

Board Meeting
November 13, 2014

ROLL CALL

DELEGATE AUTHORITY TO THE VICE PRESIDENT/CFO AND COMPTROLLER TO REFUND OUTSTANDING CERTIFICATES OF PARTICIPATION

Action: Approve Delegation of Authority to the Vice President/CFO and Comptroller to Refund Outstanding Certificates of Participation

Funding: Proceeds of the Certificates

The Board has issued several series of Certificates of Participation (all currently outstanding Certificates of Participation being referred to as the “Outstanding Certificates”) 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 debt service savings. Such issues include, but are not limited to, the Series 2005 (Taxable), 2006A, and 2007A certificates. In aggregate, the refunding shall provide a minimum net present value savings in excess of 3 percent of the principal amount of the Series 2005 (Taxable), 2006A, and 2007A certificates being refunded.

The Board also issued the Series 2009A certificates which funded a portion of the National Petascale Computing Facility (the “NPCF”). The Series 2009A were issued as tax-exempt certificates. In 2009, the percentage of Private Business Use (the “PBU”) in the NPCF was within the safe harbor (up to 10 percent) permitted by the Internal Revenue Service (the “IRS”) for tax-exempt certificates. The percentage of PBU in the NPCF has been growing and in the future likely will exceed the IRS safe harbor.

Taxable certificates can be used to finance facilities with PBU. Therefore, it is recommended that the Board refund the portion of the tax-exempt Series 2009A certificates that funded the NPCF with taxable certificates. Since taxable interest rates are generally higher than tax-exempt interest rates, these taxable certificates may not produce a debt service savings. This should be mitigated by the near historic low levels of interest rates.

By this action, the Board is authorizing the issuance of one or more series of Certificates of Participation (the "Certificates"). The principal amount of the Certificates 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. In no event will the aggregate principal amount of the refunding issue (or issues) exceed \$150,000,000 nor will the final maturity of such issue (or issues) exceed 30 years from the respective dates of issue thereof.

The intention is to issue the Certificates this December to realize and optimize refunding savings. 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.

The Certificates will be sold via a negotiated sale. The Certificates will be issued as fixed-rate certificates. The Certificates will be fully registered, and the obligation to make the installment payments will be included annually in each operating

budget of the Board. The Board's obligation to make installment payments does not constitute a debt of the Board or the State of Illinois within the meaning of any constitutional or statutory limitation. The Board will agree to apply to the payment of the installment payments legally available non-appropriated funds on an annual basis, e.g., indirect cost recoveries.

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

1. Authorization of the sale and issuance of up to \$150,000,000 of the Certificates.
2. Approval of the form of the Preliminary Official Statement in substantially the form of the Preliminary Official Statement used in the most recent fixed rate issue sold by the Board and approval of the final Official Statement in substantially the form of the final Official Statement used in the most recent fixed rate issue sold by the Board, each updated to include current disclosure information respecting the University and its financial condition and the terms of the Certificates.
3. Approval of the form of the Certificate Purchase Agreement, in substantially the form of the Bond Purchase Agreement entered into by the Board on February 5, 2014, to be used in connection with a sale of a series of the Certificates; the Certificates 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 the Certificates of any series not to exceed 5.75 percent, and (iii) shall have coupon interest rates not to exceed 6.00 percent.
4. Delegate to the Comptroller the authority to determine the particular Outstanding Certificates to be refunded with proceeds of the Certificates.
5. Delegate to the Comptroller the authority to determine the principal amount, final terms and terms of the sale of the Certificates 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 below necessary or appropriate in connection herewith.

6. Approval of the form of the Resolution in the form before this meeting, to be used in connection with the initial sale of the Certificates authorized hereby. Additional series of Certificates issued pursuant to the authorization contained herein shall be issued under additional resolutions substantially similar to the Resolution.
7. Approval of the form of the Amended and Restated Acquisition Agreements, the Installment Purchase Contracts, the Indentures of Trust and the Supplemental Indenture of Trusts in substantially the form of the Amended and Restated Acquisition Agreement, the Installment Purchase Contract, the Indentures of Trust and the Supplemental Indenture of Trust entered into by the Board on June 1, 2009.
8. Approval of the form of the Escrow Agreement, in substantially the form of the Escrow Agreement entered into by the Board on May 15, 2013, for the deposit of proceeds of any series of the Certificates and such other funds of the Board as shall be deemed necessary by the Comptroller to provide for the refunding of the Outstanding Certificates.
9. Approval of the form of the Continuing Disclosure Agreement, in substantially the form of the Continuing Disclosure Agreement entered into by the Board on February 19, 2014, with respect to the Certificates to be executed and delivered in connection with the sale of each series of the Certificates.
10. 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 Certificates to the initial purchaser.
11. 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 Resolution, the Amended and Restated Acquisition Agreements, the Installment Purchase Contracts, the Indentures of Trust, the Supplemental Indenture of Trusts, the Official Statement, the Certificate Purchase Agreement, 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 Special 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.

12. Retain RBC Capital Markets LLC as senior manager and Seibert Brandford Shank & Co., L.L.C. as co-senior manager to provide investment banking services, each to the extent required. Additional co-managers and selling group members may be added to assist in the marketing of the Certificates.
13. Retain Katten Muchin Rosenman LLP to serve as bond counsel.
14. Retain Acacia Financial Group, Inc. to serve as financial advisor.
15. Retain Freeborn & Peters LLP to serve as special issuer's counsel.
16. Retain The Bank of New York Mellon Trust Company, N.A. to serve as bond registrar, trustee and escrow agent.
17. Retain Grant Thornton LLP to serve as verification agent, to the extent required.
18. Delegate to the Comptroller the authority to negotiate for credit enhancement, as needed and deemed economically beneficial following consultation with the financial advisor.
19. Take actions to pursue and obtain a credit rating or ratings on the Certificates.

Certain legal matters incidental to the authorization and issuance of the Certificates, the forms of the Preliminary and final Official Statements, the Resolution, the Certificate Purchase Agreement, the Amended and Restated Acquisition Agreements, the Installment Purchase Contracts, the Indentures of Trust, the Supplemental Indenture of Trusts, the Escrow Agreement and the Continuing Disclosure Agreement will be approved by Katten Muchin Rosenman LLP, Chicago, Illinois, Bond Counsel, and Freeborn & Peters LLP, Chicago, Illinois, Special 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 upon completion of the transaction.

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 Certificates.

The President of the University concurs.