

Board Meeting
March 23, 2011

ROLL CALL

AUXILIARY FACILITIES SYSTEM REVENUE BONDS, SERIES 2011A

Action: Approve Actions Leading to the Issuance of Auxiliary Facilities System Revenue Bonds, Series 2011A

Funding: Proceeds of the Revenue Bonds

At its May 21, 2009, meeting, the Board approved the project for Stanley O. Ikenberry Commons--Residence Hall No. 2, Phase E, and Forbes Hall Demolition, Phase G, Urbana. The funding source for the project was restricted funds operating budget with anticipated reimbursement from the proceeds of a subsequent sale of Auxiliary Facilities System revenue bonds. The Vice President/Chief Financial Officer and Comptroller now recommends approving the actions leading to the issuance of Auxiliary Facilities System Revenue Bonds, Series 2011A (the "Series 2011A Bonds") to fund approximately \$78.0 million of project costs, to pay costs of issuance and fund capitalized interest. He further recommends that both traditional and synthetic structures be considered. The structure chosen will be within the parameters contained in the Board's Debt Policy adopted in March 2004.

There are several series of outstanding Auxiliary Facilities System (AFS) bonds that are currently eligible for refunding, including all or portions of the AFS Series

2001B and AFS Series 2001C (Taxable) bonds. The selective refunding of these bonds could produce present value savings. It may be advantageous to supplement the new project issue by an amount required to accomplish such refunding. It is recommended that the Board approve the issuance of additional bonds for such purpose if the refunding savings reach at least three percent of the principal amount of the callable bonds refunded and the Comptroller deems such refunding to be economically beneficial following consultation with the financial advisor and managing underwriter. The amount of bonds that are so refunded would be approximately \$21.0 million under current market conditions.

Accordingly, in order to proceed with the preparation of documents and to take other actions needed prior to the issuance of the Series 2011A Bonds, the Vice President/Chief Financial Officer and Comptroller and the University Counsel recommend that the Board take the following actions:

1. Retain Pugh, Jones, Johnson & Quandt, P.C., to serve as bond counsel to the University.
2. Retain Scott Balice Strategies LLC, to serve as financial advisor and swap advisor to the University, to the extent required.
3. Retain Barclays Capital, Inc., to serve as managing underwriter and/or placement agent and/or initial remarketing agent, as required. Additional co-managers and selling group members may be added to assist in the marketing of the bonds.
4. Retain Perkins Coie LLP, to serve as special issuer's counsel and as swap counsel to the University, to the extent required.

5. Retain The Bank of New York Mellon Trust Company, N.A., to serve as bond registrar and trustee.
6. Retain Grant Thornton LLP, to serve as verification agent, to the extent required.
7. Prepare the Preliminary Official Statement and/or the Official Statement.
8. Negotiate for credit enhancement and/or liquidity support, as needed and deemed economically beneficial following consultation with the managing underwriter and the financial advisor.
9. Analyze the economic benefit of the purchase of bond insurance in consultation with the financial advisor and managing underwriter. If such purchase is deemed economically beneficial, the bond insurance would be purchased by the managing underwriter.
10. Take actions to pursue and obtain a credit rating or ratings on the bonds.
11. Prepare the Bond Purchase Agreement.
12. Prepare additional documents including the Supplemental Bond Resolution, the Continuing Disclosure Agreement (if needed) and any related documents.
13. Prepare, to the extent required, standard ISDA agreements including the Master Agreement, Schedule, Credit Support Annex and Confirmation, and any related documents.

The recommended firms are on the approved list of providers maintained by the University. The managing underwriter also will be instructed to select its counsel from the University's approved list. Prior to the sale and delivery of the Series 2011A Bonds, the Board will be asked to approve the substantially final form of the above

referenced documents and ratify and confirm all actions taken or to be taken by the officers and members of the Board in connection with such sale and delivery.

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 Series 2011A Bonds.

The President of the University concurs.