

Board of Trustees
May 22, 2008

Revised

ROLL CALL

APPROVE VARIABLE RATE DEMAND UIC SOUTH CAMPUS DEVELOPMENT
PROJECT REVENUE REFUNDING BONDS, SERIES 2008

Action: Approve Issuance of the Variable Rate Demand UIC South Campus Development Project Revenue Refunding Bonds, Series 2008, and the First Amendment to the ISDA Master Agreement and Confirmation with Morgan Stanley Capital Services, Inc., and the First Amendment to the ISDA Master Agreement and Confirmation with JPMorgan Chase Bank N.A.

Funding: Proceeds of Revenue Bonds

The Board of Trustees of the University of Illinois (the “Board”) at its meeting on March 26, 2008, authorized a number of actions leading toward the issuance of the Variable Rate Demand UIC South Campus Development Project Revenue Refunding Bonds, Series 2008 (the “Bonds”) to refund the Variable Rate Demand UIC South Campus Development Project Revenue Refunding Bonds, Series 2006A (the “Series 2006A Bonds”). Such actions have been completed including: retention of Katten Muchin Rosenman LLP, as bond counsel; retention of Freeborn & Peters LLP, as special issuer’s counsel; retention of Scott Balice Strategies, LLC, as financial advisor; retention of JPMorgan Securities, Inc., as managing underwriter and remarketing agent; retention of The Bank of New York Trust Company, N.A., as bond registrar; the preparation of the Official Statement; the negotiation of a letter of credit and

reimbursement agreement; actions to pursue and obtain ratings on the revenue bonds; preparation of additional documents including a Third Supplemental Bond Resolution, Bond Purchase Agreement, Remarketing Agreement, First Amendment to ISDA Master Agreement and Confirmation with Morgan Stanley Capital Services, Inc., and First Amendment to ISDA Master Agreement and Confirmation with JPMorgan Chase Bank, N.A.

It is now requested that the Board authorize the issuance of the Bonds in an amount not to exceed \$56.0 million with a final maturity no later than January 15, 2022, to refund the Series 2006A Bonds and to pay the necessary issuance costs (see Attachment). It is also requested that the Board approve the amendments to the interest rate swaps. The combined annual payments to the bondholders and swap counterparties will be under \$1.0 million for the first year and then increase in the later years to approximately \$7.5 million. The average annual payments are approximately \$5.5 million over the life of the Bonds. The true interest cost of borrowing rate swaps, is not expected to exceed 5.75 percent.

The Bonds will be sold via a negotiated sale. The Bonds will be fully registered and will be special, limited obligations of the Board and will be payable from and secured by: (i) the net revenues received under the Redevelopment/Tax Increment Financing Agreement (TIF) and related note with the City of Chicago; (ii) Student Tuition and Fees in an amount not to exceed in any fiscal year the amount of debt service required on the Bonds and any Parity Bonds and any mandatory transfers as described in the bond resolution for such fiscal year, subject to the prior pledge of Student Tuition and

Fees to certain outstanding indebtedness of the Board; and (iii) the Bond and Interest Sinking Fund Account.

All legal matters incidental to the authorization and issuance of the Bonds, the Official Statement, the Third Supplemental UIC South Campus Development Project Revenue Bond Resolution, Remarketing Agreement, Bond Purchase Agreement, Reimbursement Agreement, First Amendment to ISDA Master Agreement and Confirmation with Morgan Stanley Capital Services, Inc., and First Amendment to ISDA Master Agreement and Confirmation with JPMorgan Chase Bank, N.A., will be approved by Katten Muchin Rosenman LLP, Bond Counsel, Chicago; and Freeborn & Peters LLP, Special Counsel to the University, Chicago; and certain legal matters will be passed upon by Ungaretti & Harris LLP, Underwriter's Counsel.

The Vice President/Chief Financial Officer and Comptroller recommends that the Board:

1. Authorize the issuance and sale of the Bonds. Approve the First Amendment to the ISDA Master Agreement and Confirmation with Morgan Stanley Capital Services, Inc., and the First Amendment to the ISDA Master Agreement and Confirmation with JPMorgan Chase Bank, N.A. Approve the Official Statement with the addition of the final terms of the Bonds.¹
2. Approve the Bond Purchase Agreement with JPMorgan Securities Inc., as underwriter (the "Underwriter"), in substantially the form submitted to this meeting, wherein the Underwriter agrees to purchase from the Board not less than all of the Bonds (i) in an aggregate principal amount not exceeding

¹A 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.

\$56.0 million; (ii) with a final maturity of no later than January 15, 2022; (iii) at a price not less than the par amount thereof; (iv) with the initial interest rate of the Bonds not more than 5.75 percent at the time of issuance and the Bonds' subsequent true interest cost not exceeding the lower of 12 percent per annum and the maximum rate permitted by applicable law; and (v) the maximum compensation of the Underwriter shall not exceed 1 ½ percent of the par amount thereof.¹

3. Delegate to the Vice President/Chief Financial Officer and Comptroller the authority to determine the principal amount, final terms, and terms of the sale of the Bonds and the amendments to the interest rate swap within the limits expressed in this Board action.
4. Adopt the Third Supplemental UIC South Campus Development Project Revenue Bond Resolution which authorizes the Bonds and certain amendments to the Resolution.¹
5. Approve the forms of the Remarketing Agreement, Reimbursement Agreement, First Amendment to the ISDA Master Agreement and Confirmation with Morgan Stanley Capital Services, Inc., and First Amendment to the ISDA Master Agreement and Confirmation with JPMorgan Chase Bank, N.A.¹
6. Ratify and confirm 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 and the amendments to the interest rate swaps.
7. Authorize and empower the Vice President/Chief Financial Officer and Comptroller and other 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 Official Statement, the Third Supplemental UIC South Campus Development Project Revenue Bond Resolution, Remarketing Agreement, Bond Purchase Agreement, Reimbursement Agreement, First Amendment to the ISDA Master Agreement and Confirmation with Morgan Stanley Capital Services, Inc., and First Amendment to the ISDA Master Agreement and Confirmation with JPMorgan Chase Bank, N.A.; 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 Organizations and Procedures*, and Board of Trustees policies and directives.

Funding will be available from the proceeds of the Bonds.

The President of the University concurs.