

Board Meeting
January 23, 2014

ROLL CALL

AUXILIARY FACILITIES SYSTEM REVENUE BONDS, SERIES 2014

Action: Approve Issuance of Auxiliary Facilities System Revenue Bonds, Series 2014

Funding: Proceeds of the Revenue Bonds

The Board, at its meeting on May 29, 2013, authorized a number of actions leading toward the issuance of one or more series of Auxiliary Facilities System Revenue Bonds (the “Bonds”). The Bonds will finance construction of the Stanley O. Ikenberry Commons - Residence Hall No. 3 and the demolition of Taft and Van Doren Residence Halls and Renovation and Addition to the State Farm Center on the Urbana-Champaign campus (collectively, the “Projects”). The Bonds are expected to be issued in multiple Series (i) as Bonds bearing interest at fixed rates and paying interest semiannually (the “Fixed Rate Bonds”) and (ii) as Bonds bearing interest at variable rates adjusted and reset from time to time (the “Variable Rate Bonds”). Wells Fargo Bank, National Association will serve as managing underwriter for the Bonds (the “Managing Underwriter”). Each Series of Bonds may be issued as Bonds the interest on which is (i) exempt from Federal income taxation (the “Tax-Exempt Bonds”) or (ii) subject to Federal income taxation (the “Taxable Bonds”). The terms of each Series of the Bonds will be determined at the time of sale thereof by the Vice President/Chief Financial Officer and Comptroller of the

Board (the “Comptroller”) and other authorized officers of the Board as hereinafter provided.

Actions leading toward the issuance of the Bonds have been completed including: retention of Chapman and Cutler LLP as bond counsel; retention of Freeborn & Peters LLP as special issuer’s counsel; retention of Public Financial Management, Inc., as financial advisor; retention of the Managing Underwriter; retention of The Bank of New York Mellon Trust Company, N.A. as bond registrar and trustee; selection of The Northern Trust Company (the “Bank”) as credit and liquidity provider for the Variable Rate Bonds; preparation of the Preliminary Official Statement; actions to pursue and obtain ratings on the revenue bonds; and preparation of additional documents including: a Twentieth Supplemental System Revenue Bond Resolution (the “Twentieth Supplemental Resolution”), Bond Purchase Agreement for the Fixed Rate Bonds (the “Fixed Rate BPA”), Bond Purchase Agreement for the Variable Rate Bonds (the “Variable Rate BPA”), Modal Agreement, Reimbursement Agreement, Remarketing Agreement, and Continuing Disclosure Agreement.

Now it is requested that the Board authorize the issuance of the Bonds in an aggregate original principal amount not to exceed \$270.0 million to fund the Projects and pay issuance costs. The final maturity of the Bonds shall be no later than April 1, 2044. Each Series of the Bonds will be designated “University of Illinois Auxiliary Facilities System Revenue Bonds”, with such additional designations as may be determined at the time of sale thereof to be appropriate to reflect the order of sale of such Bonds, whether such Bonds are being issued as Fixed Rate Bonds or Variable Rate Bonds, whether such

Bonds are being issued as Tax-Exempt Bonds or Taxable Bonds, and any other authorized features of such Series of Bonds.

The Bonds will be fully registered and will be special, limited obligations of the Board and the Bonds and the obligations of the Board to the Bank under the Reimbursement Agreement will be payable only from and secured by the net revenues of the Auxiliary Facilities System (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, as provided in the Twentieth Supplemental Resolution, the Modal Agreement, and the Reimbursement Agreement.

All legal matters incidental to the authorization and issuance of the Bonds, the forms of the Preliminary and final Official Statements, the Twentieth Supplemental Resolution, the Fixed Rate BPA, the Variable Rate BPA, the Modal Agreement, the Reimbursement Agreement, the Remarketing Agreement, and the Continuing Disclosure Agreement will be approved by Chapman and Cutler LLP, Chicago, Illinois, bond counsel, and Freeborn & Peters LLP, Chicago, Illinois, special issuer's counsel.

The Vice President/Chief Financial Officer and Comptroller recommends:

1. Authorization of the issuance and sale of the Bonds on the terms described herein and in the Twentieth Supplemental Resolution. Approval of the Preliminary Official Statement and approval of the final Official Statement with the addition of the final terms of the Bonds.¹ The Preliminary Official Statement and/or

¹ A 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.

Official Statement for any Series of Variable Rate Bonds shall be in substantially the form of the Preliminary Official Statement presented to the Board, with such changes as the Comptroller determines to be necessary and desirable to reflect (i) the terms of the Twentieth Supplemental Resolution, Modal Agreement, Reimbursement Agreement, and Remarketing Agreement and (ii) any other terms and provisions applicable to such Variable Rate Bonds.

2. Approval of the form of the Fixed Rate BPA¹ with the Managing Underwriter wherein the Managing Underwriter agrees to purchase from the Board all of the Fixed Rate Bonds in one or more Series (i) in an aggregate principal amount not exceeding \$210.0 million; (ii) with a final maturity of no later than April 1, 2044; (iii) at a price, exclusive of net original issue discount or premium, not less than 98 percent of the par amount thereof and the true interest cost of Fixed Rate Bonds (A) sold as Tax-Exempt Bonds will not exceed 7.00 percent and (B) sold as Taxable Bonds will not exceed 8.00 percent. If sold in multiple Series, the Fixed Rate Bonds may be sold pursuant to a single Fixed Rate BPA or pursuant to a separate Fixed Rate BPA for each Series.
3. Approval of the form of the Variable Rate BPA¹ with the Managing Underwriter wherein the Managing Underwriter agrees to purchase from the Board all of the Variable Rate Bonds (i) in an aggregate principal amount not exceeding \$60.0 million; (ii) with a final maturity of no later than April 1, 2044; (iii) at a price not less than the par amount thereof; and (iv) with a maximum compensation to the Managing Underwriter of not to exceed 1.5 percent of the par amount thereof. The Bond Purchase Agreement sets forth the terms and conditions of the initial purchase from the Board of the Variable Rate Bonds to be publicly sold, which Variable Rate Bonds shall bear interest at a rate or rates not to exceed (i) on the date of issuance thereof, 1.00 percent per annum and (ii) on any date thereafter, the lower of 12 percent per annum and the maximum rate permitted by applicable law.
4. Approval of the form of the Reimbursement Agreement¹ with the Bank. The annual fee paid to the Bank or any other financial institution that provides a credit facility with respect to the Bonds shall not exceed 0.35 percent per annum. Any Bond owned or held as collateral by the Bank to secure the obligations of the Board under the Reimbursement Agreement shall bear

interest at a rate or rates not to exceed the lower of 12 percent per annum and the maximum rate permitted by applicable law.

5. Delegation to the Comptroller of the authority to determine the principal amount, final terms, and terms of the sale of each Series of the Bonds within the limits expressed in this Board action and the Twentieth Supplemental Resolution.
6. Approval of the Twentieth Supplemental Resolution.¹
7. Approval of the form of the Modal Agreement and the Remarketing Agreement with respect to the Variable Rate Bonds.¹
8. Approval of the form of the Continuing Disclosure Agreement with respect to the Bonds.¹ The Continuing Disclosure Agreement for any Series of Variable Rate Bonds shall be in substantially the form of the Continuing Disclosure Agreement presented to the Board, with such changes as the Comptroller determines to be necessary and desirable to reflect the terms of such Variable Rate 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 Managing Underwriter.
10. That the Comptroller and other authorized officers of the Board be and they are hereby authorized and empowered 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 Twentieth Supplemental Resolution, the Fixed Rate BPA, the Variable Rate BPA, the Modal Agreement, the Reimbursement Agreement, the Remarketing Agreement, and the Continuing Disclosure Agreement, including a Tax Exemption Certificate and Agreement to be delivered upon the issuance of a Series of Tax-Exempt Bonds, 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 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 concurs.