

Board Meeting
January 21, 2016

ROLL CALL

DELEGATE AUTHORITY TO THE VICE PRESIDENT/CFO AND COMPTROLLER TO REFUND OUTSTANDING AUXILIARY FACILITIES SYSTEM REVENUE BONDS AND TO FUND A NEW PROJECT

Action: Approve Delegation of Authority to the Vice President/CFO and Comptroller to Refund Auxiliary Facilities System Revenue Bonds and to Fund a New Project

Funding: Proceeds of the Revenue Bonds

Since 1985, the Board has issued several series of Auxiliary Facilities System Revenue Bonds at varying interest rate levels. In the present interest rate environment, several of these issues can be refunded, in whole or in part, and produce a debt service savings. Such issues include, but are not limited to, the Series 2006 Bonds (all currently outstanding Auxiliary Facilities System Revenue Bonds being referred to as the “Outstanding Bonds”). By this action, the Board is authorizing the issuance of one or more series of Auxiliary Facilities System Refunding Revenue Bonds (the “Refunding Bonds”) to capture refunding savings that are available at the time of the sale of such Refunding Bonds. The principal amount of the Refunding Bonds to be issued to accomplish the refunding and the level of savings to be derived therefrom will depend upon market conditions at the time of sale.

The decision as to the timing and size of the refunding issue (or issues) will rest with the Vice President/CFO and Comptroller (the “Comptroller”) and will be based upon the trade-off between available refunding savings versus the reasonable expectation of additional refunding savings arising from further market improvement.

At its meeting of January 23, 2014, the Board approved the construction of a Student Union on the campus of the University of Illinois at Springfield at a budgeted cost of \$21,750,000 (the “Project”). The funding sources for the Project as so approved were the institutional funds operating budget of the Springfield campus with (anticipated reimbursement from the proceeds of a future sale of Auxiliary Facilities System revenue bonds), and gift funds. Therefore, the Vice President/Chief Financial Officer and Comptroller now recommends approving the actions leading to the issuance of a series of Auxiliary Facilities System Revenue Bonds (the “Project Bonds”) to fund the Project plus capitalized interest and cost of issuance.

The Refunding Bonds hereby authorized may be sold and issued in combination with the Project Bonds, if such combination is in the best financial interest of the Board, as determined by the Comptroller.

The current intention is to sell and issue the Refunding Bonds and the Project Bonds (collectively, the “Bonds”) as separate series, with the Refunding Bonds to be sold and issued in the first quarter of 2016 to realize and optimize a refunding savings benefit for the Auxiliary Facilities System of the University (the “System”) and the Project Bonds to be sold and issued after the Board has received and approved construction bids for the Project, which is expected to occur late in the first quarter or in

the second quarter of 2016. In any event, this authorization will be effective for one year from the date hereof and may be renewed at a subsequent meeting of the Board. In no event will the aggregate principal amount of the Bonds exceed \$175,000,000. The final maturity of such issue (or issues) shall not be later than April 1, 2046.

The Bonds will be sold either in a single sale or from time to time as determined by the Comptroller via a public competitive bidding process to the bidder or syndicate submitting the offer to purchase the Bonds so offered determined by the Comptroller or the Assistant Vice President, Office of Treasury Operations, of the University, to be in the best financial interest of the Board.

The Bonds will be issued as fixed-rate bonds. The Bonds will be fully registered and will be special, limited obligations of the Board, payable only from and secured by the net revenues of the System, student tuition and fees (subject to prior payment of operating and maintenance expenses of the System, but only to the extent necessary), and the Bond and Interest Sinking Fund Account.

Accordingly, in order to proceed with the preparation, sale and issuance of the Bonds, the Comptroller recommends that the Board approve the following actions:

1. Authorization of the sale and issuance of up to \$175,000,000 of the Bonds.
2. Approval of the forms of (i) the Official Notice of Sale and Bid Form (the "Notice of Sale") in substantially the form of the Official Notice of Sale and Bid Form and (ii) the Preliminary Official Statement in substantially the form of the Preliminary Official Statement and approval of the final Official Statement in substantially the form of the Preliminary Official Statement, each updated to include current disclosure information respecting the University and its financial condition and the terms of the Bonds.

3. The Bonds of each series (i) shall be sold to the purchasers thereof at a price, exclusive of net original issue discount or premium, not less than 98 percent of the par amount thereof, (ii) shall have a true interest cost of not to exceed 5.75 percent, (iii) shall have coupon interest rates not to exceed 6.00 percent and (iv) any Refunding Bonds shall provide a minimum net present value savings of 3 percent of the principal amount of the Outstanding Bonds being refunded.
4. Delegate to the Comptroller the authority to (i) determine the particular Outstanding Bonds to be refunded with proceeds of the Bonds and (ii) direct the publication of the Notice of Sale in such locations as shall be determined by the Comptroller to provide one or more competitive sales of Bonds on terms most favorable to the Board.
5. Delegate to the Comptroller the authority to determine the number and timing of sales of the Bonds, as well as the principal amount, final terms and terms of the sale of the Bonds within the limits expressed in this Board action and to ratify, approve, and confirm any and all changes in the forms of the documents authorized herein necessary or appropriate in connection herewith.
6. Approval of the Twenty-Second Supplemental System Revenue Bond Resolution in the form before this meeting to be used in connection with the sale of the Bonds authorized hereby.
7. Approval of the Escrow Agreement, in substantially the same form as the Escrow Agreement entered into by the Board on February 11, 2015, for the deposit of proceeds of any series of the Bonds and such other funds of the Board as shall be deemed necessary by the Comptroller to provide for the refunding of the Outstanding Bonds.
8. Approval of the form of Continuing Disclosure Agreement, in substantially the same form as the Continuing Disclosure Agreement entered into by the Board on February 11, 2015, with respect to the Bonds to be executed and delivered in connection with the sale of each series of the Bonds.
9. Ratification and confirmation of 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 to the initial purchaser.

10. Authorize the Comptroller and other authorized 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 Notice of Sale, the Preliminary Official Statement, the Official Statement, the Twenty-Second Supplemental System Revenue Bond Resolution, the Escrow Agreement and the Continuing Disclosure Agreement, including a Tax Exemption Certificate and Agreement in form satisfactory to Bond Counsel, University Counsel, and the Board's Issuer's Counsel, and ratify, approve, and confirm 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.
11. Retain Chapman and Cutler LLP to serve as bond counsel.
12. Retain Public Financial Management, Inc., to serve as financial advisor.
13. Retain Katten Muchin Rosenman LLP to serve as issuer's counsel.
14. Retain Pugh, Jones & Johnson, P.C. to serve as special issuer's counsel.
15. Retain The Bank of New York Mellon Trust Company, N.A. to serve as bond registrar, trustee, and escrow agent.
16. Retain Grant Thornton LLP to serve as verification agent, to the extent required.
17. Delegate to the Comptroller the authority to negotiate for credit enhancement, as needed and deemed economically beneficial following consultation with the financial advisor.
18. Take actions to pursue and obtain a credit rating or ratings on the Bonds.

Certain legal matters incidental to the authorization and issuance of the Bonds, the forms of the Notice of Sale and the Preliminary and final Official Statements, and the authorization, execution and delivery of the Twenty-Second Supplemental

System Revenue Bond Resolution, the Escrow Agreement, and the Continuing Disclosure Agreement will be approved by Chapman and Cutler LLP, Chicago, Illinois, Bond Counsel, and Katten Muchin Rosenman LLP, Chicago, Illinois, Issuer's Counsel.

University Counsel concurs with the above recommended financing team, prescribed documentation, and delegation of authority.

The Comptroller shall report to the Board the results of the sale of the Bonds authorized hereby.

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.

Funding will be available from the proceeds of the Bonds.

The President of the University recommends approval.