

Board Meeting
July 30, 2007

ROLL CALL

APPROVE CERTIFICATES OF PARTICIPATION (REFUNDING AND NEW
PROJECTS), SERIES 2007A

Action: Approve Actions Leading to the Issuance of Certificates of Participation to Finance the University-Wide Facilities Renewal Program, the UIC College of Medicine Rockford National Center for Rural Health Professions Facility and to Refund and/or Restructure All or a Portion of Outstanding Certificates of Participation

Funding: Proceeds of the Certificates

The Vice President/Chief Financial Officer and Comptroller recommends approving the actions leading to the issuance of approximately \$142.0 million of Certificates of Participation (COPS) to finance the University-Wide Facilities Renewal Program (the “Deferred Maintenance”), the Chicago campus College of Medicine Rockford National Center for Rural Health Professions Facility (the “Rockford Facility”), and to refund and/or restructure all or a portion of the Certificates of Participation (Utilities Infrastructure Projects), Series 1997 (the “Series 1997”), and the Certificates of Participation (UI-Integrate), Series 2001 (the “Series 2001”). It is also recommended that both traditional and synthetic structures, including variable-to-fixed interest rate and forward starting swap structures, be considered. The structure chosen will be within the parameters contained in the Board’s Debt Policy adopted in March 2004.

On November 11, 2004, the Board approved the University-Wide Facilities Renewal Program and the necessary project phases, not to exceed \$110.0 million, to address facility deficiencies on the campuses of the University of Illinois. The Board also approved actions leading to the issuance of Certificates of Participation not to exceed \$55.0 million, to finance the first phase of the project. Those certificates were issued in 2006. It is now requested that certificates be issued to fund the remaining \$55.0 million for Deferred Maintenance.

The estimated cost of the Rockford Facility is \$31.0 million. Institutional and governmental funds in the amount of \$5.0 million are available for the Rockford Project. The University is continuing to pursue private and governmental support and hopes to secure significant additional external funding for the project over the upcoming year. In order to ensure timely completion of this project, it is now requested that certificates be issued to fund the remaining costs of the Rockford Facility, in an amount not to exceed \$26.0 million. It is the intent of the Board to reimburse institutional funds expended prior to the issuance of the certificates with proceeds from the certificates.

Outstanding certificates remain on the Series 1997 in the amount of \$11.0 million and on the Series 2001 in the amount of \$51.0 million. These certificates were issued for the construction of utility infrastructure projects in Chicago and Urbana-Champaign and the implementation of the Banner system. All or a portion of the Series 1997 and Series 2001 are eligible to be refunded and the proposed restructuring will defer principal payments from Fiscal Years 2008 through 2013 for the Series 1997 and Series 2001. This would produce approximately \$52.0 million in budgetary relief at a present value cost of approximately \$200,000 based on recent market conditions.

The University's guidelines generally call for a threshold of at least three percent present value savings before refunding debt issues. As noted above, this transaction would be outside of those guidelines with a minor 0.3 percent negative present value. During the past few years utility prices, especially for natural gas which is the major driver of the University's utility budget, have increased at rates which far exceeded increases in the operating budget. University reserves were used to pay actual utility expenditures in excess of the budget. It is now deemed necessary to replenish the reserves. This refunding of the Certificates of Participation noted above will defer principal payments on those issues in Fiscal Years 2008 through 2013 by extending the repayment on those issues by seven to ten years. The budget savings generated by the refunding will be used to restore reserves. The amortization of the debt on those issues will still be well within the useful life of the respective projects.

It is recommended that the Board approve the actions leading to the issuance of the certificates.

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

1. Retain Katten Muchin Rosenman, LLP, to serve as bond counsel to the University.
2. Retain Public Financial Management, Inc., to serve as financial advisor and swap advisor to the University, to the extent required.
3. Retain J. P. Morgan Securities, 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 certificates.

4. Retain Freeborn & Peters, LLP, to serve as special issuer's counsel and as swap counsel to the University, to the extent required.
5. Retain Grant Thornton, LLP, to serve as verification agent for the refunding.
6. Appoint The Bank of New York Trust Company, N.A., as Trustee.
7. Prepare the Preliminary 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 certificates.
11. Prepare the Certificate Purchase Agreement.
12. Prepare additional documents including the Installment Purchase Contract, the Indenture of Trust, the Acquisition Agreement and 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 lists of financial and legal service providers maintained by the University. The managing underwriter will also be

instructed to select a firm from the University's approved list to serve as underwriter's counsel. Prior to the sale and delivery of the Certificates of Participation, 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 Certificates of Participation.

The President of the University concurs.