

Board Meeting  
November 14, 2007

ROLL CALL

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

**Action:** Approve the Issuance of Multiple Series of Certificates of Participation (Refunding and Projects), Series 2007

**Funding:** Proceeds of the Certificates

The Board, at its meeting on July 30, 2007, authorized a number of actions leading to the issuance of certificates of participation to refund and/or restructure all or a portion of the Certificates of Participation (Utility Infrastructure Projects), Series 1997 (the “Series 1997”) in the approximate amount of \$11.0 million and the Certificates of Participation (UI-Integrate Project), Series 2001 (the “Series 2001”) in the approximate amount of \$46.0 million and to finance a portion of the University-Wide Facilities Renewal Program (the “Deferred Maintenance”) in the approximate amount of \$55.0 million and a portion of the Chicago campus College of Medicine Rockford National Center for Rural Health Professions Facility (the “Rockford Facility”) in the approximate amount of \$29.0 million. Subsequently, three additional projects were added to this financing. The first project is the Urbana campus Illinois Fire Services Institute Learning Resource and Research Center (the “LRRC”) for approximately \$8.0 million. The second project is the Urbana campus Petascale Computing Facility and

Infrastructure (the “Petascale Facility”) for approximately \$73.0 million (contingent upon project budget approval). Borrowing for the construction of the Petascale Facility is temporary as it is anticipated that the State of Illinois will provide a capital appropriation for the facility. The third project is the Urbana campus Library Remote Storage Facility, Phase II (the “Library Facility”) for approximately \$4.0 million. The original funding source for the Library Facility was institutional funds. It is now requested that the funding come from the issuance of certificates and the intent is to reimburse any expenditures made from institutional funds.

It is expected that the certificates will be issued in four separate series. The first series (the “Series 2007A”) will be traditional fixed-rate certificates. The Series 2007A will refund the Series 1997 and finance Deferred Maintenance, the LRRC, and the Library Facility. The second series (the “Series 2007B”) will be traditional fixed-rate certificates. The Series 2007B will refund a portion of the Series 2001 certificates. Since this is a partial refunding, the Series 2007B will be issued as additional certificates under the existing Series 2001 Trust Indenture and will be separate from the other series that has a refunding component. The third series (the “Series 2007C”) will be variable-rate demand certificates. The Series 2007C will finance the Rockford Facility. The fourth series (the “Series 2007D”) will be taxable variable-rate demand certificates. The Series 2007D will finance the Petascale Facility. The private activity planned for the Petascale Facility necessitates the issuance of taxable certificates. All or a portion of the Series 2007C and D certificates will be redeemed when the University receives capital appropriations or gifts for these facilities. The Series 2007C and D will be sold 15 days

after the series that have refunding components, in order to separate the arbitrage yield calculations.

Pursuant to the Board's approval, the following actions have been completed: retention of Katten Muchin Rosenman, LLP, as bond counsel; retention of Freeborn & Peters, LLP, as special issuer's counsel; retention of Public Financial Management, Inc., as financial advisor; retention of J.P. Morgan Securities, Inc., as managing underwriter; retention of The Bank of New York Trust Company, N.A., as trustee; preparation of the Preliminary Official Statement; analysis of credit enhancement and/or liquidity support, including the purchase of bond insurance, where such insurance will be purchased by the managing underwriter; actions to pursue and obtain ratings on the certificates; preparation of Certificate Purchase Agreements, Installment Purchase Contracts, Indentures of Trust, Acquisition Agreements, Continuing Disclosure Agreements, Remarketing Agreements, Escrow Agreements, and Standby Certificate Purchase Agreements.

It is requested that the Board authorize the issuance of the Series 2007A, B, C, and D certificates in an amount not to exceed \$250.0 million (not including original issue discount or premium) with a final maturity of not more than 20 years to fund the refunding escrows and projects, including capitalized interest plus necessary issuance costs (see Exhibit A).

The Series 2007A, B, C, and D certificates evidence proportionate interests in installment payments to be made by the Board under installment purchase contracts. The average annual debt service payments to the certificate holders are estimated to be approximately \$20.0 million (with maximum annual debt service payments of

approximately \$25.0 million) over the 20-year life of the Series 2007A, B, C, and D certificates. The Series 2007A, B, C, and D certificates are subject to redemption at such times and at such redemption prices as the Comptroller determines necessary or helpful in marketing the Series 2007A, B, C, and D certificates, but such prices shall not exceed 115 percent of the par amount of the certificates.

The Series 2007A, B, C, and D certificates will be sold via a negotiated sale. They will be fully registered, and the obligation to make the installment payments will constitute a current operating expense of the Board. Neither the Installment Purchase Contracts nor the Series 2007A, B, C, and D certificates will constitute an indebtedness of the Board or the State of Illinois. The Board will agree to apply to the payment of the installment payments such moneys as may be lawfully appropriated by the General Assembly for such purposes and legally available non-appropriated funds on an annual basis, e.g., tuition and indirect cost recoveries.

All legal matters incidental to the authorization and issuance of the Series 2007A, B, C, and D certificates, the form of the Preliminary Official Statement, the Indentures of Trust (the “ Indentures”), the Certificate Purchase Agreements, the Installment Purchase Contracts, the Acquisition Agreements, the Standby Certificate Purchase Agreements, the Remarketing Agreements, the Escrow Agreements, and the Continuing Disclosure Agreement will be approved by Katten Muchin Rosenman, LLP, Bond Counsel, Chicago, Illinois; and Freeborn & Peters, LLP, Special Counsel to the University, Chicago, Illinois; and certain legal matters will be passed upon for the underwriters by Pugh, Jones, Johnson & Quandt, P.C., Underwriter’s Counsel, Chicago, Illinois.

The Vice President/Chief Financial Officer and Comptroller recommends

that the Board:

1. Approve the Preliminary Official Statement and approve of the final Official Statements with the addition of the final terms of the Series 2007A, B, C, and D certificates.<sup>1</sup>
2. Approve the form of the Certificate Purchase Agreements<sup>1</sup> with J. P. Morgan Securities, Inc., and other such underwriters as the Comptroller may select wherein the underwriter agrees to purchase from the Board not less than all of the Series 2007A, B, C, and D certificates in an aggregate original principal amount not exceeding \$250.0 million. The price at which the Series 2007A and B certificates will be purchased from the Board by the underwriter, exclusive of original issue discount, will not be less than 98 percent of the par amount thereof. The price at which the Series 2007C and D certificates will be purchased from the Board by the underwriter, exclusive of original issue discount, will not be less than 99 percent of the par amount thereof. The true interest cost of borrowing for the Series 2007A, B, and C certificates will not exceed 5.75 percent at the time of issuance. The true interest cost of borrowing for the Series 2007D will not exceed 6.75 percent at the time of issuance. With respect to the variable-rate Series 2007C and D, subsequent true interest cost of borrowing will not exceed the maximum rate permitted by law.
3. Adopt an authorizing resolution<sup>1</sup> which authorizes the 2007 A, B, C, and D certificates, the Installment Purchase Contracts, the Acquisition Agreements, the Indentures, the Certificate Purchase Agreements, the Standby Certificate Purchase Agreements, the Remarketing Agreements, the

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<sup>1</sup>A 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.

Escrow Agreements, and the Continuing Disclosure Agreements.

4. Delegate to the Comptroller the authority to determine the aggregate principal amount, final terms, and terms of the sale of the 2007A, B, C, and D certificates within the limits expressed in this Board action and authorizing resolution.
5. Approve the forms of the Acquisition Agreements and the Installment Purchase Contracts.<sup>1</sup>
6. Approve the form of the Indentures, Remarketing Agreements, Escrow Agreements, and Standby Certificate Purchase Agreements.<sup>1</sup>
7. Approve the form of the Continuing Disclosure Agreements (if needed) by the Board with respect to the Series 2007A, B, C, and D certificates.<sup>1</sup>
8. 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 Series 2007A, B, C, and D certificates to the underwriter.
9. Authorize and empower 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 authorizing resolution, the Preliminary Official Statement, the Official Statements, the Indentures, the Certificate Purchase Agreements, the Installment Purchase Contracts, the Acquisition Agreements, the Remarketing Agreements, the Escrow Agreements, the Continuing Disclosure Agreements, and all acts and things whether heretofore or hereafter done or performed by and of the officers of the Board which are in conformity with the intents and purposes of this Board action, and the authorizing resolution 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 Series 2007A, B, C, and D certificates.

The President of the University concurs.