

Board Meeting
May 17, 2007

ROLL CALL

VARIABLE RATE DEMAND HEALTH SERVICES FACILITIES SYSTEM
REVENUE REFUNDING BONDS, SERIES 2007

Action: Approve Issuance of the Variable Rate Demand Health Services Facilities System Revenue Refunding Bonds, Series 2007

Funding: Proceeds of Revenue Bonds

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 the Variable Rate Demand Health Services Facilities System Revenue Refunding Bonds, Series 2007 (the “Bonds”) to refund the Health Services Facilities System Revenue Bonds, Series 1997A. Such 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 preparation of the Preliminary Official Statement; the analysis of the purchase of bond insurance, where such insurance will be purchased by the managing underwriter; actions to pursue and obtain ratings on the revenue bonds; preparation of additional documents including a First Supplemental Bond Resolution, Bond Purchase

Agreement, Remarketing Agreement, Escrow Agreement, and Standby Bond Purchase Agreement.

The Board, at its meeting on March 13, 2007, approved the issuance of a forward starting variable-to-fixed interest rate swap (the “Swap”) in anticipation of the issuance of the Bonds. The Swap agreement was entered into with Lehman Brothers Commercial Bank (the “Counterparty”) on April 2, 2007. The Board will receive payments from the Counterparty equal to 68 percent of the one-month London InterBank Offered Rate (“LIBOR”) multiplied by a notional amount (the “Notional Amount”) equal to the outstanding par amount of the Bonds. It is anticipated that this payment will closely match the payment the Board will make to the bondholders. In addition to the payments made to the bondholders, the Board will pay remarketing costs and liquidity facility costs to support the Bonds. The Board will pay the Counterparty a payment equal to 3.534 percent times the Notional Amount.

It is requested that the Board authorize the issuance of the Bonds in an amount not to exceed \$45.0 million with a final maturity no later than October 1, 2026, to fund the refunding escrow and the necessary issuance costs (see Attachment). The average annual payments to the bondholders and swap counterparty are expected to be approximately \$3.5 million over the life of the Bonds. A present value savings of approximately \$6.0 million, or 15 percent of the refunded bonds, will accrue upon completion of this bond transaction when coupled with the Swap.

The Bonds will be sold via a negotiated sale. The Bonds will be fully registered and will be special, limited obligations of the Board and will be payable from and secured by, on a parity basis with the Health Services Facilities System Revenue

Bonds, Series 1997B and other parity bonds (collectively, the “Parity Bonds”): (i) the net revenues of the Health Service Facilities System; (ii) 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; (iii) 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 bond issues; and (iv) the Bond and Interest Sinking Fund Account.

All legal matters incidental to the authorization and issuance of the Bonds, and the forms of the Preliminary Official Statement and the Official Statement, the First Supplemental Health Services Facilities System Revenue Bond Resolution, Escrow Agreement, Remarketing Agreement, Bond Purchase Agreement, and Standby Bond Purchase Agreement will be approved by Katten Muchin Rosenman LLP, Chicago, Illinois, Bond Counsel; and Freeborn & Peters LLP, Chicago, Illinois, Special Counsel to the University. Certain legal matters will be passed upon by Mayer, Brown, Rowe & Maw LLP, Chicago, Illinois, Underwriter’s Counsel.

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

1. Authorize the issuance and sale of the Bonds. Approve the Preliminary Official Statement and the Official Statement with the addition of the final terms of the Bonds.¹
2. Approve the form of the Bond Purchase Agreement with Goldman, Sachs & Co., as underwriter (the “Underwriter”), in substantially the form submitted to this meeting, wherein the Underwriter agrees to purchase from the Board not less than all of the Bonds (i) in an aggregate principal amount not exceeding \$45.0 million; (ii) with a final maturity of no later than October 1, 2026; (iii) at a price not less than the par amount thereof; (iv) commencing on October 1, 2007, with the true interest cost of borrowing for the Bonds including the Swap not exceeding 5.50 percent; and (v) the maximum compensation of the Underwriter shall not exceed 1.5 percent of the par amount thereof.¹
3. 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.
4. Adopt the First Supplemental Health Services Facilities System Revenue Bond Resolution which authorizes the Bonds.¹
5. Approve of the forms of the Escrow Agreement, Remarketing Agreement, and Standby Bond Purchase Agreement.¹
6. 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 Bonds.
7. 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

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.

documents on behalf of the Board as may be by them deemed necessary or appropriate in connection with the provisions of the Official Statement, the First Supplemental Health Services Facilities System Revenue Bond Resolution, Remarketing Agreement, Bond Purchase Agreement, Standby Bond Purchase Agreement, and Escrow 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 Organizations and Procedures*, and Board of Trustees policies and directives.

Funding will be available from the proceeds of the Variable Rate Demand Health Services Facilities System Revenue Refunding Bonds, Series 2007.

The President of the University concurs.