

Board of Trustees
May 22, 2008

Revised

ROLL CALL

APPROVE VARIABLE RATE DEMAND HEALTH SERVICES FACILITIES
SYSTEM REVENUE REFUNDING BONDS, SERIES 2008

Action: Approve Issuance of the Variable Rate Demand Health Services Facilities System Revenue Refunding Bonds, Series 2008, and the Amendment to the ISDA Master Agreement with Lehman Brothers Commercial Bank

Funding: Proceeds of Revenue Bonds

The Board of Trustees of the University of Illinois (the “Board”) at its meeting on March 26, 2008, authorized a number of actions leading toward the issuance of the Variable Rate Demand Health Services Facilities System Revenue Refunding Bonds, Series 2008 (the “Bonds”) to refund the Variable Rate Demand Health Services Facilities System Revenue Refunding Bonds, Series 2007 (the “Series 2007 Bonds”). 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., as bond registrar; the preparation of the Official Statement; the negotiation of a letter of credit and reimbursement agreement; actions to pursue and obtain ratings on the revenue bonds; preparation of additional documents including a

Second Supplemental Bond Resolution, Bond Purchase Agreement, Remarketing Agreement, and Reimbursement 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 Series 2007 Bonds. The Swap agreement was entered into with Lehman Brothers Commercial Bank (the “Counterparty”) on April 2, 2007. The Board receives payments from the Counterparty equal to 68 percent of the one-month London Interbank Offered Rate (“LIBOR”) multiplied by an amount equal to the scheduled outstanding par amount of the Series 2007 Bonds (the “Notional Amount”). The Board pays the Counterparty a payment equal to 3.534 percent times the Notional Amount. It is requested that the Board approve the amendment to the interest rate swap. In addition to the payments made to the bondholders, the Board will pay remarketing costs and liquidity facility costs to support the Bonds. The true interest cost of borrowing for the Bonds, including the swap, is not expected to exceed 5.75 percent.

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 refund the Series 2007 Bonds and to pay the necessary issuance costs (see Attachment). The average annual payments to the bondholders and swap counterparty are expected to be approximately \$3.6 million over the life of the Bonds.

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 form of the Official Statement, the Second Supplemental Health Services Facilities System Revenue Bond Resolution, Remarketing Agreement, Bond Purchase Agreement, and Reimbursement Agreement will be approved by Katten Muchin Rosenman LLP, Chicago, Bond Counsel; and Freeborn & Peters LLP, Chicago, Special Counsel to the University. Certain legal matters will be passed upon by Ungaretti & Harris LLP, Chicago, Underwriter’s Counsel.

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

1. Authorize the issuance and sale of the Bonds. Approve the Amendment to the ISDA Master Agreement with Lehman Brothers Commercial Bank. Approve the Official Statement with the addition of the final terms of the Bonds.¹

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

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) with the initial interest rate of the Bonds not more than 5.75 percent at the time of issuance, and the Bonds’ subsequent true interest cost not exceeding the lower of 12 percent per annum and the maximum rate permitted by applicable law; and (v) the maximum compensation of the Underwriter shall not exceed 1.5 percent of the par amount thereof.¹
3. Delegate to the Vice President/Chief Financial Officer and Comptroller the authority to determine the principal amount, final terms, and terms of the sale of the Bonds and the amendment to the interest rate swap within the limits expressed in this Board action.
4. Adopt the Second Supplemental Health Services Facilities System Revenue Bond Resolution which authorizes the Bonds.¹
5. Approve the forms of the Remarketing Agreement and Reimbursement 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 and the amendment to the interest rate swap.
7. Authorize and empower the Vice President/Chief Financial Officer and 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 Official Statement, the Second Supplemental Health Services Facilities System Revenue Bond Resolution, Remarketing Agreement,

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.

Bond Purchase Agreement and Reimbursement 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 2008.

The President of the University concurs.