

Board Meeting
March 26, 2008

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ROLL CALL

APPROVE AUXILIARY FACILITIES SYSTEM REVENUE BONDS, SERIES 2008

Action: Approve Actions Leading to the Issuance of Auxiliary Facilities System Revenue Bonds, Series 2008, to Finance New Projects

Funding: Proceeds of the Revenue Bonds

The Vice President/Chief Financial Officer and Comptroller recommends approving the actions leading to the issuance of approximately \$35.0 million of Auxiliary Facilities System Revenue Bonds, Series 2008 (the “Series 2008 Bonds”) to finance various Auxiliary Facilities System (the “AFS”) projects. He further recommends 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.

Previously the Board approved the Conference Center Project, Urbana; the Acquisition of Ashton Woods Apartments, Urbana; the Townhouses Phase III Project, Springfield; and the Founders Hall Project, Springfield. The Conference Center project budget is \$11.0 million. AFS institutional funds will finance \$6.0 million of the project. The Series 2008 Bonds will finance the remaining \$5.0 million of the project. The Series 2008 Bonds will finance the \$8.5 million price for the Acquisition of Ashton

Woods Apartments and \$1.0 million for needed renovations. The Series 2008 Bonds will finance \$0.5 million of the \$5.7 million Townhouses Phase III Project. The balance of the cost was financed in an earlier AFS bond issue. The Series 2008 Bonds will finance \$1.0 million of the \$17.0 million Founders Hall Project. The balance of the cost was financed in an earlier AFS bond issue.

In addition, the Series 2008 bonds will finance \$6.5 million for the Project for Fire Alarm Upgrade and Sprinkler System Installation, Student Residence and Commons, Chicago; \$4.5 million of AFS Mold Remediation Projects, Chicago; and \$8.0 million of South Campus Mixed Use Development Projects, Chicago, subject to Board approval of said projects.

It is now necessary to provide funds to reimburse the University for expenditures and to support additional expenditures on the projects. It is recommended that the Board issue AFS revenue bonds at this time in an amount sufficient to support project costs of approximately ~~\$28.5~~ 35.0 million plus capitalized interest and cost of issuance. Any costs for the projects that are incurred prior to the sale of AFS revenue bonds will be funded initially from AFS operating reserves with anticipated reimbursement from the proceeds of the sale of the AFS revenue bonds.

Accordingly, in order to proceed with the preparation of documents and to take other actions needed prior to the issuance of Auxiliary Facilities System Revenue Bonds, Series 2008, the Vice President/Chief Financial Officer and Comptroller and the University Counsel recommend that the University:

1. Retain Pugh, Jones, Johnson & Quandt, P.C., 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 Loop Capital Markets, LLC, 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 Katten Muchin Rosenman LLP, to serve as special issuer's counsel and as swap counsel to the University, to the extent required.
5. Appoint The Bank of New York Trust Company, N.A., as Trustee.
6. Prepare the Preliminary Official Statement.
7. Negotiate for credit enhancement and/or liquidity support, as needed and deemed economically beneficial following consultation with the managing underwriter and the financial advisor.
8. 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.
9. Take actions to pursue and obtain a credit rating or ratings on the bonds.
10. Prepare the Bond Purchase Agreement.
11. Prepare additional documents including the Supplemental Bond Resolution, the Continuing Disclosure Agreement (if needed) and any related documents.
12. 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 2008 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 2008 bonds.

The President of the University concurs.