

Board Meeting
November 13, 2014

ROLL CALL

DELEGATE AUTHORITY TO THE VICE PRESIDENT/CFO AND COMPTROLLER
TO REFUND OUTSTANDING AUXILIARY FACILITIES SYSTEM REVENUE
BONDS

Action: Approve Delegation of Authority to the Vice President/CFO and
Comptroller to Refund Auxiliary Facilities System Revenue Bonds

Funding: Proceeds of the Revenue Bonds

Since 1985, the Board has issued several series of Auxiliary Facilities System Revenue Bonds 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 a debt service savings. Such issues include, but are not limited to, the Series 2005A Bonds (all currently outstanding Auxiliary Facilities System Revenue Bonds being referred to as the "Outstanding Bonds"). By this action, the Board is authorizing the issuance of one or more series of Auxiliary Facilities System Refunding Revenue Bonds (the "Bonds") to capture the refunding savings that are available. The principal amount of the Bonds 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 principal amount of the Bonds issued could range from \$24,000,000 up to \$121,000,000 and the present value savings could range from \$2,000,000 up to \$9,600,000.

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 \$125,000,000 nor will the final maturity of such issue (or issues) exceed 30 years from the respective dates of issue thereof. The refunding issue (or issues) hereby authorized may be issued in combination with Auxiliary Facilities System Revenue Bonds for new projects, approved by the Board or to be approved at a subsequent meeting of the Board, if such combination is in the best financial interest of the Board, as determined by the Comptroller.

The intention is to issue the Bonds in the first or second calendar quarters of 2015 to realize and optimize a refunding savings benefit for the Auxiliary Facilities System of the University (the “System”). 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 Bonds will be sold via (i) a public competitive bidding process to the bidder or syndicate submitting the offer to purchase one or more series of the Bonds determined by the Comptroller to be in the best financial interest of the Board or (ii) a negotiated sale to the underwriter or underwriters appointed as described below, all as determined by the Comptroller at the time of sale of each issue. Depending on market

conditions, certain issues of Bonds authorized hereby may be sold competitively, while others may be sold on a negotiated basis.

Following a prior Request for Proposal (the “RFP”) selection process, seventeen firms were approved to serve as senior managing underwriter for University debt offerings. Any one or a combination of these firms will be selected by the Comptroller to serve as senior manager or co-manager on a negotiated sale of these refunding issues. Other co-managing underwriters, previously approved by the same RFP process for such a role, will be assigned to the Bond financing on an issue-by-issue basis.

The Bonds will be issued as fixed-rate bonds. The Bonds will be fully registered and will be special, limited obligations of the Board, payable only from and secured by the net revenues of the System, student tuition and fees (subject to prior payment of operating and maintenance expenses of the System, but only to the extent necessary), and the Bond and Interest Sinking Fund Account.

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

1. Authorization of the sale and issuance of up to \$125,000,000 of the Bonds.
2. Approval of the forms of (i) the Official Notice of Sale and Bid Form (the “Notice of Sale”) in substantially the form of the Official Notice of Sale and Bid Form used in the most recent issue competitively sold by the Board and (ii) 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 Bonds.

3. Approval of the form of the Bond 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 negotiated sale of a series of the Bonds. Whether sold competitively or on a negotiated basis, the Bonds 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 Bonds of any series not to exceed 5.75 percent, (iii) shall have coupon interest rates not to exceed 6.00 percent and (iv) shall provide a minimum net present value savings of 3 percent of the principal amount of the Outstanding Bonds being refunded. Any agreement entered into with the purchasers of Bonds sold competitively shall have terms and conditions no less favorable to the Board than those contained in the form of Bond Purchase Agreement.
4. Delegate to the Comptroller the authority to (i) determine the particular Outstanding Bonds to be refunded with proceeds of the Bonds, (ii) determine the method of sale of any series, competitive or negotiated, (iii) for a competitive sale, direct the publication of the Notice of Sale in such locations as shall be determined by the Comptroller to provide a competitive sale of Bonds on terms most favorable to the Board and (iv) for a negotiated sale, approve the firm(s) from the pool qualified under the RFP to serve as senior managing underwriter and appoint co-managers and selling group members from the pool qualified under the RFP to assist in the marketing of the Bonds.
5. Delegate to the Comptroller the authority to determine the principal amount, final terms and terms of the sale of the Bonds 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 herein necessary or appropriate in connection herewith.
6. Approval of the Twenty-First Supplemental System Revenue Bond Resolution in the form before this meeting to be used in connection with the initial sale of the Bonds authorized hereby. Additional series of Bonds issued pursuant to the authorization contained herein shall be issued under Supplemental System Revenue Bond Resolutions

substantially similar to the Twenty-First Supplemental System Revenue Bond Resolution.

7. Approval of the Escrow Agreement, in substantially the same form as the Escrow Agreement entered into by the Board on May 15, 2013, for the deposit of proceeds of any series of the Bonds and such other funds of the Board as shall be deemed necessary by the Comptroller to provide for the refunding of the Outstanding Bonds.
8. Approval of the form of Continuing Disclosure Agreement, in substantially the same form as the Continuing Disclosure Agreement entered into by the Board on February 19, 2014, with respect to the Bonds to be executed and delivered in connection with the sale of each series of the Bonds.
9. 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 Bonds to the initial purchaser.
10. 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 Notice of Sale, the Official Statement, the Twenty-First Supplemental System Revenue Bond Resolution, the Bond 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.
11. Retain Chapman and Cutler LLP to serve as bond counsel.
12. Retain Public Financial Management, Inc. to serve as financial advisor.
13. Retain Freeborn & Peters LLP to serve as special issuer's counsel.
14. Retain The Bank of New York Mellon Trust Company, N.A. to serve as bond registrar, trustee and escrow agent.

15. Retain Grant Thornton LLP to serve as verification agent, to the extent required.
16. Delegate to the Comptroller the authority to negotiate for credit enhancement, as needed and deemed economically beneficial following consultation with the financial advisor.
17. Take actions to pursue and obtain a credit rating or ratings on the Bonds.

Certain legal matters incidental to the authorization and issuance of the Bonds, the forms of the Preliminary and final Official Statements, the Twenty-First Supplemental System Revenue Bond Resolution, the Bond Purchase Agreement, Notice of Sale, Escrow Agreement and the Continuing Disclosure Agreement will be approved by Chapman and Cutler 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 Bonds.

The President of the University concurs.