

Board of Trustees
January 19, 2006

ROLL CALL

VARIABLE RATE DEMAND UIC SOUTH CAMPUS DEVELOPMENT PROJECT
REVENUE REFUNDING BONDS, SERIES 2006A

Action: Approve Issuance of the Variable Rate Demand UIC South Campus Development Project Revenue Refunding Bonds, Series 2006A

Funding: Proceeds of Revenue Bonds and/or Funds Generated Through Restructuring Based on Derivatives

The Board of Trustees of the University of Illinois (the “Board”), at its meeting on November 10, 2005, authorized a number of actions leading toward the issuance of the Variable Rate Demand UIC South Campus Development Project Revenue Refunding Bonds, Series 2006A (the “Bonds”) to advance refund the UIC South Campus Development Project Revenue Bonds, Series 1999. Such actions have been completed and now it is requested that the Board authorize the issuance of the Bonds and a variable to fixed Interest Rate Swap in an amount not to exceed \$55.0 million with a final maturity no later than January 15, 2022, to fund the refunding escrow and the necessary issuance costs. The annual payments to the bondholders and swap counterparty will be under \$1.0 million for each of the first two years and then increase in the later years to approximately \$7.0 million. The average annual payments are approximately \$5.0 million over the life of the Bonds.

The Bonds will be sold via a negotiated sale. The Interest Rate Swap will be competitively bid. The Bonds will be fully registered and will be special, limited obligations of the Board and will be payable from and secured by: (1) the net revenues received under Redevelopment/Tax Increment Financing Agreement (TIF) and related note with the City of Chicago; (2) student tuition and fees, subject to the prior pledge of student tuition and fees to certain outstanding indebtedness of the Board; and (3) the Bond and Interest Sinking Fund Account.

All legal matters incidental to the authorization and issuance of the Bonds, the forms of the Preliminary Official Statement and the Official Statement, the Second Supplemental UIC South Campus Development Project Revenue Bond Resolution, Escrow Agreement, Tender Agent Agreement, Remarketing Agreement, Bond Purchase Agreement, Standby Bond Purchase Agreement, and Interest Rate Swap Agreement will be approved by Schiff Hardin, LLP, Bond Counsel and Swap Counsel, Chicago, Illinois; and Ungaretti & Harris, LLP, Special Counsel to the University, Chicago, Illinois; and certain legal matters will be passed upon by Katten Muchin Rosenman, LLP, Underwriter's Counsel. The Second Supplemental Bond Resolution will make several amendments to the General Resolution to define more clearly the existing bondholder security.

The Vice President for Administration recommends that the Board:

1. Authorize the issuance and sale of the Bonds and entering into the Interest Rate Swap. Approve the Preliminary Official Statement and approve the final Official Statement with the addition of the final terms of the Bonds.¹
2. Approve the Bond Purchase Agreement with J. P. Morgan Securities, Inc., as underwriter (the “Underwriter”), in substantially the form submitted to this meeting, wherein the Underwriter agrees to purchase from the Board not less than all of the Bonds (i) in an aggregate principal amount not exceeding \$55.0 million; (ii) with a final maturity of no later than January 15, 2022; (iii) at a price not less than the par amount thereof; and (iv) the maximum compensation of the Underwriter shall not exceed 1½ percent of the par amount thereof. The Bond Purchase Agreement sets forth the terms and conditions of the initial purchase of the Bonds from the Board by the Underwriter. Approve the sale of the Bonds in a principal amount not exceeding \$55.0 million, with a final maturity of no later than January 15, 2022, and the true interest cost of borrowing for the Bonds including the Interest Rate Swap not exceeding 5.50 percent.¹
3. Delegate to the Comptroller the authority to determine the principal amount, final terms, and terms of the sale of the Bonds and Interest Rate Swap within the limits expressed in this Board action.
4. Adopt the Second Supplemental UIC South Campus Development Project Revenue Bond Resolution which authorizes the Bonds and provides for certain amendments to the General Resolution.¹

¹A copy is filed with the Secretary of the Board for record and the appropriate officers of the Board are hereby authorized and directed to execute the same in the name of and on behalf of the Board in substantially the form presented to this meeting, or with such changes as may be approved by the officer or officers of the Board executing the same, his/her or their execution thereof to constitute conclusive evidence of the Board’s approval of all changes from the form thereof presented to this meeting; provided, however, that if any such changes constitute a substantial change in the form thereof presented to this meeting they shall first be approved by the Executive Committee of the Board to which authority for such approval is delegated by the Board.

5. Approve of the forms of the Escrow Agreement, Tender Agent Agreement, Remarketing Agreement, Standby Bond Purchase Agreement, and Interest Rate Swap Agreement.¹
6. Ratify and confirm all actions taken or to be taken by the officers and members of the Board in connection with the sale and delivery of the Bonds and the Interest Rate Swap.
7. Authorize and empower the Comptroller and other officers of the Board to do and perform such other acts and things; and to make, execute, and deliver all such other instruments and documents on behalf of the Board as may be by them deemed necessary or appropriate in connection with the provisions of the Official Statement, the Second Supplemental UIC South Campus Development Project Revenue Bond Resolution, Tender Agent Agreement, Remarketing Agreement, Bond Purchase Agreement, Standby Bond Purchase Agreement, Interest Rate Swap Agreement, and the Escrow Agreement; and all acts and things whether heretofore or hereafter done or performed by any of the officers of the Board which are in conformity with the intents and purposes of these resolutions shall be and the same are hereby in all respects, ratified, confirmed, and approved.

The authority granted by the Board at its November 10, 2005, meeting to the Executive Committee and the Comptroller with respect to restructuring the outstanding UIC South Campus bonds through various derivative transactions shall remain in force and effect as provided in that Board action.

The board action recommended in this item complies in all material respects with applicable State and federal laws, University of Illinois *Statutes*, *The General Rules Concerning University Organization and Procedure*, and Board of Trustees policies and directives.

The President of the University concurs.