

Board Meeting  
January 15, 2009

ROLL CALL

APPROVE REFUNDING AND/OR RESTRUCTURING OF THE CERTIFICATES OF PARTICIPATION, SERIES 2007C AND SERIES 2007D

**Action:** Approve Actions Leading to the Refunding and/or Restructuring of the Variable Rate Demand Certificates of Participation (Projects), Series 2007C and Taxable Series 2007D

**Funding:** Proceeds of the Revenue Bonds and Institutional Funds

The Vice President/Chief Financial Officer and Comptroller recommends approving actions leading to the refunding and/or restructuring of the Variable Rate Demand Certificates of Participation (Projects), Series 2007C and Taxable Series 2007D (the “Series 2007C Certificates” and the “Series 2007D Certificates”) and to pay related costs of issuance. These actions may include replacing the current standby certificate purchase agreements with new standby certificate purchase agreements or letters of credit, converting to different interest rate modes and/or issuing refunding certificates. He further recommends that both traditional and synthetic structures be considered. The structures chosen will be within the parameters contained in the Board’s Debt Policy adopted in March 2004.

The credit and liquidity crisis that started with problems in the sub-prime mortgage market has expanded to the municipal bond market. The capital of several investment and commercial banks has become impaired due to actual and anticipated losses on investments, loans, and other guarantees. Dexia Credit Local (“Dexia”), which provides the standby certificate purchase agreements for the Series 2007C Certificates and the Series 2007D Certificates, was downgraded from Aa1 to Aa3 by Moody’s Investors Service on October 1, 2008. Standard & Poor’s downgraded Dexia from AA- to A+ on October 7, 2008. Consequently, the Series 2007C Certificates and the Series 2007D Certificates have been resetting at interest rates well in excess of their comparable indices.

The interest rate on the Series 2007C Certificates reset at 5.00 percent on December 10, 2008. For comparison, the SIFMA index of variable rate demand obligations reset at 0.85 percent on December 10, 2008. The Series 2007C Certificates reset 4.15 percent higher than SIFMA. The interest rate paid on the Series 2007D Certificates, which is subject to federal income tax, reset at 8.50 percent on December 10, 2008. For comparison, the London Inter Bank Interest Rate (“LIBOR”) reset at 1.44 percent on December 10, 2008. The Series 2007D Certificates reset 7.06 percent higher than LIBOR.

Accordingly, in order to proceed with the refunding and/or restructuring of the Series 2007C Certificates and the Series 2007D Certificates, the Vice President/Chief Financial Officer and Comptroller and the University Counsel recommend that the Board take the following actions:

1. Retain Katten Muchin Rosenman LLP to serve as bond counsel to the University.
2. Retain Scott Balice Strategies, LLC, to serve as financial advisor and swap advisor to the University, to the extent required.
3. Retain J. P. Morgan Securities Inc., 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 certificates. J. P. Morgan Securities, Inc., will choose underwriter's counsel from the University's list of approved law firms.
4. Retain Freeborn & Peters 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 Mellon Trust Company, N.A., as Trustee.
6. Prepare the 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. Take actions to pursue and obtain a credit rating or ratings on the certificates.
9. Prepare the Certificate Purchase Agreement.
10. Prepare additional documents including the Installment Purchase Contract, the Indenture of Trust, the Acquisition Agreement, and the Continuing Disclosure Agreement (if needed) and any related documents.
11. If a conversion to a different interest rate mode, take action for such conversion in accordance with the existing documents for the Series 2007C Certificates and Series 2007D Certificates.

12. If a restructuring, prepare supplements or amendments to, or new or amended and restated forms of, the existing indenture of trust, standby bond purchase agreement, remarketing agreement, official statement and other documents, to the extent required.
13. 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 refunding certificates, 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 Comptroller may proceed with a conversion or restructuring of either the Series 2007C Certificates or Series 2007D Certificates, or both, without further Board approval subject to any limitations or restrictions contained in the Board resolution approving the Series 2007C Certificates or Series 2007D Certificates. The Comptroller is authorized to enter into any amendments to or restatements of existing documents or to execute new documents necessary to effect any such debt restructuring and facilitate the remarketing of the existing Series 2007C and Series 2007D Certificates, including any supplements to the offering documents for the Series 2007C Certificates and Series 2007D Certificates or new reoffering documents and new standby bond purchase agreement or other liquidity facility with a new liquidity provider selected by the

Comptroller, as the Comptroller determines is necessary and desirable, the execution thereof by the Comptroller to evidence the Board's approval of all such amendments, restatements, or other documents.

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 certificates or institutional funds.

The President of the University concurs.