



August 7, 2014

UPDATE NOTICE CONCERNING BANKRUPTCY PROCEEDING AND RELATED MATTERS

TO THE HOLDERS¹ OF:

ILLINOIS FINANCE AUTHORITY
SPORTS FACILITY REVENUE BONDS
(LEAFS HOCKEY CLUB PROJECT)

\$18,880,000 Series 2007A
\$1,120,000 Taxable Series 2007B

CUSIP NUMBERS²:

**45202UAF1
45202UAG9
45202UAH7
45202UAJ3**

UMB Bank, n.a. (the “Trustee”) acts as trustee³ pursuant to the Trust Indenture (the “Indenture”) between the Illinois Health Facilities Authority as issuer (the “Issuer”) and its predecessors as trustee, dated as of February 1, 2007 (the “Indenture”). The above-referenced bonds (the “Bonds”) were issued pursuant to the Indenture. The proceeds of the Bonds were loaned to LHC, LLC, an Illinois non-profit limited liability company (the “Borrower”), for the construction and operation of a hockey arena (the “Facility”) located in West Dundee, Illinois. The repayment of the Bonds was guaranteed by Leafs Hockey Club, Inc., an Illinois non-profit corporation (the “Guarantor” or the “Hockey Club”). The Hockey Club is the sole member of the Borrower and a principal user of the Facility.

1 This notice contains important information that is of interest to the beneficial owners of the subject securities. If applicable, all depositories, custodians, and other intermediaries receiving this notice are requested to expedite transmittal to such beneficial owners in a timely manner.

2 CUSIP numbers are provided for convenience of reference only. No representation is made as to the accuracy of the CUSIP numbers contained in this letter, although a good faith effort has been made to insure that CUSIP numbers are correct.

3 Please contact the Trustee if you want to obtain copies of notices prepared by the predecessor trustee, or look for them online at www.emma.msrb.org.

Status of Bankruptcy Case and Plan Negotiations

The Trustee's predecessor as trustee reported that the Borrower filed bankruptcy under Chapter 11 of the U.S. Bankruptcy Code in the Northern District of Illinois in 2013. The Borrower's bankruptcy case continues, but to date the Borrower has not proposed a plan of reorganization which addresses how it intends to repay the Bonds and its other creditors (a "Plan"). The Borrower has obtained extensions of time from the Bankruptcy Court to delay the filing of its Plan, but its exclusive period to file a Plan will expire on August 27, 2014, by statute and cannot be further extended.

In lieu of filing a competing Plan, the Trustee has continued to negotiate with the Borrower to develop an agreed, consensual Plan.⁴ These negotiations continue, and the Trustee hopes a Plan can be agreed to within the next 60 days. The discussions center around the amount the Borrower feasibly can be expected to pay from operation of the Facility over the next thirty year period for debt service on exchange bonds to be issued under the Plan. The Borrower consistently has argued that the Trustee's projections of net operating revenue are overstated, while the Trustee has consistently pressed to make the payments as large as fiscally prudent. This dispute involves not only competing views of the future usage of the Facility but also the degree to which historic financial performance of the Facility was (or was not) adversely affected by mismanagement and unreasonably deferred capital expenditures.

Any plan, whether proposed by the Borrower or by the Trustee, will require issuance of exchange bonds in a lower principal amount than the current balance of the Bonds and forgiveness of past due interest. This result is required by the provisions of the Bankruptcy Code, which prevent accrual of interest during a bankruptcy case, and reduce the amount of the debt, when the value of the Facility is less than the amount of the debt, as is the case here. Understandably, the Trustee is pressing for the highest recovery obtainable.

Status of the Trust

The Trustee's continued ability to negotiate the terms of a plan is in jeopardy, however, by its inability to pay its attorneys and its financial advisor. The trust estate has almost no money left, and the activities the Prior Trustee and the Trustee have pursued in this case to obtain a recovery for the holders of the Bonds, have been quite costly, principally as a result of the trial held in the Bankruptcy Court in 2013 on the Prior Trustee's motion for the appointment of a Chapter 11 trustee, a suit brought against Leafs Hockey Club, Inc., as the guarantor of the Bonds, and lack of sophistication of the Borrower in matters of tax-exempt finance. The trust estate is indebted to its counsel and its financial advisor to the extent of approximately \$3 million. Under the terms of the Indenture governing the Bonds, repayment of these amounts is senior in right to payment on the Bonds.

⁴ See below at "Right to vote on a Bankruptcy Plan" for a discussion of the implications of negotiating an acceptable Plan.

The obligation of the Trustee to negotiate the best recovery for holders of the Bonds and continue litigation against the Hockey Club is and will be jeopardized by its inability to pay counsel or a financial advisor. The Trustee is unlikely to find replacement counsel or a replacement financial advisor when it cannot assure current payment. Even if a Plan is negotiated successfully, repayment of new exchange bonds and therefore cash flow to the Trust will come over a period of years. After consulting with the holders of a majority in principal amount of the Bonds (the “Majority Holders”), the Trustee has concluded that the best opportunity for a successful recovery on the Bonds will involve issuance of Trustee certificates (the “Trustee Certificates”) and use of the proceeds to allow the Trustee continued access to counsel and a financial advisor. Accordingly, the Trustee is contemplating entering into a term sheet describing the terms of the Trustee’s certificates as well as a loan agreement confirming such terms, contingent on a determination that such steps are (i) in the best interest of the holders of the Bonds, including those minority holders who have not directed the Trustee, and (ii) that the Trustee has the authority to enter into such agreements.

Terms and Effect of Trustee Certificates

The Trustee has negotiated the sale of Trustee Certificates in the amount of \$5 million, of which the initial draw of \$3 million will be made available to pay counsel and the Trustee’s financial advisor at issuance. The balance of \$2 million will be deferred until the later of the satisfaction of certain terms and conditions described here and when funds are needed. The purchaser of the Trustee certificates likely will be Kayne Saybrook Municipal Opportunity Fund (“Kayne Saybrook”), but other potential buyers are also seeking to negotiate terms of purchase, and the Trustee will pursue the least costly alternative. The terms of the Trustee Certificates will include the following (if issued to Kayne Saybrook):

Interest Rate	15% per annum on amount drawn
Priority of repayment	Senior to the Bonds from funds which become available to the trust estate
Right to direct Trustee	After issuance of the Trustee Certificates, Kayne Saybrook would have the sole right to direct the Trustee on remedies, whether to propose a Plan and how to vote on any Plan, subject to the “Plan Exception” described below.
Authority	The Trustee has been directed by holders of a majority in principal amount of the Bonds to issue the Trustee Certificates and to execute the various documents necessary to perform the same. ⁵

⁵ Holders of a majority in principal amount of the Bonds are entitled to receive material nonpublic information, based on their agreements not to trade based on the information obtained. Such holders have an

Plan Exception	Kayne Saybrook's right to direct the Trustee, as described above at "Right to direct Trustee" shall be deferred to determine whether an acceptable Plan can be negotiated with the Borrower before a date certain, and confirmed by the Bankruptcy Court by a later date certain. During the period prior to these dates, the holders of a majority in principal amount of the Bonds and Kayne Saybrook will jointly direct the Trustee.
Conditions to issuance	The Trustee Certificates are conditioned on the issuance of a court order in a trust instruction proceeding, described below.

The issuance of the Trustee Certificates will have a material effect on the rights of the holders of the Bonds. The Trustee believes the issuance of the Trustee Certificates is an indispensable step to developing an acceptable plan of reorganization with the Borrower and to the efforts to obtain a judgment against Leaf's Hockey Club, Inc., in U.S. District Court. The rights of the holders of the Bonds to be paid from funds coming into the trust estate, either before Plan confirmation or from funds paid into a trust estate for payment of exchange bonds issued under a Plan, are subordinate to the payment of the Trustee's fees and expenses, including the fees and expenses of its counsel and financial advisor. As a result, the outstanding fees and expenses will be paid ahead of the Bonds in any event, and the issuance of the Trustee Certificates will merely substitute Kayne Saybrook (or any other potential buyer) in the prior and superior position of the Trustee's counsel and financial advisor in claims to be paid from the proceeds of the Plan. But if arrangements are not made to pay such fees and expenses currently, they will be paid over a period of years after Plan confirmation. Neither counsel nor the financial advisor are likely to continue to expend such effort as is needed to reach agreement on a Plan without payment in the near future. The Trustee believes the rights of the holders of the Bonds will be impaired if it is unable to utilize counsel and the financial advisor to negotiate the Plan. Further, the Trustee will be unable to identify other counsel or a financial advisor willing to step in and act on its behalf without arrangements being made to pay any such counsel currently.

Kayne Saybrook initially requested the consent of all holders of Bonds to the creation of a priming lien in its favor, but this was not feasible. The holders of a majority in principal amount of the Bonds have provided their consents to the priming lien, but cannot bind other holders of the Bonds.

Trust Instruction Proceeding

identical interest in success in negotiating a plan as the other holders of the Bonds. The Trustee will not agree to terms of a restructure or of new exchange bonds, absent the approval of such holders.

Trust Instruction Proceeding

In order to insure that the Trustee has satisfied its duties under the Indenture by entering into and performing the term sheet and the loan agreement documenting the terms of the Trustee Certificates, the Trustee intends to file a trust instruction proceeding in the Probate Court for Hennepin County, Minnesota, the court which has jurisdiction over the Trustee and the trust estate (the “Probate Court”). The Trustee will ask the Probate Court to instruct it to perform all of its duties under the term sheet and the loan agreement, notwithstanding the risk that holders of the Bonds may not be paid in full after repayment of the Trustee’s Certificates, if the Borrower doesn’t make payments under the Plan, or the Facility cannot be sold for enough to pay the new bonds.

When the issuance of the Trustee Certificates is imminent and the trust instruction proceeding petition is filed, the Trustee will send an additional notice, which will include its petition for instructions, to each holder of the Bonds of whom it has been made aware, and every holder of the Bonds will have the right to appear and to be heard at the hearing in the Probate Court when it is scheduled, either with counsel or on his, her, or its own, to express his, her or its views of the issues raised in the Trustee’s Petition and to participate in the hearing. The Trustee recognizes that holders may not want to attend a hearing in Minneapolis, Minnesota, over the issues raised in the Petition, and therefore it also will present all comments received in writing or by telephone to the Probate Court. Any holder who does not appear at the hearing will be bound by the Probate Court’s decision.

Right to Vote on a Bankruptcy Plan

This notice discusses in an earlier section the requirement that the Plan be approved by a vote of the holders of the Bonds. Assuming the Court approves the issuance of the Trustee Certificates, the Trustee will have counsel and a financial advisor to assist it in negotiating a Plan. The Plan cannot be confirmed in the Bankruptcy Court without an affirmative vote of half in number and two-thirds in dollar amount of the Bonds outstanding, absent use of a “cram down” mechanism⁶ by the Borrower. Holders of a majority in principal amount of the Bonds can satisfy the requirement for two-thirds in dollar amount to accept the Plan, but not the requirement of more than one-half in number. Accordingly, all holders of the Bonds will receive a ballot and a disclosure statement which informs them of the terms of the Borrower’s plan, and instructions on how to vote on the Plan, at a later date, after the terms of the Plan have been fully negotiated.

⁶ In a “cram down” scenario, the Court has to find that the Plan is fair and equitable to the holders who rejected its terms, and that they will receive the “indubitable equivalent” of their likely recovery if the Plan were not confirmed.

Any holder who has any questions concerning the Bonds or this notice should contact the Trustee at the following address.

Virginia Anne Housum, Senior Vice President
UMB Bank, n.a., as trustee
120 Sixth Street South, Suite 1400
Minneapolis, MN 55402
Telephone:(612) 337-7003
Email:Virginia.Housum@umb.com

If you are a holder of the Bonds and wish to receive status update notices directly from the Trustee, please contact the Trustee and provide your mailing address or an email address for future notifications about the Bonds (if you have not already done so).

The Trustee will continue to provide notices to update holders of the Bonds as significant events occur with respect to the remedial actions being taken. The Trustee makes no recommendations and gives no investment advice herein or as to the Bonds generally.

August 7, 2014

UMB BANK, n.a. *as Trustee*