**Illinois State**

**University**

Board of

**Trustees**

**Resolution No. 2016.02/02**

**Authorization to Amend Certificates of**

**Participation (Capital Improvement Projects)   
 Series 2014A-1**

**Resolution**Whereas, the Board of Trustees (the *“Board”*) of Illinois State University (the *“University”*) at its meeting of February 21, 2014, approved the issuance of the Certificates of Participation (Capital Improvement Projects) Series 2014 (the *“2014 COPs”*) to finance information technology and academic facilities improvements, and

Whereas, the Board’s authorization of the 2014 COPs included approval of the form of the Indenture of Trust dated as of April 1, 2014 between U.S. Bank National Association (the *“Trustee”*) and the Board, which governs the manner in which payments and redemptions of the 2014 COPs are to be executed, and

Whereas, JP Morgan Chase Bank, NA., the owner of all the Outstanding Series 2014A-1 Certificates, has requested an amendment to the Original Indenture to permit sinking fund payments to be made without presentation of the Series 2014A-1 Certificate to the Trustee as is currently required, and

Whereas, the Board and the Trustee have determined that presentation of the Series 2014A-1 Certificate by the owner for each sinking fund payment is not necessary:

Therefore, be it resolved by the Board of Trustees of Illinois State in regular meeting assembled that:

1. The Board approves the forms of the ***First Supplemental Indenture of Trust*** (supplementing and amending that certain Indenture of Trust dated as of April 1, 2014) and the ***Resolution,*** authorizing the execution and delivery by the Board of a First Supplemental Indenture of Trust for Certificates of Participation (Capital Improvement Projects) Series 2014A-1. Copies of such documents are on file with the Secretary of the Board for recording. The Treasurer and Secretary of the Board or their respective designees are hereby authorized and directed to execute such documents in the name of and on behalf of the Board in substantially the forms 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 forms thereof presented to this meeting.
2. The Chairman, the Treasurer and the Secretary of the Board and the members, officers, agents and employees of the Board are hereby authorized and directed to do all such acts and to execute all such documents as may be necessary to carry out and comply with the provisions of this resolution and with the actions of the members, officers, agents, and employees of the Board which are in conformity with the intent and purposes of this resolution, whether heretofore or hereafter taken or done, which actions shall be and are ratified, confirmed and approved.

Board Action on:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Postpone:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Motion by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Amend:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Seconded by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Disapprove:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Vote: Yeas:\_\_\_\_\_\_Nays:\_\_\_\_\_\_ Approve:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

ATTEST: Board Action, February 19, 2016

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Secretary/Chairperson

**Supplemental Information**

**Board of Trustees**

**Illinois State University**

**Authorization to Amend Certificates of Participation (Capital Improvement Projects) Series 2014A-1**

The University issued $25 million of Certificates of Participation (COPs) in 2014 to finance the implementation of the new Student System and other IT infrastructure improvements, as well as improvements to various academic facilities.

This financing was divided into two competitive sales, with Series 2014A-1 of $9.2 million structured to mature in nine years in order to attract participation from banks and benefit from their very competitive short term rates. The Series 2014A-2 for the remaining $15.8 million was structured to be attractive to the broader institutional market with maturities of ten to twenty years.

This split sale structure proved effective as the top three bids for the shorter term Series 2014A-1 all came from banks, with JP Morgan Chase the most competitive providing a TIC (True Interest Cost) of just 2.29%. The language of the ***Indenture of Trust*** for the Series 2014A-1, the document governing how the payments and redemptions of the COPs are to be executed, requires JP Morgan to surrender their entire ***Series 2014A-1 Certificate*** to the Trustee each April 1st in order to be paid the principal portion maturing that date and then have the certificate reissued back to them. Normally, this is not an issue as typically COPs owners hold individual certificates for each maturity date that they surrender for payment, but since JP Morgan acquired the entire Series 2014A-1 of $9.2 million as a single direct purchase, it is not necessary or practical to require surrender of the entire certificate on every payment date of April 1st.

The University, the Trustee (US Bank) and our bond counsel all agree that this requirement in the ***Indenture of Trust*** language was unintentional and provides no value. At JP Morgan Chase’s request, we have agreed to pursue a remedy to permit annual principal payments to be made to the registered owner without surrender of the certificate. The required modification to the 2014A-1 COPs documents will be made at JP Morgan’s expense and be of no negative consequence to the University. Permitting this revision does benefit the University by keeping our debt issues attractive to competitive participation by banks in addition to the broader institutional market.