

Board of Trustees
March 13, 2007

ROLL CALL

INTEREST RATE SWAP IN ANTICIPATION OF THE ISSUANCE OF CERTAIN HEALTH SERVICES FACILITIES SYSTEM REVENUE REFUNDING BONDS

Action: Approve Issuance of a Forward Starting Variable-To-Fixed Interest Rate Swap in Anticipation of the Issuance of Certain Health Services Facilities System Revenue Refunding Bonds

Funding: Funds are available from the FY 2007 UIC Medical Center Healthcare System Operating Budget. Funding for future years will be included within the annual budget authorization requests submitted to the Board of Trustees.

The Board of Trustees of the University of Illinois (the “Board”), at its meeting on April 11, 2006, authorized a number of actions leading toward the issuance of certain variable rate demand Health Services Facilities System Revenue Refunding Bonds (the “Bonds”) to refund the Health Services Facilities System Revenue Bonds, Series 1997A. Certain 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 Goldman, Sachs & Co. as managing underwriter; retention of The Bank of New York Trust Company, N.A., successor to J. P. Morgan Trust Company, National Association, as bond registrar; the analysis of the purchase of bond insurance and a standby liquidity

facility, where such insurance will be purchased by the managing underwriter; and actions to pursue and obtain ratings on the revenue refunding bonds.

It is requested that the Board authorize the issuance of a forward starting variable-to-fixed Interest Rate Swap in a notional amount not to exceed \$45.0 million with a termination date no later than October 1, 2026, in anticipation of the issuance of the Bonds. The documentation to be executed by the Board in connection with the Interest Rate Swap is expected to include the International Swap Dealers Association, Inc. (the "ISDA") Master Agreement and the Schedule and Credit Support Annex thereto, each of which, and any related documents, are authorized hereby. The average annual payments to the bondholders and swap counterparty are expected to be approximately \$3.5 million over the life of the Interest Rate Swap.

The Bonds will be sold via a negotiated sale and will be authorized at a later time. The Interest Rate Swap will be competitively bid. The Interest Rate Swap will be a special, limited obligation of the Board and will be payable from the same sources as the Bonds. The Bonds will be payable from the following sources on a parity basis with the Health Services Facilities System, Series 1997B and other parity bonds (collectively, the "Parity Bonds") hereafter issued pursuant to the bond resolution for the 1997B Bonds, as supplemented (the "Bond Resolution"): (1) the net revenues of the Health Services Facilities System; (2) Medical Service Plan revenues in an amount not to exceed in any fiscal year the amount of debt service requirements on the Bonds and any Parity Bonds and any mandatory transfers as described in the Bond Resolution for such fiscal year; and (3) College of Medicine student tuition in an amount not to exceed in any fiscal year the amount of debt service requirements 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 in favor of certain other bond issues.

All legal matters incidental to the authorization and issuance of the Bonds will be approved by Katten Muchin Rosenman LLP, Chicago, Illinois, Bond Counsel; and all legal matters incidental to the authorization of the Interest Rate Swap will be approved by Freeborn & Peters LLP, Chicago, Illinois, Special Counsel to the University. Certain legal matters in connection with the Bonds will be passed upon by Mayer, Brown, Rowe & Maw LLP, Chicago, Illinois, Underwriter's Counsel.

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

1. Authorize entering into the Interest Rate Swap.
2. Approve the form of the ISDA Master Agreement, Schedule, Credit Support Annex and Confirmation, in substantially the form submitted to this meeting, with a fixed payment by the Board to a counterparty to be determined at a rate not exceeding 5.50 percent per annum and a termination date no later than October 1, 2026.¹
3. Delegate to the Comptroller the authority to determine the notional amount and final terms of the Interest Rate Swap within the limits expressed in this Board action.
4. 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 Interest Rate Swap.

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.

5. Authorize and empower the 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 Interest Rate Swap Agreement, 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 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 Organization and Procedure*, and Board of Trustees policies and directives.

The President of the University concurs.