1992	93,779	28,446	117.0	135.6
1993	96,867	29,309	117.2	136.0
1994	99,788	30,130	116.1	134.8
1995	104,315	31,423	116.1	135.0
1996	109,354	32,814	115.7	135.1
1997	116,420	34,803	116.2	136.9
1998	123,902	37,190	116.7	138.2
1999	129,780	38,506	115.6	138.2
2000	138,334	40,870	114.1	138.8

(a) The Census Bureau has not yet released intercensal population estimates that incorporate the results of the 2000 Decennial Census. BEA converted the April 1, 2000 Census Bureau population counts to a midyear 2000 basis and derived an interim set of population estimates for 1991-99 that are consistent with 1990 and 2000 population data. BEA has developed population estimates and incorporated them into interim state per capita personal income estimates.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The following table indicates the annual growth rate of personal income, on a current and constant dollar basis, of Connecticut, New England and the United States.

TABLE B-8

Annual Growth Rates in Personal Income By Place of Residence

Calendar Year	Conn. (Current)	New England (Current)	U.S. (Current)	Conn. (Constant)	New England (Constant)	U.S. (Constant)
1991	0.5%	1.4%	4.1%	(3.1)%	(2.1)%	0.4%
1992	6.2%	5.0%	6.0%	3.6 %	2.5 %	3.5%
1993	3.3%	3.3%	4.1%	0.9 %	0.9 %	1.6%
1994	3.0%	4.3%	5.0%	0.9 %	2.1 %	2.8%
1995	4.5%	4.9%	5.3%	2.3 %	2.6 %	3.1%
1996	4.8%	5.4%	5.6%	2.8 %	3.4 %	3.6%
1997	6.5%	6.3%	6.0%	4.4 %	4.2 %	3.9%
1998	6.4%	6.8%	7.0%	5.1 %	5.5 %	5.7%
1999	4.7%	6.0%	4.7%	3.3 %	4.5 %	3.3%
2000	6.6%	8.4%	7.0%	4.2 %	6.0 %	4.6%

Note—Constant dollars are adjusted for inflation using the GDP deflator.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The following table indicates the sources of personal income by place of residence for the State and the United States in 2000.

TABLE B-9

Sources of Personal Income By Place of Residence
Calendar 2000
(In Millions)

	Conn.	Percent of Total	U.S.	Percent of Total
Wages in Non-manufacturing	$ 68,302	49.37	$4,007,100	48.17
Property Income (Div., Rents & Int.)	24,568	17.76	1,521,400	18.29
Wages in Manufacturing	17,200	12.33	830,125	9.98
Transfer Payments less Social Insurance Paid	8,879	6.42	711,400	8.55
Other Labor Income	8,432	6.10	534,150	6.42
Proprietor's Income	10,953	7.92	714,950	8.59
Personal Income—Total	$138,334	100.00	$8,319,125	100.00

Note—Columns may not add due to rounding.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

Gross State Product. The State and the region's economic vitality is evidenced in the rate of growth of its Gross State Product. Gross State Product is the market value of all final goods and services produced by labor and property located within the State. The economies of Connecticut and New England were, for much of the 1980s, among the strongest performers in the nation in this category. While the growth rates of both Connecticut and New England slowed in the initial years of the 1990s, the growth rates have steadily increased during the rest of the 1990s. According to the latest available data, in 1997 Connecticut's growth rate outpaced that of New England and the nation, but slowed somewhat in 1998 and 1999.

The following table shows the Gross State Product in current dollars for Connecticut, New England and the United States.

TABLE B-10

Gross State Product
(In Millions of Dollars)

	Connecticut		New England[a]		United States[b]	
Year	**Dollars**	**% Growth**	**Dollars**	**% Growth**	**Dollars**	**% Growth**
1990	98,914	4.1	339,573	1.8	5,706,658	5.5
1991	100,373	1.5	343,923	1.3	5,895,430	3.3
1992	103,794	3.4	357,145	3.8	6,209,096	5.3
1993	107,924	4.0	373,298	4.5	6,513,026	4.9
1994	112,395	4.1	394,406	5.7	6,930,791	6.4
1995	118,645	5.6	416,166	5.5	7,309,516	5.5
1996	124,157	4.6	439,596	5.6	7,715,901	5.6
1997	134,968	8.7	471,336	7.2	8,224,960	6.6
1998	143,191	6.1	504,155	7.0	8,752,363	6.4
1999	151,779	6.0	542,347	7.6	9,308,983	6.4

(a) Sum of the GSP for the States in New England.
(b) Denotes the Gross Domestic Product, which is the total market value of all final goods and services produced in the U.S.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The following table shows the Gross State Product in 1996 chained dollars.

TABLE B-11

Gross State Product
(In Millions of 1996 Chained Dollars)

	Connecticut		New England		United States	
Year	**Dollars**	**% Growth**	**Dollars**	**% Growth**	**Dollars**	**% Growth**
1990	117,268	(0.1)	398,250	(2.2)	6,630,742	1.4
1991	114,555	(2.3)	388,451	(2.5)	6,615,685	(0.2)
1992	114,830	0.2	391,385	0.8	6,774,505	2.4
1993	115,725	0.8	397,470	1.6	6,918,388	2.1
1994	117,489	1.5	410,014	3.2	7,203,002	4.1
1995	120,792	2.8	422,524	3.1	7,433,965	3.2
1996	124,157	2.8	439,596	4.0	7,715,901	3.8
1997	132,620	6.8	463,498	5.4	8,093,396	4.9
1998	138,749	4.6	489,127	5.5	8,507,978	5.1
1999	145,274	4.7	520,092	6.3	8,934,066	5.0

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The table below shows the contribution to Connecticut's Gross State Product of the manufacturing and non-manufacturing sectors in the State's diverse economy. The table shows that, in 1999, Connecticut's output was concentrated in three areas: finance, services and manufacturing, which contributed two-thirds of the State's total output.

TABLE B-12

Gross State Product by Industry in Connecticut
(In Millions of Dollars)

Sector	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Manufacturing	19,949	19,901	19,452	18,420	18,983	20,017	21,233	22,998	24,270	25,048
Construction[(a)]	4,131	3,544	3,493	3,594	3,670	3,904	3,929	4,285	4,675	5,067
Agriculture[(b)]	701	660	734	819	802	771	845	874	965	1,038
Utilities[(c)]	6,722	6,803	7,212	7,622	8,026	8,407	8,192	8,315	8,676	9,020
Wholesale Trade	6,574	6,762	7,013	7,008	7,377	7,747	8,136	9,126	9,529	9,750
Retail Trade	8,528	8,361	8,340	8,553	8,835	9,026	9,347	10,100	10,908	12,213
Finance[(d)]	23,814	25,258	26,607	29,173	29,797	32,221	34,073	37,892	40,765	43,623
Services[(e)]	19,148	19,470	20,995	22,488	24,205	25,577	27,063	29,652	31,253	33,389
Government	9,370	9,636	9,948	10,247	10,700	10,975	11,339	11,726	12,150	12,631
Total GSP	98,939	100,395	103,794	107,924	112,395	118,645	124,157	134,968	143,191	151,779

Note—Columns may not add due to rounding.

(a) Includes mining.
(b) Includes forestry and fisheries.
(c) Includes transportation, communications, electric, gas and sanitary services.
(d) Includes finance, insurance and real estate.
(e) Covers a variety of activities, including professional, business and personal services.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

Employment

The following table compares non-agricultural establishment employment for Connecticut, New England and the United States between 1991 and 2000.

TABLE B-13

Non-agricultural Employment[(a)]
(In Thousands)

	Connecticut		New England		United States	
Calendar Year	Employment	Percent Growth	Employment	Percent Growth	Employment	Percent Growth
1991	1,555.1	(4.22)	6,042.1	(4.99)	108,255	(1.05)
1992	1,526.1	(1.86)	5,995.6	(0.77)	108,590	0.31
1993	1,531.1	0.33	6,079.9	1.41	110,693	1.94
1994	1,543.8	0.83	6,200.7	1.99	114,138	3.11
1995	1,561.8	1.17	6,328.2	2.06	117,190	2.67
1996	1,583.7	1.40	6,432.4	1.65	119,590	2.05
1997	1,612.7	1.83	6,575.5	2.22	122,675	2.58
1998	1,642.9	1.87	6,721.0	2.21	125,845	2.58
1999	1,668.5	1.56	6,853.1	1.97	128,903	2.43
2000	1,693.2	1.48	7,012.4	2.32	131,755	2.21

(a) Non-agricultural employment excludes agricultural workers, proprietors, self-employed individuals, domestic workers, family workers and members of the armed forces.

SOURCE: United States Department of Labor, Bureau of Labor Statistics

Composition of Employment. The following table shows the distribution of non-agricultural employment in Connecticut and the United States in 2000.

TABLE B-14

Connecticut Non-agricultural Employment, 2000
(In Thousands)

	Connecticut		United States	
	Total	%	Total	%
Services[(a)]	537.1	31.72	40,460	30.71
Trade[(b)]	365.3	21.57	30,330	23.02
Manufacturing	262.3	15.49	18,470	14.02
Government	242.0	14.29	20,675	15.69
Finance[(c)]	141.2	8.34	7,563	5.74
Utilities[(d)]	79.2	4.68	7,017	5.33
Construction[(e)]	66.1	3.91	7,240	5.49
	1,693.2	100.00	131,755	100.00

(a) Covers a considerable variety of activities, including professional, business and personal services.
(b) Includes wholesale and retail trade.
(c) Includes finance, insurance, and real estate.
(d) Includes transportation, communications, electric, gas and sanitary services.
(e) Includes mining.

SOURCE: United States Department of Labor, Bureau of Labor Statistics.

Recent trends in the State's non-agricultural employment are reflected in the following table:

TABLE B-15

Connecticut Non-agricultural Employment
(Annual Averages In Thousands)

Year	Manufacturing	Trade[(a)]	Services[(b)]	Government	Finance[(c)]	Utilities[(d)]	Construction[(e)]	Total Non-agricultural Employment[(f)]
1991	322.42	339.57	415.83	207.60	147.50	69.98	52.24	1,555.15
1992	305.71	331.33	423.08	207.32	142.34	67.98	48.32	1,526.06
1993	294.15	330.33	438.08	210.68	139.78	69.53	48.54	1,531.08
1994	285.29	335.24	449.84	217.23	135.72	70.46	49.99	1,543.76
1995	279.06	341.07	465.16	220.87	133.04	71.28	51.32	1,561.80
1996	274.79	347.05	480.52	222.85	131.73	73.58	53.15	1,583.67
1997	276.08	351.64	495.11	225.71	132.15	74.96	57.06	1,612.71
1998	276.87	355.73	510.70	227.64	136.49	75.81	59.62	1,642.86
1999	268.29	359.20	526.16	235.13	140.04	77.54	62.10	1,668.46
2000	262.30	365.32	537.12	241.98	141.21	79.24	66.06	1,693.23

(a) Includes wholesale and retail trade.
(b) Covers a considerable variety of activities, including professional, business and personal services.
(c) Includes finance, insurance and real estate.
(d) Includes transportation, communications, electric and gas.
(e) Includes mining.
(f) Totals may not equal sum of individual categories due to rounding.

SOURCE: United States Department of Labor, Bureau of Labor Statistics, Connecticut Labor Department

Manufacturing

Manufacturing has traditionally been of prime economic importance to Connecticut but has declined during the last decade. The following table provides a ten-year historical picture of manufacturing employment in Connecticut, the New England region and the United States.

TABLE B-16

Manufacturing Employment
(In Thousands)

Calendar	Connecticut		New England		United States	
Year	Number	% Growth	Number	% Growth	Number	% Growth
1991	322.4	(5.46)	1,136.8	(6.50)	18,405	(3.53)
1992	305.7	(5.18)	1,094.4	(3.73)	18,108	(1.61)
1993	294.2	(3.76)	1,069.2	(2.30)	18,078	(0.17)
1994	285.3	(3.03)	1,055.3	(1.30)	18,323	1.36
1995	279.1	(2.17)	1,049.1	(0.59)	18,525	1.10
1996	274.8	(1.54)	1,040.4	(0.83)	18,498	(0.15)
1997	276.1	0.47	1,045.6	0.50	18,673	0.95
1998	276.9	0.29	1,046.4	0.08	18,803	0.70
1999	268.3	(3.11)	1,017.4	(2.77)	18,555	(1.32)
2000	262.3	(2.24)	1,010.6	(0.67)	18,470	(0.46)

SOURCE: United States Department of Labor, Bureau of Labor Statistics, Connecticut State Labor Department.

Connecticut has a diverse manufacturing sector, with the construction of transportation equipment (primarily aircraft engines, helicopters and submarines) being the dominant industry. The State is also a leading producer of military and civilian helicopters. Employment in the transportation equipment sector is followed by fabricated metals, nonelectrical machinery, and electrical machinery for the total number employed in 2000.

TABLE B-17

**Manufacturing Employment
By Industry
(In Thousands)**

Calendar Year	Transportation Equipment	Fabricated Metals	Nonelectrical Machinery	Electrical Machinery	Other[(a)]	Total Manufacturing Employment
1991	77.93	34.49	39.50	31.09	139.41	322.42
1992	70.53	33.35	37.15	29.11	135.57	305.71
1993	62.92	33.57	36.15	28.06	133.45	294.15
1994	56.87	33.96	35.33	27.68	131.45	285.29
1995	52.68	34.29	35.09	27.73	129.27	279.06
1996	50.61	34.00	34.93	28.26	126.99	274.79
1997	50.12	34.63	34.65	28.80	127.88	276.08
1998	50.29	35.27	34.69	26.87	127.95	276.87
1999	48.25	34.01	33.15	26.87	126.01	268.29
2000	45.27	33.65	32.79	27.04	123.55	262.30

(a) Includes other industries such as wood products, furniture, glass/stone, primary metals and instruments in the durable sector, as well as all industries such as chemicals, paper and plastics in the nondurable sector.

SOURCE: United States Department of Labor, Bureau of Labor Statistics.

During the past ten years, Connecticut's manufacturing employment was at its highest in 1990 at 322,420 workers. Since that year, employment in manufacturing was on a downward trend with only a slight increase in 1997 and 1998. A number of factors, such as heightened foreign competition, a sharp decrease in defense spending, and improved productivity played a significant role in affecting the overall level of manufacturing employment. Total manufacturing jobs in Connecticut rebounded in 1997 and further improved in 1998, but continued to decline to a recent low of 262,300 in 2000. The total number of manufacturing jobs dropped 60,120 and 18.6% for the ten year period since 1991.

Exports. In Connecticut, the export sector of manufacturing has assumed an increasingly important role in overall economic growth. From 1995 to 2000, the State's export of goods grew at an average annual rate of 5.9%. The following table shows the growth in exports of manufacturing products.

TABLE B-18

Exports Originating in Connecticut
(In Millions)

	1995	1996	1997	1998	1999	2000	% of 2000 Total	Average % Growth 1995-2000
A. Manufacturing Products								
Chemicals	753.4	679.5	594.5	588.7	570.5	634.3	7.3	(3.0)
Primary Metals	278.4	226.6	390.5	244.5	259.7	313.9	3.6	8.7
Fabricated	301.9	355.7	333.9	291.9	318.5	359.7	4.2	4.2
Nonelectrical	825.0	783.7	994.7	954.1	972.1	1,144.0	13.2	7.5
Electrical	669.9	710.6	747.6	615.1	593.4	778.0	9.0	4.2
Transportation	1,712.5	1,907.0	2,261.2	3,002.1	2,761.9	3,298.2	38.1	14.8
Instrument	667.9	754.6	919.1	940.9	1,008.2	790.7	9.1	4.5
Waste & Scrap	119.0	136.9	152.8	127.4	93.9	94.7	1.1	(3.1)
Others	1,217.1	1,274.9	1,390.1	1,347.6	1,299.5	1,234.9	14.4	0.4
Total	6,545.1	6,829.5	7,784.4	8,112.3	7,877.7	8,648.4	100.0	5.9
% Growth	2.4	4.3	14.0	4.2	(2.9)	9.8		
B. Gross State Product[(a)]	118,645	124,157	134,968	143,191	151,779	163,405[(b)]		
Mfg Exports as a % of GSP	5.5	5.5	5.8	5.7	5.2	5.3		

(a) In millions.
(b) GSP for 2000 is estimated by the Office of Policy and Management and is assumed to grow at the same rate as income derived from wages and salaries, which is estimated by the United States Department of Commerce, Bureau of Economic Analysis.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis
Massachusetts Institute for Social and Economic Research, University of Massachusetts (MISER)

Defense Industry. One important component of the manufacturing sector in Connecticut is defense related business. Approximately one-quarter of the manufacturing establishments and approximately one-quarter of the manufacturing employees are involved in defense related businesses. Nonetheless, this sector's significance in the State's economy has declined considerably. Connecticut has witnessed a marked reduction in the amount of federal spending earmarked for defense related industries in the State. In fiscal 2000, Connecticut received $2,177.5 million of prime contract awards. This accounted for 1.8% of national total awards and ranked seventeenth in total defense dollars awarded and ninth in per capita dollars awarded among the 50 states. In fiscal year 2000, Connecticut had $639 in per capita defense awards, compared to the national average of $439. As measured by a three year moving average of defense contract awards as a percent of Gross State Product, awards to Connecticut based firms has fallen to 1.8% of Gross State Product in fiscal 2000, down from 5.1% of Gross State Product in fiscal year 1991. The reduction in 2000 was primarily due to lower awards for supplies and equipment for naval ships.

Connecticut is a leading producer of aircraft engines and parts, submarines, and helicopters. The largest employers in these industries are United Technologies Corporation, including its Pratt and Whitney Aircraft Division with headquarters in East Hartford, and Sikorsky Aircraft Corporation in Stratford, as well as General Dynamics Corporation's Electric Boat Division in Groton.

The following table provides a historical perspective of defense contract awards for the past ten fiscal years. Defense contracts are awarded in their entirety and multi-year awards are credited in the year they are awarded, thus giving rise to some of the fluctuation.

TABLE B-19

Defense Contract Awards

Federal Fiscal Year	Connecticut Total Contract Award (Thousands)	Connecticut Rank Among States Total Awards	% Change from Prior Year Connecticut	U.S.
1990-91	4,978,594	8th	17.4	2.4
1991-92	3,099,444	11th	(37.7)	(9.5)
1992-93	2,894,638	12th	(6.6)	1.7
1993-94	2,450,069	14th	(15.4)	(3.4)
1994-95	2,718,021	12th	10.9	(1.2)
1995-96	2,638,260	13th	(2.9)	0.4
1996-97	2,535,981	13th	(3.9)	(2.6)
1997-98	3,408,719	9th	34.4	2.7
1998-99	3,169,394	12th	(7.0)	5.0
1999-2000	2,177,462	17th	(31.3)	7.3

SOURCE: United States Department of Defense

Non-manufacturing. Over the past several decades the non-manufacturing sector of the State's economy has risen in economic importance, from just over 50% of total State employment in 1950 to 84.5% by 2000. This trend has decreased the State's dependence on manufacturing.

The table below provides a ten year profile of non-manufacturing employment in Connecticut, New England and the United States.

TABLE B-20

Non-manufacturing Employment (In Thousands)

Calendar	Connecticut		New England		United States	
Year	Number	% Growth	Number	% Growth	Number	% Growth
1991	1,232.7	(3.88)	4,890.2	(4.63)	89,843	(0.54)
1992	1,220.4	(1.00)	4,886.3	(0.08)	90,485	0.71
1993	1,236.9	1.35	4,995.6	2.24	92,620	2.36
1994	1,258.5	1.75	5,129.8	2.69	95,815	3.45
1995	1,282.8	1.93	5,263.6	2.61	98,658	2.97
1996	1,308.9	2.03	5,392.0	2.44	101,095	2.47
1997	1,336.6	2.12	5,529.8	2.56	104,008	2.88
1998	1,366.0	2.20	5,674.7	2.62	107,043	2.92
1999	1,400.2	2.50	5,835.7	2.84	110,343	3.08
2000	1,430.9	2.19	6,001.8	2.85	113,288	2.67

Source: United States Department of Labor, Bureau of Labor Statistics
Connecticut State Labor Department

Services, retail and wholesale trade, state and local government, as well as finance, insurance and real estate (FIRE) collectively comprise approximately 90% of the State's employment in the non-manufacturing sector. Connecticut non-manufacturing employment for 1991, 1998, 1999 and 2000 is shown in the table below. Total non-manufacturing employment has been broken down by industry. Percent changes over the fiscal year and over the decade are also provided.

TABLE B-21

Connecticut Non-manufacturing Employment By Industry
(In Thousands)

Industry	Calendar 1991	Calendar 1998	Calendar 1999	Calendar 2000	Percent Change 1999-2000	Percent Change 1991-2000
Construction[a]	52.24	59.64	61.12	66.07	6.36	26.47
Transportation	40.94	43.64	44.53	46.38	4.15	13.29
Communications	18.17	18.94	18.75	18.98	1.23	4.46
Utilities	13.30	12.39	12.45	12.68	1.85	(4.66)
Wholesale Trade	65.27	86.54	86.18	87.74	1.81	34.43
Retail Trade	274.30	269.19	273.02	277.59	1.67	1.20
Finance and Real Estate	65.65	67.12	69.72	69.29	(0.62)	5.54
Insurance	81.85	69.37	70.32	71.92	2.28	(12.13)
Services[b]	415.83	510.70	526.16	537.12	2.08	29.17
Federal Government	26.18	22.60	22.34	22.44	0.45	(14.29)
State and Local Government	179.00	205.86	214.59	220.73	2.86	23.31
Total Non-manufacturing Employment[c]	1,232.73	1,365.99	1,400.18	1,430.94	2.20	16.08

(a) Includes mining.
(b) Covers a considerable variety of activities, including professional and business services.
(c) Totals may not agree with detail due to rounding.

Source: Connecticut State Labor Department

Retail Trade. Personal spending on goods and services generally accounts for two-thirds of the Gross Domestic Product. Approximately half of personal spending is generally done through retail stores. At the State level, retail trade therefore constitutes approximately one third of the State's economic activity, measured as Gross State Product. During the last decade, variations in retail trade closely matched variations in Gross State Product growth, making retail trade an important barometer of economic health.

TABLE B-22

Retail Trade In Connecticut
(In Millions)

		Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000	% Of Fiscal Year 2000 Total	Average % Growth Fiscal Year 1996-2000
SIC52	Hardware Stores	1,371	1,436	1,512	2,320	2,418	5.7	16.9
SIC53	General Merchandise	3,618	3,636	3,793	3,742	3,744	8.8	0.9
SIC54	Food Products	6,128	6,127	6,479	6,922	7,139	16.7	3.9
SIC55	Automotive Products	6,935	7,488	7,654	7,963	8,712	20.4	5.9
SIC56	Apparel & Accessory	1,586	1,696	1,896	2,047	2,195	5.1	8.5
SIC57	Furniture & Appliances	3,156	3,724	4,333	4,011	4,299	10.1	8.5
SIC58	Eating & Drinking	2,546	2,685	2,799	2,966	3,148	7.4	5.5
SIC59	Misc. Shopping Stores	7,857	8,579	9,425	9,865	10,975	25.7	8.7
	Total[(a)]	$33,197	$35,371	$37,891	$39,836	$42,630	100.0	6.5
% Change from Previous Year		4.8	6.5	7.1	5.1	7.0		
Durables (SIC 52,55,57)		$11,462	$12,648	$13,499	$14,294	$15,429	36.2%	7.7%
% Change from Previous Year		4.8	10.3	6.7	5.9	7.9		
Non Durables (all other SICs)		$21,735	$22,723	$24,392	$25,542	$27,201	63.8%	5.8%
% Change from Previous Year		4.7	4.5	7.3	4.7	6.5		

(a) Totals may not agree with detail due to rounding.

SOURCE: Connecticut Department of Revenue Services

Unemployment Rates. After enjoying an extraordinary boom during the mid-1980s, Connecticut, as well as the rest of the Northeast, experienced an economic slowdown during the recession of the early 1990s. The unemployment rate in the State rose to a high of 7.6% in 1991, which was above the national average of 6.9%. Since then it has generally been declining and has remained mostly below the national average. It fell to 2.3% in 2000 and is averaging 2.2% for the first six months of 2001, well below the national average of 4.0% and 4.4%, respectively, for the same periods.

The unemployment rate is the proportion of persons in the civilian labor force who do not have jobs but are actively looking for work. Unemployment rates tend to be high during economic slowdowns and low when the economy is expanding. The rate is widely utilized as a proxy for consumer confidence. In general, when the unemployment rate is high consumer spending is lower and vice versa.

The following table compares unemployment rate averages of Connecticut, New England and the United States between 1991 and the first half of 2001. Connecticut's unemployment rate of 2.2% for the first half of 2001 is below the national average of 4.4%.

TABLE B-23

Unemployment Rate

Year	Unemployment Rate		
	Connecticut	New England	United States
1991	6.8	8.0	6.9
1992	7.6	8.0	7.5
1993	6.3	6.8	6.9
1994[(a)]	5.6	5.9	6.1
1995	5.5	5.4	5.6
1996	5.7	4.8	5.4
1997	5.1	4.4	5.0
1998	3.4	3.5	4.5
1999	3.2	3.3	4.2
2000	2.3	2.8	4.0
2001[(b)]	2.2	2.9	4.4

(a) Beginning with estimates for January 1994, State and area labor force statistics reflect a number of important changes. These include implementation of a major redesign of the Current Population Survey (CPS); introduction of updated population controls to the CPS; improved regression models for smaller states such as Connecticut; and incorporation of selected 1990 Census data in the geographic redefinition of labor market areas and in local area labor force estimation.

(b) Reflects average for the first six months.

SOURCE: United States Department of Labor, Bureau of Labor Statistics
Connecticut State Labor Department
Federal Reserve Bank of Boston

FINANCIAL PROCEDURES

The Budgetary Process

Balanced Budget Requirement. In November 1992, electors approved an amendment to the State Constitution providing that the amount of general budget expenditures authorized for any fiscal year shall not exceed the estimated amount of revenue for such fiscal year. This amendment also provides a framework for a cap on budget expenditures. The General Assembly is precluded from authorizing an increase in general budget expenditures for any fiscal year above the amount of general budget expenditures authorized for the previous fiscal year by a percentage which exceeds the greater of the percentage increase in personal income or the percentage increase in inflation, unless the Governor declares an emergency or the existence of extraordinary circumstances and at least three-fifths of the members of each house of the General Assembly vote to exceed such limit for the purposes of such emergency or extraordinary circumstances. The constitutional limitation on general budget expenditures does not include expenditures for the payment of bonds, notes or other evidences of indebtedness. There is no statutory or constitutional prohibition against bonding for general budget expenditures.

The Supreme Court has ruled that the provisions of the constitutional budget cap require the passage of additional legislation by a three-fifths majority in each house of the General Assembly, which has not yet occurred. In the interim, the General Assembly has been following a provision of the General Statutes, which contains the same budget cap as the constitutional amendment. In addition to the exclusion of debt service from the budget cap, this statute also excludes statutory grants to distressed municipalities, expenditures to implement federal mandates and court orders in the first fiscal year in which such expenditures are authorized, and payments from surplus for certain debt retirement and additional state employee pension contributions.

Biennium Budget. The State's fiscal year begins on July 1 and ends June 30. The General Statutes require that the budgetary process be on a biennium basis. The Governor is required to transmit a budget document in February of each odd-numbered year setting forth the financial program for the ensuing biennium with a separate budget for each of the two fiscal years and a report which sets forth estimated revenues and expenditures for the three fiscal years after the biennium to which the budget document relates. In each even-numbered year, the Governor must prepare a report on the status of the budget enacted in the previous year with any recommendations for adjustments and revisions, and a report, with revisions, if any, which sets forth estimated revenues and expenditures for the three fiscal years after the biennium in progress.

Budget Document. By statute, the budget document consists of four parts. Part I is the Governor's budget message, and contains his program for meeting the expenditure needs of the State as well as financial statements detailing the condition of State debt, the financial position of all major State operating funds, recommended appropriations and State revenues on an actual basis for the last completed fiscal year and on an estimated basis for the fiscal year in progress and the fiscal years to which the budget relates. If a budget deficit or surplus is projected, the Governor will recommend the manner in which the deficit will be met or surplus used. The Governor's recommended appropriations from the General Fund and all special and agency funds comprise Part II of the budget document. Appropriations are set forth for meeting the cost of each major function and program. An accounting of federal funds and recommendations for the capital program are also included. Part III of the budget document consists of drafts of appropriations and revenue bills to carry out the Governor's budget recommendations. In Part IV of the budget, the Governor makes recommendations concerning the State's economy and analyzes the impact on the economy of the proposed spending and revenue programs.

Preparation of the Budget. Formulation of the budget commences with the preparation of estimates of expenditure requirements for each fiscal year of the next biennium by the administrative head of each budgeted agency. These estimates are submitted on or before September 1 of each even-numbered year to the

Office of Policy and Management (the "OPM") and to the joint legislative standing committee on appropriations and the committee having cognizance of matters relating to such budgeted agency. In odd-numbered years, each agency submits its recommended adjustments or revisions of such estimates. A detailed statement showing revenue and estimated revenue for the current fiscal year and estimated revenue for the next fiscal year, and in the even-numbered year, for the next biennium, must also be submitted by such agency heads to the OPM on or before September 1 and the joint legislative standing committee on finance on or before November 15. Upon receipt of such agency reports, it is the OPM's practice to prepare a preliminary budget report.

Adoption of the Budget. The budget document, as finally developed by the Governor with the assistance of the OPM, is published and transmitted to the General Assembly in February of each odd-numbered year. A report summarizing recommended adjustments or revisions is submitted by the Governor to the General Assembly in even-numbered years. The Governor or a representative then appears before the appropriate committee of the General Assembly to explain and address questions concerning the budget document or reports. Prior to June 30 of each odd-numbered year, the General Assembly generally enacts one bill making all appropriations for the next two fiscal years and setting forth revenue estimates for those years. Subsequent appropriations or revenue bills are occasionally passed.

Line Item Veto. Under the State Constitution, the Governor has the power to veto any line of any itemized appropriations bill while at the same time approving the remainder of the bill. A statement identifying the items so disapproved and explaining the reasons therefor must be transmitted with the bill to the Secretary of the State and, when in session, the General Assembly. The General Assembly may separately reconsider and repass such disapproved appropriation items by a two-thirds vote of each house.

Financial Controls

Expenditures. The financial control procedures utilized by the State in the expenditure of State funds are described below and may be generally summarized as follows: initially, the legislature appropriates funds for a particular purpose; such funds must then be allotted for such purpose by the Governor; and thereafter such funds are encumbered by the Comptroller upon the request of the responsible State agency. Once this appropriation, allotment and encumbrance procedure (which may be modified as described below) has been completed, State funds are paid by the Treasurer only upon a warrant, draft or order of the Comptroller drawn at the request of the responsible agency. Certain receivables from the federal government or other sources do not require allotment by the Governor.

Governor's Role. Before an appropriation for a budgeted agency becomes available for expenditure the agency must submit to the Governor through the Secretary of the OPM, not less than 20 days before the beginning of the fiscal year for which the appropriation is made, a requisition for the allotment of funds needed for each quarter of the fiscal year. Appropriations for capital outlays may be allotted in any manner the Governor deems advisable. The Governor may reduce the budget allotment request by not more than three percent of the total appropriation from any fund or not more than five percent of any appropriation under certain circumstances. Such allotments are subject to further modification by the Governor throughout the course of the fiscal year if conditions warrant. The Governor is not authorized to reduce allotment requisitions or allotments in force concerning aid to municipalities.

Comptroller's Role. The Comptroller is responsible for keeping an account in connection with each appropriation. No warrant, draft or order may be issued by the Comptroller in excess of the available balance of the applicable account unless the General Assembly has passed a deficiency bill for the purpose or unless such appropriation has been increased by the Governor in the limited circumstances of emergency expenditures or allotment modifications as authorized by statute. The Comptroller is required to issue cumulative monthly financial reports concerning the State General Fund.

Treasurer's Role. Each warrant, draft or order upon the Treasurer must specify the particular appropriation against which it is drawn, and no money may be paid by the Treasurer absent such specification. The Treasurer is required to honor all warrants, drafts and orders properly drawn by the Comptroller. The Treasurer also has primary responsibility for the investment of State funds and the issuance of debt of the State.

By statute, the Treasurer may not pay compensation, expenses or fees or otherwise enter into contractual arrangements with any firm providing legal services, investment banking services, investment advisory services, underwriting services, financial advisory services or brokerage firm services if such firm, through its political committee or certain managerial level officers or employees, makes or solicits contributions after October 1, 1995 to any committee established by a candidate for nomination or election to the Office of Treasurer of the State. The statute also prohibits the making or solicitation of contributions by such firms. The statute was extended in May 2000 so it applies to contributions to other elected State officials including the Governor and the Attorney General.

Use of Appropriations. No appropriation or part thereof may be used for any purpose other than for the purpose for which it was made, except with respect to certain transfers and revisions of appropriations permitted to be made by the Governor with the concurrence of the Finance Advisory Committee, composed of members of the executive and legislative departments. Civil sanctions may be imposed pursuant to statute upon persons who willfully expend or authorize the expenditure of State funds for any purpose in excess of the amount specifically appropriated for such purpose.

Unexpended Appropriations. All unexpended balances of appropriations for each fiscal year lapse on the last day of such fiscal year and revert to the unappropriated surplus of the fund from which the appropriations were made, except for certain continuing appropriations. Such continuing appropriations include those continued for a one-month period in the case of programs which were not renewed the succeeding year, those continued for the entire succeeding year in the case of highway and other capital construction projects, and limited amounts for certain special programs.

Unappropriated Surplus. The State Constitution provides that any resulting unappropriated surplus shall be used to fund a budget reserve fund, to reduce bonded indebtedness or for any other purpose authorized by at least three-fifths of each house of the General Assembly. The General Statutes provide that the Treasurer shall transfer any unappropriated surplus in the General Fund to a budget reserve fund, unless otherwise directed by law. When the amount in the budget reserve fund in any fiscal year equals 5% of the net General Fund appropriations, no further transfers shall be made by the Treasurer.

As of June 30, 2001, the balance in the budget reserve fund was $564.0 million. After the transfer of $30.7 million from the June 30, 2001 surplus, the balance in the budget reserve fund is $594.7 million. Surplus moneys in excess of amounts transferred to the budget reserve fund have been held or applied to provide for the retirement of outstanding indebtedness or for debt avoidance.

Revenues. The Treasurer superintends the collection and receipt of all taxes and revenues belonging to the State, and is authorized to deposit the same in any qualified public depository as defined by statute. Each State department, institution, board, commission or other State agency and any official or employee thereof that receives any money for revenue of the State must, within 24 hours of its receipt or within seven days of receipt for amounts less than $500, account for and pay the same to the Treasurer or, with the approval of the Treasurer and the Comptroller, deposit the same in an account in a qualified public depository in the name of the State or in the name of the public official as such official. The Treasurer is authorized to make exceptions to the limitations on amounts and timing of payments or deposits of receipts provided the Treasurer files a written statement of such exception with the Comptroller and the Auditors of Public Accounts. Any public official who deposits funds or moneys in an account in the name of the State or in such official's name must submit a list of all such accounts as of the preceding June 30 to the Treasurer and the Comptroller not later than September 1 of each year.

Accounting Procedures

Financial statements of the State are prepared annually on a modified cash basis of accounting for all civil list funds. The Comptroller prepares the statements for submission to the Governor by September 1 of each year, unless extended by State law. The State's Auditors of Public Accounts must audit the books and accounts of the Treasurer and the Comptroller at least annually and have discretion to audit them at more frequent intervals.

At the present time the State is not required to prepare financial statements in accordance with generally accepted accounting principles ("GAAP") and does not prepare GAAP statements on an interim basis. However, since 1988 the State has issued comprehensive annual financial reports in accordance with the guidelines established by the Governmental Accounting Standards Board ("GASB"). These reports include audited annual financial statements prepared in accordance with GAAP. A 1993 statute authorized the OPM to implement the use of GAAP with respect to the preparation of the annual budget effective with the fiscal year commencing July 1, 1995, and provided for the amortization of the GAAP-based deficit commencing with the fiscal year ending June 30, 1997. Subsequent legislation has extended the implementation date to July 1, 2003 and the amortization date to June 30, 2005.

As specifically permitted by statute, the only present modifications from the cash basis in recording revenues under the modified cash method are: (1) the accrual of the sales and use taxes to be received for the calendar quarter ending at the close of such fiscal year as estimated by the Secretary of the OPM; (2) the accrual of cigarette tax revenue received by the Commissioner of Revenue Services no later than the last day of July immediately following the end of such fiscal year; (3) the accrual of alcoholic beverage tax revenue received by the Commissioner of Revenue Services no later than the last day of July immediately following the end of such fiscal year; (4) the accrual of the motor fuels tax revenue and the motor carrier road tax revenue on all fuel sold or used prior to the end of such fiscal year and which tax is received by letter postmarked no later than the last day of July immediately following the end of such fiscal year; (5) the accrual of utility company tax revenue and tax revenue on gross earnings from the sale of petroleum products which is received by letter postmarked no later than the last day of July immediately following the end of such fiscal year; (6) the accrual of corporation business tax revenue which is received by the Department of Revenue Services no later than the last day of July immediately following the end of such fiscal year; (7) the accrual of income tax revenue which is received by the Commissioner of Revenue Services from employers no later than the last day of July immediately following the end of such fiscal year; (8) the accrual of payments received from any Indian tribe, pursuant to a memorandum of understanding, which is received by the Treasurer no later than the last day of July immediately following the end of such fiscal year; and (9) the recording as grants receivable of certain amounts of restricted grants for which the State has the contractual right to be reimbursed by the federal government or other parties.

Expenditures are recorded on a cash basis in the fiscal year in which they are made. Such expenditures are so recorded by the Comptroller when he draws and serves a warrant on the Treasurer. Those instances in which warrants are drawn at the close of a fiscal year can, because of required processing time, result in disbursements made after the beginning of the following fiscal year. Certain appropriations which have not lapsed are reflected in the balance sheet through a reserve for continuing appropriations.

The modified cash basis of accounting used for statutory financial reporting and the modified accrual basis used for GAAP financial reporting are different and, as a result, often produce varying financial results, primarily because of differences in the recognition of revenues and expenditures. For example, for statutory reporting purposes, the State's bi-weekly payroll expenditures are recognized in the fiscal year in which employees are paid, while for GAAP purposes they are recognized in the fiscal year in which the services are performed, resulting in GAAP accrual of expenditures for work performed through June 30 but not paid until the following fiscal year. Similarly, the modified accrual basis used for GAAP financial reporting recognizes additional federal and other grant moneys as revenues which are not so recognized in the modified cash basis of accounting.

The Treasurer is required to submit to the Governor and the Investment Advisory Council, by October 15 of each year, audited financial statements of the State's combined investment funds, and financial statements of the Short Term Investment Fund, the Second Injury Fund, and the Tax Exempt Proceeds Fund.

Investment and Cash Management

Treasurer's Role. The Treasurer has the investment responsibility for all funds of the State and functions as the trustee of all State pension, retirement and trust funds. The Treasurer is authorized to invest or reinvest funds under the control of the Treasurer in United States government or agency obligations, shares or interests in an investment company or trust registered under the Investment Company Act of 1940, whose portfolio is limited to obligations of the United States, its agencies or instrumentalities, or repurchase agreements fully collateralized by such obligations, United States postal service obligations, certificates of deposit, commercial paper, savings accounts and bank acceptances. The Treasurer may also invest funds, excluding civil list funds, in the sale or acquisition of securities or obligations which the Treasurer is authorized to sell or acquire for purposes of any combined investment fund, subject to repurchase agreements with any securities dealer or bank included in the list of primary dealers prepared by the Federal Reserve Bank of New York. The Treasurer is also authorized to invest all or any part of any sinking fund in bonds in which savings banks may legally invest, provided such bonds mature prior to maturity of the bonds of the State which are outstanding. The Treasurer is required to report by October 15 annually to the Governor and the Investment Advisory Council as to the activities of the Office of the Treasurer for the preceding fiscal year.

Investment Advisory Council. All trust fund investments by the Treasurer are reviewed by the Investment Advisory Council, comprised of the Treasurer and the Secretary of the OPM as ex officio members, five members of the public with experience in investment matters, three representatives of the teachers' union and two representatives of the State employees' unions. The Treasurer, with the approval of the Council, adopts an investment policy statement for trust funds. The Governor may direct the Treasurer to change any investments when in the judgment of the Council such action is in the best interest of the State. At the close of each fiscal year a report is submitted to the Governor on the value of all security investments of the State.

Short Term Investment Fund. Cash management and the investment by the Treasurer of all State monies is based on the concept of a common cash pool. The Short Term Investment Fund ("STIF") is a combined investment pool of high quality, short term money market instruments which is the primary investment vehicle for the temporarily surplus cash of all funds of which the Treasurer is custodian and/or trustee, except certain bond funds, State pension funds and selected trust funds. All agencies, instrumentalities and political subdivisions of the State are permitted to invest in STIF. The State is responsible to these governmental entities to manage their deposits and accumulated earnings in a prudent manner. Individual participants in STIF can add or withdraw monies on a daily basis with interest earned from date of deposit to date of withdrawal. The primary investment objectives of STIF are the preservation of principal and the provision of liquidity to meet participants' daily cash flow needs, while seeking to earn competitive yields. STIF is managed in accordance with the investment guidelines established by the Treasurer. These investment guidelines prohibit investment in derivative securities other than floating rate securities which vary in the same direction as individual short term money market indices, and limit the ability to enter into reverse repurchase agreements to amounts not to exceed five percent (5%) of the STIF's net assets at the time of execution. Shares of the Short Term Investment Fund are rated "AAAm" by Standard & Poor's.

Medium Term Investment Fund. A 1997 statute created the Medium-Term Investment Fund. The Treasurer may purchase participation units of the fund for all trusts and other funds for which the Treasurer has investment responsibility. The Treasurer may sell participation units in the Medium-Term Investment Fund to all agencies, authorities, instrumentalities and political subdivisions of the state. Such participation units are legal investments for all agencies, authorities, instrumentalities and political subdivisions of the state. The Treasurer is authorized to invest and reinvest funds of the Medium-Term Investment Fund in obligations of the United States government and its agencies and instrumentalities, certificates of deposit, commercial paper, corporate debt securities, savings accounts and bankers' acceptances, repurchase agreements collateralized by such securities, and investment funds or pools comprised of securities in which the Medium-Term Investment Fund may directly invest. The Treasurer may adopt regulations specifying the terms and conditions of the purchase and sale of participation units, the payment of interest, investment policies, and accounting practices.

Tax Exempt Proceeds Fund. Under the terms of the General Statutes, the Treasurer has facilitated the establishment of the Tax Exempt Proceeds Fund, Inc. ("TEPF"), a diversified, open-end management investment company, registered under the Investment Company Act of 1940, whose investment objectives are to provide its investors with high current interest income exempt from federal income taxes, preservation of capital and maintenance of liquidity. TEPF will only invest in securities that qualify as an investment in "tax-exempt bonds" as defined in Section 150(a)(6) of the Internal Revenue Code of 1986, as amended (the "Code") and amplified in Treasury Department Regulations. Therefore, shareholders of TEPF that are tax-exempt bond issuers are expected to be exempt from the arbitrage rebate provisions of the Code. TEPF seeks to achieve its objectives by investing primarily in a liquid money market portfolio of short-term, high quality, tax-exempt, fixed rate and variable rate obligations issued by states, municipal governments and by public authorities, and in participation interests therein issued by banks, insurance companies or other financial institutions that meet this federal income tax definition. The TEPF seeks to maintain a constant net asset value of $1.00 per share. TEPF's investment policies were developed for the particular federal income tax needs of entities that are issuers of tax-exempt state and local bonds, such as states and municipalities and their authorities, agencies, instrumentalities and subdivisions. All recipients of any grant or loan monies of the State funded from Connecticut tax-exempt bond proceeds must invest such monies in TEPF, unless the Treasurer waives this requirement upon a determination that a waiver will not adversely affect the tax-exempt status of State bonds, notes or other evidences of indebtedness. The State may, from time to time, deposit bond proceeds of the State in TEPF. Reich & Tang Asset Management, LLC acts as investment manager of TEPF and a Board of Directors is responsible for TEPF's overall management and supervision.

Investment of Pension Funds. Seven investment funds serve as the investment medium for the various pension, retirement and trust funds of which the Treasurer is the trustee. They are the Cash Reserve Account, the Mutual Equity Fund, the Mutual Fixed Income Fund, the Commercial Mortgage Fund, the Real Estate Fund, the International Stock Fund and the Private Investment Fund. Such funds acquire units, in varying proportions depending on the investment policies of the funds, in one or more of the funds. By statute no more than 60% of any of the State's trust funds may be invested in common stock and if market fluctuations cause this limit to be exceeded, after six months no more than 65% of the State's trust funds may remain invested in common stock. Other than these limits, the statutes of the State permit investment in securities under the "Prudent Investor" rule. See also **PENSION AND RETIREMENT SYSTEMS** herein.

Investment of Bond Proceeds. Proceeds of bonds are accounted for in various general obligation bond funds. All invested assets of the bond funds are invested in STIF or TEPF. Bond proceeds are expended in accordance with the authorization and allotment procedure of the State Bond Commission and the Governor, respectively. Assets of the bond funds may from time to time be released temporarily to the common cash pool in accordance with the State's overall cash flow needs. Under the State's accounting system, release of the assets of the bond funds to the common cash pool is reflected in the accounts of the bond funds as an uninvested cash balance. That accounting balance can be reduced only when an approved payment for an expenditure is charged to the bond funds. In no case does the release of bond fund assets to the common cash pool alter the timing or the extent of expenditures for the purposes for which the bonds were issued.

Cash Management. It is the practice of the State to treat all civil list funds (including monies in the General Fund, various bond funds, and the Special Transportation Fund) as common cash, with amounts released from the various funds to the common cash pool in accordance with the State's overall cash flow needs. All banks holding major account balances for the State Treasury report these balances daily, enabling the Treasurer to maintain adequate cash to meet anticipated demands and to keep unneeded balances fully invested.

Interest Rate Risk Management. The Treasurer, with the authorization of the State Bond Commission, has the power to enter into reimbursement and similar agreements in connection with liquidity or credit facilities and to pledge the full faith and credit of the State or other collateral to secure the State's payment obligations under any such agreement. The Treasurer, with the authorization of the State Bond Commission, has the power to enter into contracts to place the obligation of the State as represented by bonds or notes of the State, on such interest rate or cashflow basis, including swap agreements and other arrangements to manage interest rate risk. The unsecured long-term obligations of the counter party to any arrangement must be rated the same or higher than the underlying rating of the State on the applicable bonds. The State Bond Commission may authorize the Treasurer to pledge the full faith and credit of the State and any other collateral pledged to secure the applicable bonds to also secure the State's payment obligations under any such contract.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE SPECIAL OBLIGATION INDENTURE OF TRUST

This section is a brief summary of the Special Obligation Indenture of Trust (the "Special Obligation Indenture"). The summary does not purport to be complete. Reference is made to the Special Obligation Indenture for a full and complete statement of the provisions thereof.

Authority for the Special Obligation Indenture. [Section 201]. The Special Obligation Indenture is made and entered into by virtue of and pursuant to the provisions of the Act.

Authorization for Issuance of Bonds and Obligations of University. [Section 202]. In order to provide sufficient funds for the UCONN 2000 Infrastructure Improvement Program and not otherwise available from the sale of general obligation bonds of the University under its General Obligation Master Indenture of Trust, Special Obligation Bonds of the University are authorized to be issued without limitation as to amount except as therein provided or as may be limited by law and such Bonds shall be issued subject to the terms, conditions and limitations established in the Special Obligation Indenture.

The Bonds, Notes, Swaps, Subordinated Swaps, obligations of the University under a Swap Facility or Bond Facility, Reimbursement Obligations, Swap Payments and Termination Payments or other similar obligations of or payments by the University issued or incurred under and pursuant to the Special Obligation Indenture, shall be special obligations of the University, the Principal and Redemption Price (if any) of, interest on, and other amounts due in respect of which, shall be payable solely from the Trust Estate, and shall not be payable from nor charged upon any funds other than the Trust Estate pledged therefor as provided under the Special Obligation Indenture pursuant to the Act. The Bonds shall be entitled to the benefit of the continuing pledge of and lien on the Trust Estate created by the Special Obligation Indenture and, with respect to any Additional Bonds, the Supplemental Indenture authorizing the issuance thereof, to secure the full and final payment of the Principal, or Redemption Price, if applicable, thereof and the interest thereon.

The Bonds, Notes, Swaps, Subordinated Swaps, obligations of the University under a Swap Facility or Bond Facility, Reimbursement Obligations, Swap Payments and Termination Payments or other similar obligations of or payments by the University issued or incurred under and pursuant to the Special Obligation Indenture shall not constitute a general obligation of the University or a debt or liability of the State, including within the meaning of Section 3-21 of the General Statutes of the State, or any political subdivision thereof or a pledge of the faith and credit of the State, the University or of any other political subdivision of the State but shall be payable solely from the resources of the University described in the Special Obligation Indenture as the Trust Estate; the Bonds, Notes, Swaps, Subordinated Swaps, obligations of the University under a Swap Facility or Bond Facility, Reimbursement Obligations, Swap Payments and Termination Payments or other similar obligations of or payments by the University issued or incurred under and pursuant to the Special Obligation Indenture constitute a special obligation of the University payable solely from, and are secured solely by a pledge of, the Trust Estate, including Pledged Revenues and to the extent pledged in the Supplemental Indenture authorizing a particular Series of Bonds, all amounts on deposit in and if necessary certified by the University as necessary to restore the Special Capital Reserve Fund to the Special Capital Reserve Fund Minimum Requirement and deemed appropriated from the State's general fund and paid to the University.

All Bonds shall contain on the face thereof a statement to the effect that:

NEITHER THE STATE OF CONNECTICUT NOR ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE UNIVERSITY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. THE UNIVERSITY IS OBLIGATED TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS SOLELY

FROM THE TRUST ESTATE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CONNECTICUT OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE UNIVERSITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. THE UNIVERSITY HAS NO TAXING POWER.

Pledge Effected by Indenture. [Section 601]. The Trust Estate is pledged to secure the payment of the Principal or Redemption Price, if any, and the interest on the Bonds (including the Sinking Fund Installments for the retirement thereof) in accordance with their terms and the provisions of the Special Obligation Indenture permitting the application or release thereof for or to the purposes and on the terms and conditions therein set forth.

Establishment Funds and Accounts Therein. [Section 602]. The University establishes and creates the following funds and accounts to be held by the Trustee: the Bond Proceeds Fund (consisting of the Cost of Issuance Series accounts, the Capitalized Interest Series accounts and the Series accounts), the Debt Service Fund (consisting of the Interest Account and the Principal Installment Account), the Redemption Fund; the Rebate Fund; the Debt Service Reserve Fund and the Special Capital Reserve Fund; and the following fund to be held by the University: the Renewal and Replacement Fund. The University has reserved the right to establish additional funds, accounts and subaccounts.

Costs of Issuance Account. [Section 603]. A separate sub-account within the Costs of Issuance Account designated "UCONN 2000 Special Obligation Bonds Costs of Issuance Sub-account" may be established for the Bonds of each Series Outstanding. There shall be deposited in the applicable sub-account of the Costs of Issuance Account from time to time the amount of moneys necessary to pay the Costs of Issuance of each Series of Bonds. Such proceeds and moneys shall be used to pay only the Costs of Issuance of the Series of Bonds for which such proceeds and moneys were deposited. The Costs of Issuance of any Series of Bonds shall be paid only from the same Series Sub-account of the Costs of Issuance Account. Upon payment of all Costs of Issuance of a Series of Bonds for which a separate sub-account has been established in the Costs of Issuance account, an Authorized Officer of the University shall transfer any moneys remaining in said sub-account to the same Series Sub-account of the Bond Proceeds Fund or to other Costs of Issuance accounts or to the University on account of payment of Costs of Issuance.

Bond Proceeds Accounts. [Section 604]. Within the Bond Proceeds Fund a separate sub-account designated "UCONN 2000 Special Obligation Bond Proceeds Sub-account" may be established for the Bonds of each Series Outstanding. Subject to Section 610, there shall be deposited into the applicable Series Sub-account of the Bond Proceeds Fund, only the amount of the proceeds of the Bonds of any Series required to be deposited therein as shall be specified and determined by the Supplemental Indenture authorizing such Series of Bonds. Moneys in the Bond Proceeds Fund shall be expended only for a UCONN 2000 Project subject to the provisions and restrictions of the Section 604 of the Special Obligation Indenture.

The University is authorized and directed to order each disbursement from the Bond Proceeds Fund upon a certification filed with Trustee, signed by an Authorized Officer of the University stating that such item or category of cost has been properly paid or incurred as a cost of the Project and, is consistent with the covenant of the University respecting tax exempt obligations and any Tax Regulatory Agreement with respect thereto.

Debt Service Fund. [Section 606]. The Trustee shall pay out of the Interest Account of the Debt Service Fund and out of the Principal Installment Account of the Debt Service Fund to the respective Paying Agents the amounts required for the payment when due of Interest and Principal on Outstanding Bonds and such amounts shall be applied by the Paying Agents to such payments.

Redemption Fund. [Section 607]. Amounts in the Redemption Fund may be applied as directed by the University in a certificate of an Authorized Officer of the Authority filed with the Trustee to the purchase of Bonds at prices not exceeding the Redemption Price thereof applicable on the next redemption date plus accrued interest to such next redemption date (such redemption date shall be the earliest date upon which Bonds are subject to redemption from such amounts) or to the redemption of Bonds. Upon any purchase or redemption of Bonds of any Series and maturity for which Sinking Fund Installments shall have been established other than by application of Sinking Fund Installments, an amount equal to the applicable Redemption Prices thereof shall be credited toward a part of all or any one or more of such Sinking Fund Installments, as directed by the University, or, failing such direction by June 30, of each year, toward such Sinking Fund Installment in inverse order of their due dates.

Release and Restriction on Pledged Revenues. [Section 609]. Subject to providing for the deposits or payments pursuant to the Special Obligation Indenture and providing for the payment of Special Obligation Debt Service Expense Requirements, the Pledged Revenues may be expended by the University free and clear of the pledge of and lien created thereon by the Special Obligation Indenture pursuant to the Act. Pursuant to the Act, at such time as any Pledged Revenues are not required for other corporate purposes of the University, and in any event, on the date one year after the Bonds secured by the Special Capital Reserve Fund, together with interest on such Bonds, with interest on any unpaid installments of interest and all costs and expenses in connection with any action or proceeding by or on behalf of the Holders thereof, are fully met and discharged, such moneys shall be paid to the State as repayment of amounts, if any, theretofore advanced by the State for deposit in the Special Capital Reserve Fund.

Special Capital Reserve Fund. [Section 610]. If on any Interest Payment Date or Redemption Date, for those Bonds secured by the Special Capital Reserve Fund, the amount in the Principal Installment Account, the Redemption Fund or the Interest Account shall be less than the amount required for the pro-rata payment of any Principal Installment, Redemption Price, Swap Payment or interest on the Outstanding Bonds due on such Principal Installment Date, Interest Payment Date, or Redemption Date and entitled to payment therefrom, the Trustee shall transfer money from the Special Capital Reserve Fund in the amount required for the payment of any Principal Installment, Sinking Fund Installment, Redemption Price, Swap Payment or interest due on such date on Outstanding Bonds secured by the Special Capital Reserve Fund to such deficient Principal Installment Account, the Redemption Fund or the Interest Account and the Trustee shall apply such moneys solely to pay the amounts due in respect of Bonds secured by the Special Capital Reserve Fund.

Whenever the amount in the Special Capital Reserve Fund, together with the amount in the Debt Service Fund, is sufficient to fully pay the Principal of or any interest on all Outstanding Bonds supported by the Special Capital Reserve Fund in accordance with their terms (including the Sinking Fund Installments for the retirement thereof), all amounts on deposit in the Special Capital Reserve Fund shall be transferred to the appropriate accounts in the Debt Service Fund. Prior to said transfer, all Investment Obligations held in the Special Capital Reserve Fund may be liquidated.

Whenever the University shall deliver instructions to the Trustee to redeem Bonds supported by the Special Capital Reserve Fund or the redemption of such Bonds is required by the Special Obligation Indenture (other than by application of Sinking Fund Installments) and such redemption is to be made from amounts then on deposit in any fund or account other than the Special Capital Reserve Fund, the Trustee shall calculate the amount by which the amount on deposit in the Special Capital Reserve Fund will exceed the Special Capital Reserve Fund Maximum Requirement immediately following the redemption of the Bonds specified in such instructions (and to be redeemed from such amounts) and such amount shall on the Redemption Date specified in such instructions, be deposited into the Redemption Fund and applied to the redemption of such Bonds. The Trustee shall give notice of the redemption of such Bonds and shall select the particular Bonds supported by the Special Capital Reserve Fund to be so redeemed in such manner as the University shall specify in written instructions or failing such instructions, as the Trustee shall in its discretion deem advisable.

On December 1, of any year if (i) the amount in the Special Capital Reserve Fund exceeds the Special Capital Reserve Fund Maximum Requirement, and (ii) all withdrawals from the Special Capital Reserve Fund provided for in Section 610(A) of the Special Obligation Indenture have been made, (except as otherwise provided by Subsection C of said Section), then the University may direct the Trustee to withdraw the excess from the Special Capital Reserve Fund and deposit the amount so withdrawn into the Rebate Fund if necessary and thereafter, any other Fund under the Special Obligation Indenture. Amounts in the Special Capital Reserve Fund not needed for immediate use or disbursement may, at the discretion of the University, be invested in Investment Obligations, maturing at such time or times as the University shall determine is appropriate to have accounts available to make payments required to be made therefrom.

Renewal and Replacement Fund. [Section 612]. The University shall provide from time to time for deposit of amounts into the Renewal and Replacement Fund (which Fund may be combined with other similar renewal and replacement funds of the University) so that the amounts therein equals the Renewal and Replacement Fund Requirement. The University is authorized to apply the amounts in the Renewal and Replacement Fund to the payment or reimbursement of the extraordinary expenses incurred for the rebuilding, replacement, relocating, repair and restoration of any UCONN 2000 Project financed by the University under the Special Obligation Indenture and other facilities forming part of the physical university plant so to permit the University to operate and maintain the physical university plant in sound operating condition.

Debt Service Reserve Fund. [Section 613]. The University shall deposit into each account of the Debt Service Reserve Fund (i) such portion of the proceeds of sale of Bonds, if any, as shall be prescribed by the applicable Supplemental Indenture; (ii) any Surety as may be authorized hereby or by the applicable Supplemental Indenture; and (iii) any other moneys which are or may be made available to the University for the purposes of the Debt Service Reserve Fund from any other source or sources.

The University may deposit a Surety in any Account of the Debt Service Reserve Fund in lieu of depositing moneys or Investment Obligations therein in order to meet any Debt Service Reserve Account Requirement. The University may deposit a Surety in any Debt Service Reserve Account in substitution for an equal amount of moneys or Investment Obligations then on deposit in any Account of the Debt Service Reserve Fund, provided that any such moneys or Investment Obligations released from any Debt Service Reserve Account shall be deposited to the credit of the Debt Service Account to be applied at the written direction of an Authorized Officer of the University to the redemption of such Series of the particular Series of Bonds for which such Account was established on the first date on which such Series are subject to redemption, or by the Trustee in the case of an acceleration as a result of a continuing event of default hereunder, provided that no Surety shall be deposited to the Debt Service Reserve Fund if such deposit shall result in the downgrading of the rating of the Bonds by any of the rating agencies referred to in the definition of the term Surety in Section 101 hereof if then rating the Bonds.

If on any Interest Payment Date, Principal Payment Date or Redemption Date, for those Bonds secured by the Debt Service Reserve Fund, the amount in the Principal Installment Account, the Redemption Fund or the Interest Account shall be less than the amount required for the pro-rata payment of any Principal Installment, Redemption Price, Swap Payment or interest on the Outstanding Bonds due on such Principal Payment date, Interest Payment Date or Redemption Date and entitled to payment therefrom, the Trustee shall transfer money from the Debt Service Reserve Fund in the amount required for the payment of any Principal Installment, Sinking Fund Installment, Redemption Price, Swap Payment or interest due on such date on Outstanding Bonds secured by the Debt Service Reserve Fund to such deficient Principal Installment Account, the Redemption Fund or the Interest Account and the Trustee shall apply such moneys solely to pay the amounts due in respect of Bonds secured by the Debt Service Reserve Fund.

Whenever the amount in the Debt Service Reserve Fund, together with the amount in the Debt Service Fund, is sufficient to fully pay the Principal of or any interest on all Outstanding Bonds supported by the Debt Service Reserve Fund in accordance with their terms (including the Sinking Fund Installments for the retirement thereof), all amounts on deposit in the Debt Service Reserve Fund shall be transferred to the appropriate accounts in the Debt Service Fund. Prior to said transfer, all Investment Obligations held in the Debt Service Reserve Fund may be liquidated.

Whenever the University shall deliver instructions to the Trustee to redeem Bonds supported by the Debt Service Reserve Fund or the redemption of such Bonds is required by this Special Obligation Indenture (other than by application of Sinking Fund Installments) and such redemption is to be made from amounts then on deposit in any fund or account other than the Debt Service Reserve Fund, the Trustee shall calculate the amount by which the amount on deposit in the Debt Service Reserve Fund will exceed the Debt Service Reserve Fund Requirement immediately following the redemption of the Bonds specified in such instructions (and to be redeemed from such amounts) and such amount shall on the Redemption Date specified in such instructions, be deposited into the Redemption Fund and applied to the redemption of such Bonds. The Trustee shall give notice of the redemption of such Bonds and shall select the particular Bonds supported by the Debt Service Reserve Fund to be so redeemed in such manner as the University shall specify in written instructions or failing such instructions, as the Trustee shall in its discretion deem advisable.

On December 1, of any year if: (i) the amount in the Debt Service Reserve Fund exceeds the Debt Service Reserve Fund Requirement, and (ii) all withdrawals from the Debt Service Reserve Fund provided for in Subsection A of this Section 613 have been made, then, except as otherwise provided by Subsection F of this Section, then the University may direct the Trustee to withdraw the excess from the Debt Service Reserve Fund and deposit the amount so withdrawn into the Rebate Fund if necessary to comply with Section 912 hereof and thereafter, any other Fund under this Special Obligation Indenture.

Payment of Bonds. [Section 901] The University shall duly and punctually pay or cause to be paid, the Principal or Redemption Price, if any, of every Bond and the interest thereon, at the dates and places and in the manner provided in the Bonds, according to the true intent and meaning thereof, and shall duly and punctually pay or cause to be paid all Sinking Fund Installments, if any, becoming payable with respect to any Series of Bonds.

Coverage Covenant. [Section 903]. "Net Revenue Amount" for the purpose of Sections 903 and 910 of the Special Obligation Indenture only constitutes that amount of Pledged Revenues with respect to the (i) residential life room fee, (ii) Board Dining Fee, (iii) the Parking and Transportation Fee, (iv) the Student Apartment Rentals and (v) the Greek Housing Fee, after providing for or paying the reasonable or necessary cost of currently maintaining, repairing, insuring and operating the facilities for which such fees, respectively, are imposed and each which individual amount as a result thereof may be a plus or minus. "Gross Revenue Amount" for the purpose of

Section 903 of the Special Obligation Indenture only constitutes that amount of Pledged Revenues with respect to the (i) Infrastructure Maintenance Fee, (ii) the General University Fee prior to any payments, deductions, offsets or provisions, respectively and (iii) those Pledged Revenues described in paragraph (2) of the definition thereof.

The University will establish, fix, and revise from time to time, prior to and during each Fiscal Year and collect in each Fiscal Year, fees representing Pledged Revenues so that the aggregate sum of each Net Revenue Amount plus each Gross Revenue Amount is equal to no less than the sum of: (i) an amount equal to 1.25 times the Debt Service Requirements in such Fiscal Year, and (ii) together with any amounts on hand and available therefor, an amount equal to the amounts of the Debt Service Expense Requirement in such Fiscal Year not covered in (i) above.

Power to Issue Bonds and Make Pledges. [Section 907]. The Pledged Revenues, or other receipts, funds and moneys pledged pursuant to the Special Obligation Indenture are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto, except with respect to certain of the Pledged Revenues for a certain loan from the United States of America, acting by and through the Secretary of the Department of Education as described in the Special Obligation Indenture, or except with respect to the Pledged Revenues for certain outstanding general obligation bonds of the State categorized by the State as self liquidating from certain of the Pledged Revenues of the University. Pledged Revenues once deposited in and moneys on deposit in the Debt Service Fund, the Debt Service Reserve Fund and Special Capital Reserve Fund are pledged to the Bonds and shall be applied as provided in the Special Obligation Indenture and under no circumstances shall be considered as available for the payment of State general obligation bonds.

Indebtedness and Liens. [Section 908]. The University (i) shall not issue any securities or other evidences of indebtedness secured by a prior pledge of particular revenues, receipts, funds or moneys constituting Pledged Revenues, and (ii) shall not create or cause to be created any lien, pledge, or charge (other than the lien and pledge created or permitted by the Special Obligation Indenture) on the Bond Proceeds Fund, Debt Service Fund, the Redemption Fund, the Debt Service Reserve Fund and the Special Capital Reserve Fund or on other assets of the University [and (iii) shall not mortgage any of its property for which any of the Pledged Revenues are applicable and in any event, shall not mortgage any UCONN 2000 Project]. Except as provided below, the University shall not issue any securities or other evidence of indebtedness secured by a parity pledge of the Pledged Revenues, other than Additional Bonds or otherwise permitted with respect to Notes pursuant to the provisions of the Special Obligation Indenture.

Nothing in the Special Obligation Indenture shall prevent the University from issuing indebtedness payable out of, or secured by a pledge, assignment or other encumbrances of, the Pledged Revenues to be derived on and after the date the Special Obligation Indenture shall be discharged and satisfied as provided in the Special Obligation Indenture.

Nothing in the Special Obligation Indenture shall be construed as precluding further pledging, assigning or encumbering on a parity or subordinated basis, the Pledged Revenues, revenues or other receipts, funds and moneys of the University which are applicable and appropriated by the University for payment to the State on account of debt service on general obligation bonds of the State for University purposes outstanding or, authorized by the State Bond Commission or by a bond act.

Certification as to Special Capital Reserve Fund. [Section 909]. The University shall at all times maintain the Special Capital Reserve Fund and do and perform or cause to be done and performed each and every act and thing with respect to the Special Capital Reserve Fund provided to be done or performed by or on behalf of the University or the Trustee or the Paying Agents under the terms and provisions of the Special Obligation Indenture or of the Act. In order to better secure the Bonds, which have been issued as Bonds secured by the Special Capital Reserve Fund, and to make such Bonds more marketable and to maintain in the Special Capital Reserve Fund an amount equal to the Special Capital Reserve Fund Minimum Requirement, and in furtherance of the provisions of the Act, the University shall cause the Chairman of the Board of Trustees of the University annually, on or before the first day of December of each year, to make and deliver to the Secretary of the Office of Policy and Management and Treasurer of the State his certificate stating such sums, if any, as necessary to restore the Special Capital Reserve Fund to the amount equal to the Special Capital Reserve Fund Minimum Requirement and to accompany such certificate with a request that such sums be paid directly to the Trustee for the account of the University for deposit in the Special Capital Reserve Fund. The University shall request all moneys due the University from the State in accordance with the provisions of Subsection (i) of Section 7 of the Act pursuant to any such certification to be paid directly to the Trustee for deposit and credit to the Special Capital Reserve Fund. Pursuant to the Act, each Investment Obligation acquired as an investment for a Special Capital Reserve Fund shall be valued at amortized cost.

Issuance of Additional Bonds; Execution of Swaps. [Section 910]. No Additional Series of Bonds may be authorized and issued under the Special Obligation Indenture unless:

(i) In the event of Bonds secured by a Special Capital Reserve Fund, the University shall pay into such Special Capital Reserve Fund (a) any moneys appropriated and made available by the State for the purposes of such Fund, (b) any proceeds of sale of Bonds, to the extent provided in the Special Obligation Indenture or in any Supplemental Indenture authorizing the issuance thereof, and (c) any other moneys which may be made available to the University for such purpose from any other source or sources so that the amount on deposit in such Special Capital Reserve Fund equals the Special Capital Reserve Fund Maximum Requirement. The moneys held in or credited to any Special Capital Reserve Fund established pursuant to the Act, except as provided herein, shall be used solely for the payment of the Principal of Bonds secured by such Special Capital Reserve Fund as the same become due, the purchase of such Bonds, the payment of interest on such Bonds or the payment of any redemption premium required to be paid when such Bonds are redeemed prior to maturity; provided the University may provide that moneys in any such Fund shall not be withdrawn therefrom at any time in such amount as would reduce the amount of such Fund to less than the Special Capital Reserve Fund Maximum Requirement, except for the purpose of paying such Principal of, redemption premium and interest on such Bonds, secured by such Special Capital Reserve becoming due and for the payment of which other moneys of the University are not available. The University shall not issue any Additional Series of Bonds at any time if the amount of money on deposit in and Investment Obligations credited to the Special Capital Reserve Fund is less that than the Special Capital Reserve Fund Maximum Requirement on Outstanding Bonds and the Additional Series of Bonds then to be issued and secured by such Special Capital Reserve Fund, unless the University, at the time of the issuance of such Additional Bonds, shall deposit in such Special Capital Reserve Fund from the proceeds of the Bonds so to be issued, or otherwise, an amount which, together with the amount then in such Special Capital Reserve Fund, will be not less than the Special Capital Reserve Fund Maximum Requirement;

(ii) a certificate signed by an Authorized Officer dated as of the date of authorization of such Series of Bonds shall have been delivered to the Trustee stating (a) that the particular Pledged Revenues estimated to be received as a result of the construction, completion and operation of the Project to be financed with the proceeds of the Additional Series of Bonds, and amounts in funds or accounts or payable thereto as a result of the issuance of such Additional Series of Bonds during the period such Additional Series of Bonds are Outstanding, including Swap Receipts, shall be sufficient to pay as the same become due the estimated, reasonable and necessary Project operating expenses of the University which will be incurred as a result of the issuance of such Additional Series of Bonds and the use of the proceeds thereof and the estimated Principal Installments of, Swap Payments, if any, and interest on such Additional Bonds; or (b) the Pledged Revenues estimated to be received, and amounts in funds or accounts or payable thereto including Swap Receipts: (A) shall be sufficient to pay all estimated Principal

Installments of, Swap Payments, if any, and the Interest Requirement on Bonds Outstanding and such Additional Series of Bonds, or (B) together with other moneys received or estimated to be received by the University from, and available or to be made available to the University for the Project to be financed with the proceeds of the Additional Series of Bonds by the State, the United States or some other source all Principal Installments of and the Interest Requirement on Bonds Outstanding and such Additional Series of Bonds; in the event that such a certificate is filed with the Trustee, it shall be accompanied by a certificate to evidence that such other moneys are or will be made available to the University for the Project. The estimates referred to in (A) and (B) shall be made without the inclusion of any moneys that may be received by the University as a result of a future certification pursuant to Section 7(i) of the Act and Section 909 of the Special Obligation Indenture); and

(iii) a certificate signed by an Authorized Officer of the University delivered to the Trustee (a) stating that the sum of Net Revenue Amount and Gross Revenue Amount based on the most recent Audited Financial Statements preceding the date of issuance of such Additional Bonds have been, with respect to the then and any future Fiscal Year, equal to an amount at least 1.25 times the maximum Debt Service Requirement on all Outstanding Bonds plus the expected maximum Debt Service Requirement on the Additional Bonds or (b) evidencing written confirmation affirming the then existing ratings on the Bonds including the Additional Bonds to be then issued.

No Swap shall be entered into by the University unless, with respect to such Swap, written confirmation affirming the existing ratings on the Bonds is filed thereupon with the Trustee.

UCONN 2000 Infrastructure Improvement Program. [Section 911]. The University shall use and apply the proceeds of the Bonds for the UCONN 2000 Infrastructure Improvement Program and shall do all such acts and things appropriate or necessary to receive and collect Pledged Revenues. The University covenants that it will promptly proceed with the construction of each UCONN 2000 Project financed in whole or in part by the issuance of Bonds in conformity with law and all requirements of the governmental authorities having jurisdiction thereover and that it will complete such construction with all expedition possible. The University covenants that it will at all times maintain, to the extent reasonably obtainable, insurance with respect to each such Project with such variations as shall reasonably be required to conform to applicable standard or customary insurance practice and subject to such exceptions and permissible deductions as are ordinarily required. Any such insurance shall be in the form of policies or contracts for insurance with insurers of good standing, qualified to do business in Connecticut, and shall be payable to the University. The University shall be deemed to be in compliance with this insurance covenant to the extent any Project is covered by the State under a State insurance policy or to the extent the State is a self-insurer on such Project.

Tax Exemption. [Section 912]. In the event Bonds are sold under the Special Obligation Indenture or any Supplemental Indenture thereto as federally tax-exempt bonds, the University covenants that it will not take any action or fail to take any action that would result in loss of the exclusion from federal income taxation pursuant to Section 103(a) of the Code of interest paid on such Bonds.

Pledge of State to Bondholders. [Section 916]. Pursuant to the Act, the University, as agent for the State, includes the following pledge and undertaking for the State, in the Special Obligation Indenture and in the Bonds issued thereunder:

> Pursuant to the Act, the State does hereby pledge to and agrees with the Holders of any Bonds issued under this Special Obligation Indenture and the Act, and with those Bondholders pursuant to the provisions of the Act, that the State will not limit or alter the rights vested in the University by this Special Obligation Indenture and the Act until such Bonds, together with the interest thereon, are fully met and discharged and such contracts (this Special Obligation Indenture and the Bonds) are fully performed on the part of the University,

provided nothing in the Act shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the Holders of such Bonds of the University.

Modification and Amendment Without Consent. [Section 1001]. The University may, at any time or from time to time enter into Supplemental Indentures without consent of the Bondholders, the provider of either a Bond Facility, or a Swap Facility or Swap Provider for any one or more of the following purposes: To provide for the issuance of a Series of Bonds or Notes or Swaps pursuant to the provisions of the Special Obligation Indenture and to prescribe the terms and conditions pursuant to which such Bonds or Notes or Swaps may be issued, paid or redeemed; To add additional covenants and agreements of the University for the purpose of further securing the payment of the Bonds or Notes or Swaps, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the University contained in the Special Obligation Indenture; To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the University which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect; To surrender any right, power or privilege reserved to or conferred upon the University by the terms of the Special Obligation Indenture, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the University contained in the Special Obligation Indenture; To confirm as further assurance any pledge under the Special Obligation Indenture subject to any lien, claim or pledge created or to be created by the provisions of the Special Obligation Indenture, of the moneys, securities or funds; To modify any of the provisions of the Special Obligation Indenture or any previously adopted Supplemental Indenture in any other respects, provided that such modifications shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Supplemental Indenture shall cease to be Outstanding, and all Bonds issued under such indentures shall contain a specific reference to the modifications contained in such subsequent indentures; to cure any ambiguity, or defect or inconsistent provision in the Special Obligation Indenture or to insert such provisions clarifying matters or questions arising under the Special Obligation Indenture as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with this Special Obligation Indenture as theretofore in effect; Consistent with Section 912 of the Special Obligation Indenture, to ensure the exclusion of interest on the Bonds from gross income of the Bondholders for federal income tax purposes; To grant or to confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted or conferred and which are not contrary to or inconsistent with the Special Obligation Indenture as therefore in effect; or to grant such rights and remedies and make such other covenants subject to the Special Obligation Indenture (including any prior Supplemental Indenture) as may be necessary for issuance of a Bond Facility, a Swap or a Swap Facility so long as such rights, remedies and covenants are not contrary to or inconsistent with the Special Obligation Indenture as theretofore in effect.

Amendments and Supplemental Indentures Effective With Consent of Bondholders. [Section 1002]. Subject to the provisions of any Supplemental Indenture granting rights to the provider of any Bond Insurer or otherwise, the provisions of the Special Obligation Indenture may also be modified or amended, at any time or from time to time, by any Supplemental Indenture, subject to the consent of Bondholders in accordance with and subject to the provisions of Article XI of the Special Obligation Indenture, to become effective upon the execution thereof by the University and the Trustee, and the filing with the Trustee of a copy thereof certified by an Authorized Officer of the University.

Powers of Amendment. Section 1101]. Any modification or amendment of the Special Obligation Indenture and of the rights and obligations of the University and of the Holders of the Bonds thereunder, in any particular, may be made by any Supplemental Indenture with the written consent of the Holders of not less than 66 2/3% in principal amount of the Outstanding Bonds of each Series affected by such amendment or amendments or Supplemental Indenture or Indentures; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be outstanding for the purpose of any calculation of

Outstanding Bonds. No such modification or amendment shall permit (1) a change in the terms of redemption or maturity of the Principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon or in the terms and conditions of the Special Capital Reserve Fund respecting Bonds supported by such Fund without the consent of the Holder of such Bond, or (2) shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment.

Consent of Bondholders. [Section 1102]. A. The University and the Trustee may at any time enter into any Supplemental Indenture making a modification or amendment permitted by the Special Obligation Indenture. A copy of such Supplemental Indenture (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the University to Bondholders and be published at least once a week for two (2) successive weeks. Such Supplemental Indenture shall not be effective unless and until (1) there shall have been filed with the Trustee (a) the written consents of Holders of the percentages of Outstanding Bonds specified in Section 1101 of the Special Obligation Indenture, and (b) a Counsel' s Opinion stating that such Supplemental Indenture has been duly and lawfully entered into by the University and the Trustee and filed by the University in accordance with the provisions of the Special Obligation Indenture, is authorized or permitted by the Special Obligation Indenture, and is valid and binding upon the University and enforceable in accordance with its terms, and (2) a notice shall have been published as provided in Section 1102 of the Special Obligation Indenture.

Exclusion of Bonds. [Section 1105]. Bonds owned or held by or for the account of the University shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the Special Obligation Indenture, and the University shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the Special Obligation Indenture. At the time of any consent or other action taken under the Special Obligation Indenture, the University shall furnish the Trustee a certificate of an Authorized Officer of the University, upon which the Trustee may rely, describing all Bonds so to be excluded.

Consent of Bond Facility Provider. [Section 1107]. So long as the Bond Facility provider has not defaulted on its obligations under the Bond Facility, the provider of a Bond Facility shall be considered the sole Holder of all Bonds to which such Bond Facility relates, except as otherwise provided in an applicable Supplemental Indenture.

Events of Default. [Section 1201]. Each of the following events is hereby declared an "Event of Default" if:

(1) the University shall default in the payment of the Principal of or Redemption Price, if any, or interest on any Bond after the same shall become due, whether at maturity or upon call for redemption or otherwise;

(2) With respect to Bonds secured by the Special Capital Reserve Fund, the University shall fail or refuse to comply with the provisions of Section 909 of the Special Obligation Indenture, or such amounts as shall be certified by the Chairman of the Board of Trustees of the University to the Secretary of the Office of Policy and Management and Treasurer of the State pursuant to such provisions of the Act shall not be allotted and paid from the State general fund to the University for deposit therein and such allotment and payment is not made prior to the second day succeeding the final adjournment of (1) the session of the General Assembly of the State convening when such certification shall have been made or, if the General Assembly is not then in session, (2) the first session of the General Assembly of the State convening after such certification shall have been made; or

(3) Except as provided in (1) and (2) above, the University shall fail or refuse to comply with the provisions of the Special Obligation Indenture, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained therein or in any Supplemental Indenture or in any Bonds, and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the Trustee or the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds.

Remedies. [Section 1202]. Upon the happening and continuance of any Event of Default after the conditions specified in the Special Obligation Indenture have been satisfied, the Trustee may:

(1) by mandamus or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, including the right to require the University to receive and collect revenues, including Pledged Revenues adequate to carry out the covenants and agreements as to, and the pledge of, such Pledged Revenues and to require the University to carry out any other covenants or agreements with Bondholders and to perform its duties under the Act;

(2) by bringing suit upon the Bonds;

(3) by action or suit in equity, to require the University to account as if it were the trustee of any express trust for the Holders of the Bonds; and

(4) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds.

In the enforcement of any rights and remedies under the Special Obligation Indenture, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the University for Principal, Redemption Price, interest or otherwise, under any provision of the Special Obligation Indenture or any Supplemental Indenture or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings thereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against the University for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable. All remedies conferred upon or reserved to the Holders of Bonds may also be conferred upon and reserved to the provider of a related Bond Facility, a Swap Provider or the provider of a Swap Facility authorized by any Supplemental Indenture and may be cumulative.

Priority of Payments After Default. [Section 1203]. A. In the event that the funds held by the Trustee and Paying Agents shall be insufficient for the payment of interest and Principal or Redemption Price then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Trustee, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds, and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their respective duties under the Special Obligation Indenture, shall be applied as follows: First to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; Second to the payment to the persons entitled thereto of the unpaid Principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of Principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; and Third to the payment to other persons entitled to payment under the Special Obligation Indenture or any applicable Supplemental Indenture.

Defeasance. [Section 1401]. A. If the University shall pay or cause to be paid to the Holders of all Bonds then Outstanding, the Principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Special Obligation Indenture, then, at the option of the University, expressed in an instrument in writing signed by an Authorized Officer of the University and delivered to the Trustee, the covenants, agreements and other obligations of the University to the Bondholders shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the University, execute and deliver to the University all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the University all moneys, securities and funds held by them pursuant to the Special Obligation Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption. Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by the University of funds for such payment or redemption or otherwise) at the maturity or Redemption Date thereof shall be deemed to have been paid.

Continuing Disclosure Undertaking. [Article XV]. For a summary of the provisions of the Master Indenture respecting the continuing disclosure undertaking of the University see Appendix I-D entitled "FORM OF CONTINUING DISCLOSURE UNDERTAKING".

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the Special Obligation Bonds, Hawkins, Delafield & Wood, Bond Counsel, proposes to issue a final approving opinion in substantially the following form:

February 27, 2002

University of Connecticut
352 Mansfield Road, U-2122
Storrs, Connecticut 06269-2122

Honorable Denise L. Nappier
Treasurer
State of Connecticut
Office of the Treasurer
55 Elm Street
Hartford, Connecticut 06106

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $96,130,000 Obligation Student Fee Revenue Bonds, 2002 Series A (the "2002 Series A Refunding Bonds") of The University of Connecticut (the "University"), a body politic and corporate constituting a public instrumentality and agency of the State of Connecticut (the "State"), operating and existing under the Constitution and laws of the State.

The 2002 Series A Refunding Bonds are authorized to be issued pursuant to The University of Connecticut 2000 Act, constituting Public Act 95-230, January 1995 Session of the General Assembly of the State, as amended to the date hereof (the "Act"), the Special Obligation Indenture of Trust (the "Special Obligation Indenture"), and certain supplemental indentures thereto, including the Third Supplemental Indenture (the "Third Supplemental Indenture"). Together with the Special Obligation Indenture, the supplemental indentures thereto, including the Third Supplemental Indenture, are referred to herein as the "Indentures." The Special Obligation Indenture was entered into as of January 1, 1997 by and between the University and State Street Bank and Trust Company (formerly known as Fleet National Bank), as trustee thereunder (the "Trustee"). Special Obligation Bonds (the "Bonds") authorized to be issued pursuant to the Special Obligation Indenture, including the 2002 Series A Refunding Bonds, are issued to provide funds to carry out the University's UCONN 2000 Infrastructure Improvement Program as defined in the Special Obligation Indenture and pursuant to the terms, conditions and covenants of the Act and the Special Obligation Indenture. All terms used but not defined herein shall have the meaning ascribed thereto in the Indentures.

The 2002 Series A Refunding Bonds are dated, will mature on the dates, will bear interest at the rates, and may be subject to redemption prior to maturity, all as set forth in or determined pursuant to the Indentures.

The University is authorized to issue additional Bonds, in addition to the 2002 Series A Refunding Bonds, upon the terms, conditions and covenants set forth in the Act and the Special Obligation Indenture, and such Bonds, when issued, shall, with the 2002 Series A Refunding Bonds and with all other such Bonds theretofore issued under the Special Obligation Indenture, be entitled to the equal benefit, protection, and security of the provisions, covenants, and agreements of the Special Obligation Indenture and any Supplemental Indenture, in accordance with their terms. In addition, under certain conditions as set forth in the Special Obligation Indenture, the University may (but need not) issue Additional Bonds secured by an equal pledge or lien on the Special Capital Reserve Fund.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the delivery of the 2002 Series A Refunding Bonds in order that interest on and amounts treated as interest on the 2002 Series A Refunding Bonds not be included in gross income for Federal income tax purposes. We have examined the Indentures and the procedural documents, including a tax regulatory certificate (the "Tax Regulatory Agreement") of the University with respect to the 2002 Series A Refunding Bonds, which, in our opinion contain provisions under which such requirements can be met. The University has covenanted with respect to the 2002 Series A Refunding Bonds in the Indentures to comply with the requirements of the Code. In rendering this opinion, we have assumed the University' s compliance with and enforcement of provisions of the Indentures and the Tax Regulatory Agreement.

We are of the opinion that:

1. Under the Constitution and laws of the State, the University exists as a body politic and corporate and an instrumentality and agency of the State, performing an essential public function with good right and lawful authority, among other things, to carry out the UCONN 2000 Infrastructure Improvement Program and to provide funds therefor by the execution of the Indentures and the issuance and sale of Bonds, including the 2002 Series A Refunding Bonds, and to perform its obligations under the terms and conditions of the Indentures, including collecting and enforcing the collection of Pledged Revenues as covenanted in the Indentures, except to the extent that such enforcement may be limited by bankruptcy, insolvency, and other laws affecting creditors' rights and remedies heretofore or hereafter enacted and by equitable principles.

2. The Indentures have been duly executed by the University and are valid and binding upon the University and enforceable in accordance with their terms.

3. The 2002 Series A Refunding Bonds have been duly authorized, executed and authenticated and are legal, valid and binding limited obligations of the University payable solely from revenues, funds and assets pledged therefor under the Indentures and are entitled to the equal benefit, protection, and security of provisions, covenants and remedies of the Indentures. The 2002 Series A Refunding Bonds are limited recourse special obligations of the University and do not constitute a general obligation of the University nor are they guaranteed by the University. The University has no taxing power.

4. The 2002 Series A Refunding Bonds are secured by the Pledged Revenues, which the University has covenanted to collect, in the manner and to the extent set forth in the Indentures. The Special Obligation Indenture obligates the University to deposit Pledged Revenues into the Trust Estate and to apply the same first to the credit of the Debt Service Fund to pay debt service and creates the valid pledge of and the valid lien upon the Trust Estate, including the monies and securities held or set aside or to be set aside and held in such Debt Service Fund, the Debt Service Reserve Fund and the Special Capital Reserve Fund, established thereunder, which the Indentures purport to create, subject only to the provisions of the Indentures permitting the application thereof for or to the purposes and on the terms and conditions set forth in the Indentures.

5. Pursuant to the Special Obligation Indenture, the University has validly covenanted in the manner and to the extent provided in the Special Obligation Indenture, among other things, to do all acts and things necessary to receive and collect the Pledged Revenues, and to cause the Chairman of the Board of Trustees of the University on or before December 1 of each year to make and deliver to the Secretary of the Office of Policy and Management and Treasurer of the State his certificate stating such sums, if any, as necessary to restore the amount in the Special Capital Reserve Fund to the Special Capital Reserve Fund Minimum Requirement, all as provided for by the Special Obligation Indenture pursuant to the Act. Such sums stated in such certificate of the Chairman are validly deemed to be appropriated by the Act from the general fund of the State and such amounts shall be allotted and paid from such general fund to the University. Pursuant to the Special Obligation Indenture, the University has validly covenanted to cause such amounts to be paid to the Trustee for deposit in the Special Capital Reserve Fund. Such appropriation and payment do not require further legislative approval.

6. Pursuant to the Act, the Bonds, including 2002 Series A Refunding Bonds, do not constitute a debt or liability of the State of Connecticut or any municipality or other political subdivision thereof or (except to the extent set forth in the Act) bonds issued or guaranteed by the State within the meaning of Section 3-21 of the General Statutes of Connecticut, do not obligate the State or any municipality or political subdivision to levy or pledge any form of taxation and are payable solely from the funds provided therefor pursuant to the Indentures and the Act.

7. Under existing statutes and court decisions, interest on the 2002 Series A Refunding Bonds is not included in gross income for Federal income tax purposes pursuant to Section 103 of the Code of 1986, as amended (the "Code"), and, under existing statutes, such interest on the 2002 Series A Refunding Bonds will not be treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

8. Under existing statutes, interest on the 2002 Series A Refunding Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts, and estates, and interest on the 2002 Series A Refunding Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the 2002 Series A Bonds may be limited by bankruptcy, insolvency, and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

We have examined an executed 2002 Series A Bond numbered AR-1, and the form of said Bond and its execution are regular and proper.

Very truly yours,

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APPENDIX E

FORM OF CONTINUING DISCLOSURE UNDERTAKING BY THE UNIVERSITY - ARTICLE XV OF THE SPECIAL OBLIGATION INDENTURE

Submission of Annual Financial Information Statements. [Section 1502]. While any Bonds are Outstanding, the University shall provide to the Trustee, when completed, Annual Financial Information beginning on or after January 1, 1997 which Annual Financial Information is expected to be completed within 180 days of the end of the fiscal year (the "Submission Date"). The Trustee shall provide to each NRMSIR and the SID, if any, such Annual Financial Information.

Submission of Audited Financial Statements. [Section 1503]. The University shall submit to the Trustee by the Submission Date Audited Financial Statements for each Fiscal Year beginning on or after January 1, 1997, when and if available.

Listed Event Notices. [Section 1504]. (A) If a Listed Event occurs while any Bonds are Outstanding, the University shall provide a Listed Event Notice to the Trustee as provided in the Master Indenture.

Notification by Trustee of Failure by the University to File Annual Financial Information. [Section 1505]. (A) The University shall provide notice of any failure of the University to provide the Annual Financial Information by the required date, while any Bonds are Outstanding. The Trustee shall provide notice of such failure to the SID, if any, and either to the MSRB or each NRMSIR.

(B) The Trustee shall provide to the SID, if any, and either to the MSRB or each NRMSIR, notice of any failure to provide Annual Financial Information on or before the Report Date (whether caused by failure of the University to provide such information to the Trustee by the Submission Date). For the purposes of determining whether information is Annual Financial Information, the Trustee shall be entitled conclusively to rely on the University's written representation.

Additional Information. [Section 1506]. (A) Nothing in Article XV shall prevent the University from disseminating any other information in addition to that required thereby. If the University should so disseminate or include any such additional information, the University shall have no obligation under Article XV to update, provide or include such additional information in any future materials disseminated pursuant to Article XV or otherwise.

Reference to Other Documents. [Section 1507]. It shall be sufficient for purposes of Section 1502 of the Indenture if the University provides Annual Financial Information by specific reference to documents previously (i) provided to each NRMSIR and the SID, if any, or (ii) filed with the SEC. If such a document is an Official Statement, it must be available from the MSRB also.

Disclaimer by the University. [Section 1508]. The University shall be under no obligation to the Holders, the Trustee or any other party to review or otherwise pass upon the Annual Financial Information or the Audited Financial Statements of the State, and the University's obligations hereunder shall be limited solely to the undertakings set forth in Article XV. The University shall be under no obligation to review, pass upon, update, provide or include or continue to include in its Official Statement any additional information regarding the State provided to the MSRB, each NRMSIR or the SID, if any, other than that information required to be submitted as part of the State's undertaking pursuant to paragraph (b)(5) of the Rule.

Transmission of Information and Notices. [Section 1509]. Subject to the limitations stated in the Indenture, the University and the Trustee shall employ such methods of information and notice transmission requested or recommended by the designated recipients of the information and notices required to be delivered pursuant to the provisions of Article XV of the Indenture.

Change in Fiscal Year, Submission Date and Report Date. [Section 1510]. The University may adjust the Submission Date and the Report Date if the University changes its Fiscal Year by providing written notice to the Trustee, which notice shall be promptly delivered to each NRMSIR and the SID, if any; *provided, however,* that the new Submission Date shall be no more than 180 days after the end of such new Fiscal Year and the new Report Date shall be no more than four Business Days following the new Submission Date, and provided further that the period between the final Report Date relating to the former Fiscal Year and the initial Report Date relating to the new Fiscal Year shall not exceed one year in duration.

Termination. [Section 1511]. (A) The University's and the Trustee's obligations under Article XV shall terminate immediately once Bonds are no longer Outstanding.

(B) The provisions of Article XV shall be null and void in the event that the University delivers to the Trustee a Counsel's Opinion stating that those portions of the Rule which require Article XV, or any of such provisions, do not or no longer apply. The Trustee shall, upon receipt of such opinion, promptly provide copies thereof to each NRMSIR and the SID, if any.

Amendment. [Section 1512]. (A) Article XV may be amended, by written agreement of the parties, without the consent of the Holders of the Bonds (except to the extent required below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law or in interpretations thereof, or a change in the identity, nature or status of the University or the type of business conducted thereby; (2) Article XV, as so amended would have complied with the requirements of the Rule as of the date of the Indenture, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (3) either (i) the University shall have delivered to the Trustee a Counsel's Opinion which states that the amendment does not materially impair the interests of the Holders of the Bonds, or (ii) the Holders of the Bonds consent to the amendment to Article XV pursuant to the same procedures as are required for amendments to the Indenture pursuant to Section 901 of the Indenture. In the event the University delivers to the Trustee a Counsel's Opinion pursuant to sub-paragraph (3)(i) of subsection 611(A), the Trustee shall promptly deliver copies of such opinion and amendment to each NRMSIR and the SID, if any.

(B) In addition to subsection (A) above, Article XV may be amended and any provision of Article XV may be waived, by written agreement of the parties, without the consent of the Holders of the Bonds, if all the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued; and (2) the University shall have delivered to the Trustee a Counsel's Opinion stating that performance by the University and Trustee under Article XV as so amended or giving effect to such waiver will not result in a violation of the Rule. The Trustee shall deliver copies of such Opinion and amendment to each NRMSIR and the SID, if any.

(C) In the event of any amendment respecting the type of operating data or financial information contained in the University' s Annual Financial Information, the University shall, in accordance with the Rule or any interpretation thereof by the SEC, provide in the first Annual Financial Information provided thereafter a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(D) In the event of any amendment specifying the accounting principles, for the year in which the change is made, the University shall present a comparison. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the difference and the impact of the change. In the event of any such change in accounting principles, the University shall deliver notice of such change to the Trustee and the Trustee shall deliver notice of such change to the Trustee and the Trustee shall deliver such notice to the SID, if any, and either to the MSRB or each NRMSIR.

Benefit; Third-Party Beneficiaries; Enforcement. [Section 1513]. (A) The provisions of Article XV shall inure solely to the benefit of the Holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries.

(B) Except as provided in subsection (B), the provisions of Article XV shall create no rights in any person or entity. The obligations of the University to comply with the provisions of Article XV shall be enforceable (i) in the case of enforcement of obligations to provide Audited Financial Statements, Annual Financial Information, operating data and notice, by any Holder of Outstanding Bonds, or by the Trustee on behalf of the Holders of Outstanding Bonds, or (ii), in the case or challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the Holders of Outstanding Bonds; *provided, however,* that the Trustee shall not be required to take any enforcement action except at the direction of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding who shall have provided the Trustee with adequate security ad indemnity. The Holders' and Trustee' s rights to enforce the provisions of Article XV shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the University' s obligations under Article XV. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (A) of this Section, beneficial owners shall be deemed to be Holders of Bonds for purposes of this subsection (B). Without limiting the generality of the foregoing and except as otherwise provided in the Indenture, neither the commencement nor the successful completion of an action to compel performance under Article XV shall entitle the Trustee or any other person to attorney' s fees, financial damages of any sort or any other relief other than an order or injunction compelling performance.

(C) Any failure by the University or the Trustee to perform in accordance with Article XV shall not constitute a default or an Event of Default under the Indenture or any Supplemental Indenture, and the rights and remedies provided by the Indenture or any Supplemental Indenture upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(D) Article XV shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of Article XV shall be instituted in a court of competent jurisdiction in the State; *provided, however,* that to the extent Article XV addresses matters of federal securities laws, including the Rule, Article XV shall be construed in accordance with such federal securities laws and official interpretations thereof.

Duties, Immunities and Liabilities of Trustee. [Section 1514]. The Trustee shall have only such duties under Article XV as are specifically set forth therein, and the University agrees to indemnify and save the Trustee harmless arising out of or in the exercise or performance of its powers and duties under Section 1514 excluding liabilities due to the Trustee' s gross negligence or willful misconduct. Such indemnity shall be separate from and in addition to that provided to the Trustee under this Indenture. The obligations of the University under this Section 1514 shall survive resignation or removal of the Trustee and payment of the Bonds.

Duties, Immunities and Liabilities of Officials. [Section 1515]. Pursuant to Public Act 25-270, the University shall protect and save harmless any official or former official of the University from financial loss and expense, including legal fees and costs, if any, arising out of any claim, demand, suit or judgment by reason of alleged negligence on the part of such official, while acting in the discharge of his official duties in providing secondary market disclosure information pursuant to Article XV or performing any other duties set forth in the Indenture. Nothing in Article XV shall be construed to preclude the defense of governmental immunity to any such claim, demand or suit. For purposes of Section 1514, "official" means any person elected or appointed to office or employed by the University. The University may insure against liability imposed by subsection 1514 or may elect to act as self-insurer of such liability. Section 1514 shall not apply to cases of willful and wanton fraud.

APPENDIX F

DEFINITIONS OF CERTAIN TERMS OF THE SPECIAL OBLIGATION INDENTURES

"Additional Bonds" means all Bonds and Refunding Bonds issued under the Special Obligation Indenture pursuant to a Supplemental Indenture adopted by the University pursuant to the Special Obligation Indenture, but not the Initial Bonds issued pursuant to the First Supplemental Indenture.

"Annual Financial Information" means, with respect to the University, collectively:

(A)(i) the Audited Financial Statements of the University for the preceding Fiscal Year (commencing with the Fiscal Year beginning on or after January 1, 1997), and Unaudited Financial Statements for such Fiscal Year if such Audited Financial Statements are unavailable, pursuant to the Special Obligation Indenture;

(ii) investments in the Bond Proceeds Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Redemption Fund and the Special Capital Reserve Fund pledged to the payment of and securing the Bonds; and

(iii) identification of all Bonds and Outstanding Bonds issued by the University under the Special Obligation Indenture, including a table summarizing certain Bond information, such as interest rates and call features; and

(B) Such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of such financial and operating data listed in (A) above.

Any or all of the items listed above may be included by specific reference to other documents which have been submitted to each NRMSIR and the SID, if any, or filed with the SEC. If such document is an Official Statement, it must be available from the MSRB.

In the event that any of the financial information or operating data constituting Annual Financial Information no longer can be generated because the operations to which such information or data relate have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information.

Annual Financial Information shall mean, with respect to the State, the Annual Financial Information submitted or to be submitted by or on behalf of the State pursuant to the State's written continuing disclosure undertaking in compliance with the requirements of paragraph (b)(5) of the Rule.

"Assured Revenues" means revenues other than Project Revenues, to be received from fees, tuition, rentals, charges, gifts, investments, endowments and from grants, subsidies, contracts, leases or other agreements made by or with the federal government, the State or any political subdivision, agency or instrumentality of the Federal government or the state, or others, including the State Debt Service Commitment, the Minimum State Operating Provision and Special Eligible Gifts.

"Audited Financial Statements" means, with respect to the University, the annual financial statements, if any, of the University, audited by such auditor as shall then be required or permitted by State law or the Special Obligation Indenture. Audited Financial Statements shall be prepared in accordance with GAAP; *provided, however,* that the University may from time to time, if required by federal or State legal requirements, modify the basis upon which its financial statements are prepared including Financial Policy Number 2 of State Comptroller respecting Accounting and Financial Reporting Standards for State of Connecticut Constituent Units of Higher Education, as same may be implemented and amended from time to time. Notice of any such modification shall include a reference to the specific federal or State law or regulation describing such accounting basis and shall be provided by the University to the Trustee, who shall promptly deliver such notice to (i) either the MSRB or each NRMSIR, and (ii) the SID, if any.

Audited Financial Statements shall mean, with respect to the State, the Audited Financial Statements submitted or to be submitted by or on behalf of the State pursuant to the State's written continuing disclosure undertaking in compliance with the requirements of paragraph (b)(5) of the Rule.

"Authorized Officer" means, in the case of the University, the Chair or Vice-Chair of the Board of Trustees, the academic and financial affairs committee of the Board of Trustees (acting by resolution and constituting the finance committee of the Board of Trustees within the meaning of the Act), the President, Chancellor/Provost, or the Vice-President For Financial Planning and Management, or the Manager of Treasury Services (for purposes of making investments and disbursements only), the Controller (for purposes of making disbursements only) and the Vice Chancellor for Business and Administration (for purposes of making disbursements only), or any other person duly authorized by the bylaws or resolution of the University to perform the Act or sign the document in question.

"Board of Trustees" means the board of trustees of the University.

"Bond", **"Bonds"** or **"Special Obligation Bonds"** means the Initial Bonds, together with any Additional Bonds.

"Bond Depository" means a place or institution that holds securities certificates for safekeeping and maintains a record keeping system such that all or a portion of such Bonds held can be sold and transferred without the physical movement of their corresponding certificates.

"Bondholders" or **"Holder of Bonds"** or **"Holder"** or **"Owner"**, when used with reference to Bonds, or any similar term, means any person or party who shall be the registered owner of any Outstanding Bond.

"Code" means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

"Cost", as applied to a project or any portion of the project, includes, but is not limited to: The purchase price or acquisition cost of any such project; the cost of planning, designing, constructing, building, alteration, enlargement, reconstruction, renovation, improvement, equipping and remodeling; the cost of all labor, materials, building systems, machinery and equipment; the cost of all lands, structures, real or personal property, rights, easements and franchises acquired; the cost of all utility extensions, access roads, site development, financing charges, premiums for insurance, interest prior to and during construction and for six months thereafter; the cost of working capital related to the project; the cost of plans and specifications, surveys and estimates of cost and of revenues; the cost of accountants, audits, engineering, feasibility studies, legal and other professional consulting or technical services; the cost of reserves for payment of future debt service related to the financing transaction proceedings and for future repairs, renewals, replacements, additions and improvements; the cost of all other expenses necessary or incident to determining the feasibility or practicability of such construction; and administrative and operating expenses and such other expenses as may be necessary or incident to the financing authorized.

"Costs of Issuance" means all costs related to the proceedings under which Bonds are issued under the Special Obligation Indenture, including but not limited to salaries, administrative expenses, insurance premiums, fees, expenses or other similar charges payable to providers of a Bond Facility or a Swap Facility, including without limitation a Swap Provider, including a Termination Payment, other than Reimbursement Obligations or Swap Payments or other termination payments, auditing and legal expenses and fees and expenses incurred for professional consultants, financial advisors and fiduciaries, fees and expenses of the Trustee, fees for issuing and paying agents, fees and expenses of remarketing agents and dealers, fees and expenses of the underwriters if payable other than as a result of a discount on the purchase price of Bonds or Notes, fees and expenses of rating agencies, transfer or information agents, the publication of advertisements and notices, printers' fees or charges incurred by the University or Treasurer on behalf of the University to comply with applicable federal and State securities or tax laws; and with respect to Bonds the interest on which is excludable from gross income of the recipient under the Code means only the costs of issuance of a Series of Bonds which may be paid with Bond proceeds as shall be consistent with the Special Obligation Indenture.

"Counsel's Opinion" means an opinion signed by an attorney or firm of attorneys selected by or satisfactory to the Treasurer, in consultation with the University (who may be the Attorney General of or other counsel to the University); provided, however, that for the purposes of Article II and Article IX of the Special Obligation Indenture such term shall mean an opinion signed by an attorney or firm of attorneys of recognized standing in the field of law relating to municipal bonds.

"Debt Service Expense Requirements" means for any period, and with respect to the Bonds, subject to the Special Obligation Indenture and any Supplemental Indenture authorizing the issuance of the Bonds, the sum of (A) the Principal Installments, Sinking Fund Installments and Interest Requirement accruing and coming due during such period, (B) the amounts, if any, required, with respect to interest rate fluctuations on variable rate debt, or to establish or maintain reserves, sinking funds or other funds or accounts at the respective levels required to be established or maintained therein in accordance with the Special Obligation Indenture or any Supplemental Indenture authorizing the issuance of Bonds, (C) annual expenses of issuance and administration with respect to the Bonds, (D) the amounts, if any, becoming due and payable under a reimbursement agreement or similar agreement entered into pursuant to authority granted under the proceedings authorizing the issuance of Bonds, (E) net amounts owing under interest rate agreements authorized and effective under section 10 of the Act, (F) arbitrage rebate requirements pursuant to subsection (b) of section 17 of the Act, and (G) any other annual costs or expenses necessary or proper to be paid in connection with the Bonds, including, without limitation, the annual cost of any Bond Facility, issued by a financial institution pursuant to an agreement approved in the Financing Transaction Proceedings.

"Debt Service Requirement" means the Principal Installment and Interest Requirement for a specified period.

"Debt Service Reserve Fund Requirement" means, with respect to any Series of Bonds issued under the Indenture (i) after May 1, 2000 and (ii) not supported by the Special Capital Reserve Fund, as of any date of computation and for the period computed, an amount equal to the maximum amount of Principal Installments, including Sinking Fund Installments, and Interest Requirements maturing and becoming due in the Calendar Year in which such computation is made or in any single succeeding Calendar Year on such Series of Outstanding Bonds; provided that for the purposes of determining the maximum amount required to be on deposit and thereafter maintained in the with respect to any Series of Bonds secured by the Debt Service Reserve Fund, the interest on which is excludable from gross income for federal income tax purposes, the Debt Service Reserve Fund Requirement shall (a) at no time exceed the least of (x) the sum of the maximum amount of (i) the Principal Requirement and (ii) the Interest Requirement coming due during the then or any succeeding Calendar Year or (y) 125% of the average annual Principal, Sinking Fund Installment and interest on any such Series of Outstanding Bonds coming due during the then current or any succeeding Calendar Year or (z) ten percent of the proceeds (as such term is used in Section 148(d) of the Code) from the sale of such Series of Bonds [or Notes] and (b) not be funded with in excess of ten percent (10%) of such proceeds from the sale of such series of Bonds or as otherwise limited by Federal tax law regarding the tax exemption of the Bonds.

"Fiduciary" or **"Fiduciaries"** means the Trustee, any Paying Agent, any Depository, or any or all of them, as may be appropriate.

"GAAP" means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board ("GASB").

"Information Services" means Financial Information, Inc. "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services, "Called Bond Service," 55 Broad Street, 28th Floor, New York, New York 10004; Moody's Investors Service "Municipal and Government," 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; Standard & Poor's "Called Bond Record," 55 Water Street, New York, New York 10041; and Fitch Investors Service, L.P., One State Street Plaza, New York, New York 10004, Attention: Municipal Bond Department; or, in accordance with the then current applicable guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds, or any other such services as the State may designate in writing to the Trustee.

"Interest Requirement" means, as of the date of computation with respect to any period, an amount equivalent to the aggregate maximum amount coming due during such period on any Interest Payment Date, of (1) interest which may be payable on Outstanding Bonds and (2) Swap Payments, provided that interest on Variable Interest Rate Bonds or Notes or Swaps shall be calculated in accordance with the Variable Interest Rate Calculation Rate, and further provided that if the University shall have entered into one or more Swaps (that is not a Subordinated Swap) with respect to a Variable Interest Rate Bond or Note, then the Bonds or Notes of such series in a principal amount equal to the Notional Amount shall be treated for purposes of this definition as bearing interest for such period at the fixed rate payable by the University under such Swap; if the University shall have entered into one or more Swaps (that is not a Subordinated Swap) with respect to a Bond or Note that is not a Variable Interest Rate Bond or Note which calls for a Variable Interest Rate Swap Payment by the University then the Bonds or Notes of such series in a principal amount equal to the Notional Amount shall be treated for purposes of this definition as a Variable Interest Rate Bond or Note bearing interest for such period at the Variable Interest Rate payable by the University under such Swap.

"Listed Event" means any of the following events, if material, with respect to any Bonds issued under the Special Obligation Indenture:

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements, reflecting financial difficulties;

(5) Substitution of any credit or liquidity providers or their failure to perform;

(6) Adverse tax opinions or events affecting the tax-exempt status of the security;

(7) Modifications to rights of Bondholders;

(8) Bond calls;

(9) Bond Defeasances;

(10) Release, substitution, or sale of property securing repayment of the Bonds; and

(11) Rating changes.

"Listed Event Notice" means notice of a Listed Event required to be provided pursuant to Section 1504 of the Special Obligation Indenture.

"Minimum State Operating Provision" means the commitment of the State to appropriate, annually an amount for the University for operations after receiving a request from the University therefor and consideration of other amounts available to the University for its operations which amount so appropriated shall be consistent with the University continuing to operate in furtherance and pursuant to the provisions of section 2 of article eighth of the Constitution of the State and applicable law as an institution dedicated to the excellence in higher education, including the operation of the components of UCONN 2000 at Storrs and elsewhere in the State pursuant to section 5 of the Act; provided, however, nothing in section 1 to 25, inclusive, of the Act shall be construed to preclude the State from appropriating a lower or higher amount than the amount appropriated in the previous fiscal year so long as the appropriation act provides and determines that the University can continue to operate as an institution dedicated to excellence in higher education and such amount so appropriated shall then constitute the Minimum State Operating Provision.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

"NRMSIR" means, at any time, a then-existing nationally recognized municipal securities information repository, as recognized from time to time by the SEC for the purposes referred to in the Rule. The NRMSIRs as of the date of this Special Obligation Indenture are: Bloomberg LP (Princeton, NJ), DPC Data, Inc. (Fort Lee, NJ), Standard & Poor's J.J. Kenny Repository (New York, NY) and Muller Data (New York, NY).

"Outstanding Bond" means, as of any date, a Bond or portion of any Bond of such Series theretofore or thereupon being authenticated and delivered under the Special Obligation Indenture, except any:

(i) Bond cancelled by the Trustee and Paying Agent or the University at or prior to such date;

(ii) Bond for the payment or redemption of which cash, equal to the principal amount or Redemption

Price, shall be held in trust under the Special Obligation Indenture for such purpose (whether at or prior to the maturity or Redemption Date), provided that if such Bond is to be redeemed, notice of such redemption shall have been given as provided in Article IV of this Special Obligation Indenture, or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(iii) Bond referred to in Section 1105 of the Special Obligation Indenture;

(iv) Bond issued in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to Article IV, Section 406 and Section 1106 of the Special Obligation Indenture; and

(v) Bond deemed to have been paid as provided in Section 1401 of the Special Obligation Indenture.

"Paying Agent" for the Bonds of any series means the bank or trust company located within or without the State and its successor or assigns, appointed by the University pursuant to the provisions of the Special Obligation Indenture and any successor or assign so appointed and approved.

"Pledged Revenues" means special revenues, subject to the prior lien on and pledge thereof noted in Section 907 of the Special Obligation Indenture, to be received by the University from fees and charges for certain auxiliary activities, including the residential life room fee (10A-105 as amended by PA91-256), the Greek Housing Fee, the Student Apartment Rentals, the Board (Dining) Fee, the Infrastructure Maintenance Fee, the Parking and Transportation Fee and the General University Fee, (1) such other legally available revenues, including but not limited to other fees and charges and Special Eligible Gifts, as the Board of Trustees may determine to pledge by or pursuant to a Supplemental Indenture excluding in any event Assured Revenues from the State Debt Service Commitment and the Minimum State Operating Provision and (2) any interest earned or gains realized by the investment of moneys held by the Trustee in the Funds and Accounts created under the Special Obligation Indenture.

"Principal" means the principal amount of the Bonds of a Series as due on a certain future date.

"Principal Installment" for any period, means, as of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding:

(i) the principal amount of Bonds of said Series which mature in such period, reduced by the aggregate principal amount of such Bonds which would before such period be retired by reason of the payment when due and application in accordance with the Special Obligation Indenture or Sinking Fund Installments payable before such period for the retirement of such Bonds, plus

(ii) the unsatisfied balance (determined as provided in Section 606 of the Special Obligation Indenture) of the Sinking Fund Installments, if any, due during such period for the Bonds of such Series.

"Project" means any capital improvement to be financed with Bonds under the Special Obligation Indenture pursuant to the Act and described in a Supplemental Indenture, including any structure designed for use as a dormitory or other housing facility, dining facility, student union, academic building, administrative facility, library, classroom building, research facility, faculty facility, office facility, athletic facility, health care facility, laboratory, maintenance, storage or utility facility or other building or structure essential, necessary or useful for instruction in a program of education provided by the university; or any multipurpose structure designed to combine two or more of the functions performed by the types of structures enumerated in this subsection, including, without limitation, improvements, reconstruction, replacements, additions and equipment acquired in connection with a Project or in connection with operation of any facilities of the University existing on the effective date of the Act. "Project" includes all real and personal property, lands, improvements, driveways, roads, approaches, pedestrian access roads, parking lots, parking facilities, rights-of-way, utilities, easements and other interests in land, machinery and equipment, and all appurtenances and facilities either on, above or under the ground that are used or usable in connection with any of the structures mentioned in this subsection. "Project" also includes landscaping, site preparation, furniture, machinery, equipment and other similar items necessary or convenient for the operation of a particular facility or structure in the manner for which its use is intended, but does not include items that are customarily under applicable accounting principles considered as a current operating charge, unless the category and maximum amount thereof is specifically included by a determination of the Board of Trustees in the Financing Transaction Proceedings and by percentage or otherwise as may be limited pursuant to such proceedings in order to preserve the excludability of the interest on the securities issued therefor from Federal taxation under the applicable provisions of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended.

"Redemption Price" means, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the Special Obligation Indenture.

"Renewal and Replacement Fund Requirement" means that amount necessary for the University to maintain the Projects financed with the proceeds of the Bonds in sound operating condition in conformity with the Act, as determined, from time to time, by the University.

"Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of the Special Obligation Indenture, including any official interpretations thereof issued either before or after such date which are applicable to Article XV the Special Obligation Indenture.

"Securities Depositories" means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax (516) 227-4039 or 4190; Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax-(312)663-2343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Fax-(215)496-5058; or successor entities, or, in accordance with the then current applicable guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories or any such other depositories as the University may designate in writing to the Trustee.

"Series of Bonds" or **"Bonds of a Series"** or words of similar meaning, means the designated series of Bonds authorized by the Special Obligation Indenture with respect to Initial Bonds or by the Special Obligation Indenture and a Supplemental Indenture with respect to any Additional Bonds.

"SID" means, at any time, a then-existing State information depository, if any, as operated or designated as such by or on behalf of the State for the purposes referred to in the Rule. (As of the date of the Special Obligation Indenture, there is no SID.)

"Sinking Fund Installment" means, for any period as of any date of calculation and with respect to any Outstanding Series of Bonds, the amount of money required by the Special Obligation Indenture or the Supplemental Indenture authorizing the issuance of such Series of Bonds to be paid on a single future fixed date for the retirement of any Outstanding Bonds of said Series that mature after said future date, but does not include any amount payable by the University by reason only of the maturity of a Bond, and said fixed future date is deemed to be the date when such Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be the Bonds entitled to such Sinking Fund Installment. Unless otherwise provided in a Supplemental Indenture, each such future fixed date of any year shall be November 15.

"Special Capital Reserve Fund Maximum Requirement" means, as of any date of computation and for the period computed, an amount equal to the sum of the greatest amount of Principal Installments, including Sinking Fund Installments, and Interest Requirements maturing and becoming due in the Calendar Year in which such computation is made or in any single succeeding Calendar Year on all Outstanding Bonds of the University issued under the Special Obligation Indenture; provided that for the purposes of determining the maximum amount required to be on deposit and thereafter maintained in the with respect to any Series of Bonds secured by the Special Capital Reserve Fund, the interest on which is excludable from gross income for federal income tax purposes, the Special Capital Reserve Fund Maximum Requirement shall (a) at no time exceed the least of (x) the sum of the maximum amount of (i) the Principal Requirement and (ii) the Interest Requirement coming due during the then or any succeeding Calendar Year or (y) 125% of the average annual Principal, Sinking Fund Installment and interest on any such Series of Outstanding Bonds coming due during the then current or any succeeding Calendar Year or (z) ten percent of the proceeds (as such term is used in Section 148(d) of the Code) from the sale of such Series of Bonds [or Notes] and (b) not be funded with in excess of ten percent (10%) of such proceeds from the sale of such series of Bonds or as otherwise limited by Federal tax law regarding the tax exemption of the Bonds.

"Special Capital Reserve Fund Minimum Requirement" means the maximum amount of Principal Installment and Interest Requirement becoming due by reason of maturity or a required Sinking Fund Installment in the succeeding Calendar Year on the Outstanding Bonds secured by such Special Capital Reserve Fund.

"State Debt Service Commitment" means, an annual amount payable by the State, commencing in the Fiscal Year ending June 30, 1996, and any Fiscal Year thereafter with respect to the debt service on bonds issued as general obligations of the University pursuant to section 7(c) of the Act for UCONN 2000 in a principal amount not exceeding nine hundred eighty million dollars.

"Student Apartment Rentals" means the student apartment rentals to be received by the University from student apartment facilities that are or will become a UCONN 2000 Project.

"Supplemental Indenture" means any supplemental indenture entered into by the Trustee and the University pursuant to and in compliance with the provisions of Article X of the Special Obligation Indenture providing for the issuance of Additional Bonds or Refunding Bonds, and shall also mean any other indenture between the same parties entered into pursuant to and in compliance with the provisions of such Article amending or supplementing the provisions of the Special Obligation Indenture as originally executed or as theretofore amended or supplemented.

"Trust Estate" means all of the funds, securities, property, rights, privileges and interest conveyed, pledged and assigned as provided in the Granting Clause of the Special Obligation Indenture, securing the payment of the Principal and Redemption Price, if any, of and interest on the Bonds according to their respective terms and all other amounts due in connection therewith and the performance and observance by the University of all the covenants expressed or implied in the Special Obligation Indenture and stated on the Bonds.

"Trustee" means State Street Bank and Trust Company, and any successor trust company or bank having the powers of a trust company within or without the State succeeding a prior trust company or bank as

trustee, appointed pursuant to Section 810 of the Special Obligation Indenture.

"UCONN 2000 Infrastructure Improvement Program" or **"UCONN 2000"** means the promotion, planning, designing, developing, encouraging, assisting, acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing of any UCONN 2000 Project and assisting directly or indirectly in the financing of the cost thereof pursuant to the Act including the program of the University pursuant to which it issues bonds under the Special Obligation Indenture.

"UCONN 2000 Phase I Project" means any Project which is identified and referenced in section 5 of the Act as a Phase I Project, as same may be revised, deleted or added in accordance with the Act and the Special Obligation Indenture.

"UCONN 2000 Phase II Project" means any Project which is identified and referenced in section 5 of the Act as a Phase II Project, as same may be revised, deleted or added in accordance with the Act and the Special Obligation Indenture.

"UCONN 2000 Project" means any UCONN 2000 Phase I and/or UCONN 2000 Phase II Project which the Board of Trustees by resolution authorizes to finance with Bonds under the Special Obligation Indenture provided such resolution is submitted to the Governor and has not been disapproved by the Governor within thirty (30) days of its submission.

"University" means The University of Connecticut, a constituent unit of the State system of public higher education, including The University of Connecticut Health Center and pursuant to the Act having perpetual succession as a body politic and corporate and an instrumentality and agency of the State or any body, agency, or instrumentality of the State or the State which shall hereafter succeed to the powers, duties and functions of the University under the Special Obligation Indenture.

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APPENDIX G

FORM OF MUNICIPAL BOND INSURANCE POLICY

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Financial Guaranty Insurance
Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001

A GE Capital Company

FGIC

Municipal Bond
New Issue Insurance Policy

Issuer:	**Policy Number:**
	Control Number: 0010001
Bonds:	**Premium:**

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to State Street Bank and Trust Company, N.A., or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date

Financial Guaranty Insurance Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001

A GE Capital Company

FGIC

Municipal Bond
New Issue Insurance Policy

for payment of interest. “Nonpayment” in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. “Notice” means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. “Business Day” means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date: **Authorized Representative**

State Street Bank and Trust Company, N.A., acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

Authorized Officer

Financial Guaranty Insurance Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001

A GE Capital Company

FGIC

Endorsement

To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:** 0010001

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

Deborah M. Reif

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
State Street Bank and Trust Company, N.A., as Fiscal Agent

Financial Guaranty Insurance
Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001

A GE Capital Company

FGIC

Mandatory Connecticut State Amendatory Endorsement

To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:** 0010001

The insurance provided by this Policy is not covered by the Connecticut Insurance Guaranty Association (Connecticut Insurance Code, Title 38a, Chapter 704a, Part I).

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

Deborah M. Reif

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
State Street Bank and Trust Company, N.A., as Fiscal Agent

Financial Guaranty Insurance
Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001

A GE Capital Company

FGIC

Mandatory Connecticut State Amendatory Endorsement

To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:** 0010001

Notwithstanding the terms and conditions of this Policy, it is further understood that there shall be no acceleration of payment due under such Policy unless such acceleration is at the sole option of Financial Guaranty.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

Deborah M. Reif

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
State Street Bank and Trust Company, N.A., as Fiscal Agent

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