Public Private Ventures Program

Facilities Officers Conference

October 27, 2011

“Creating a More Educated Georgia”
Public Private Ventures Program

- The program is used primarily for projects that are self-supporting (housing rents, user fees, research funds, and redirection of rental payments).

- Private Interest
  - Developers
  - University Foundations
  - Non-profit Organizations
  - Limited Liability Corporations (LLC)
  - USG Real Estate Foundation

- Project Financing
  - Bonds (tax-exempt & taxable)
  - Credit Enhancement (bond insurance & letter of credit)
  - Rated Bond Issues (no credit enhancement)

“Creating a More Educated Georgia”
Public Private Venture Program

Georgia Structure

Following is a brief description of the structure typically used in Georgia PPV transactions.

- The Board of Regents of the University System of Georgia (the “BOR”) leases land on campus to a LLC under a ground lease for a term equal to the bonds: – when the bonds are paid in full, the ground lease terminates and the facility reverts to the BOR.

- The LLC and the BOR enter into a rental agreement under which the BOR agrees to lease the completed facility under a “triple-net” lease arrangement for rents sufficient to pay the principal and interest of the bonds. The University is responsible for the operation of the facility.

“Creating a More Educated Georgia”
Portfolio Update (10-25-11)

- 172 projects - $3.891 Billion

- Including 14 projects under construction

- Located on 33 of 35 institutions

- A variety of facility types including:
  - Housing 40,012 beds
  - Parking 27,697 spaces
  - Student Support 2,538,437 sq. ft.
  - Research 1,449,421 sq. ft.
  - Instructional 1,044,275 sq. ft.
  - Office 999,762 sq. ft.
  - Stadium Seats 35,488 seats

“Creating a More Educated Georgia”
Student Housing

- Dorms, Semi-Suites, Suites, & Apartments
- Board of Regents requires a Comprehensive Housing Plan and Market Study
- Housing Rents cover rent to Foundation, operating cost, & repair and replacement reserves

“Creating a More Educated Georgia”
Student Support Facilities

- Student Centers, Student Unions, Student Learning Support, Recreation Centers, Parking Decks
- Board of Regents requires student fee committee to vote for assessing student fees
- Needs assessment shall be conducted that obtains student input (focus groups, surveys, workshops, etc)
- Student Fees are used to pay rent to Foundation, some operating costs, building reserves

“Creating a More Educated Georgia”
Research, Office, and Instructional

- Research funding used to cover rent to Foundation and building reserves

- The redirection of rental payments to new and existing facilities

“Creating a More Educated Georgia”
Underwriting Guidelines

- Income and Expenses can not increase more than 3% per year
- Funding Repair and Replacement Reserves
- Debt Coverage Ratio must equal at least 1.05
- Level Debt Service Payments/Fixed Interest Rate
- Fund at least 6 months capitalized interest after construction completion to create project reserves
- Performance of previous PPV’s and Debt Capacity

“Creating a More Educated Georgia”
Financial Risk Mitigation Strategy

1st
• Project Cash Reserves created by funding at least 6 months of capitalized interest after construction completion

2nd
• Auxiliary unallocated balances

3rd
• Institutional funds (non-state)

Required Debt Service Coverage Ratio: 1.05 to provide cushion
Management & Operations

PPV Project Accountability

Insurance
- Adequate & Proper Coverage
- Pooled Coverage
- Risk Mitigation across Portfolio

Cash Flow
- Annual Reporting of Financial Performance
- Revenues & Expenses Analysis
- Lease Payment/Debt Service Analysis

Physical Conditions
- Physical Conditions Documented
- 5-Year 3rd Party Physical Assessment
- Repair & Replacement Reserve Analysis

“Performance Matters”

Managing Risks and Preserving Value

“Creating a More Educated Georgia”
Asset Management

- Close-out of Fiscal Year PPV Projects
  - Focus on whether your projects are Self-Liquidating
  - Benchmark against proforma
  - Confirm recorded expenses are specific to project
- Contact Cynthia Alexander regarding Cash Flow Issues
  - If cash flow is not consistent with proforma
  - If proforma needs to be re-cast
- Rating Agency Alert
  - If you get calls or notice of review or changes in rating call and get us involved
- Lease Renewal Form for each PPV
  - Send a copy to Cynthia Alexander

“Creating a More Educated Georgia”
Questions?

“Creating a More Educated Georgia”
University System of Georgia
Public Private Venture Financings

15th Annual Facilities Officers Conference
October 26-28, 2011
Cunningham Center
Columbus State University
Why utilize privatized structures?

- Faster completion
- Streamline procurement process
- Funding limits or restrictions
- Private funding source
- Non-recourse to University *
- Off-balance sheet and off-credit *
- 100% project financing
- Philosophical shift

* Varies based on University involvement
University System of Georgia PPV structure

- **Foundation LLC**
  - * Owns Project *
  - * Legal Obligor *
  - Sole Member of LLC

- **University**
  - Vets and Approves Project
  - Approves Financing Structure
  - Reviews Construction Documents
  - Provides Post-closing Oversight
  - Executes the Rental Agreement
  - Housing Rents
  - Student Fees

- **Student / User's**
  - Housing Rents
  - Student Fees

- **Board of Regents**
  - Ground Lease Rental Agreement
  - Housing Rents
  - Student Fees
  - Facilities Mgmt Agreement

- **Governmental Authority**
  - Loan Agreement

- **Trustee**
  - Debt Service Payment

- **Real Estate Foundation**
  - Debt Service Payment

- **Sole Member of LLC**
  - Real Estate Foundation

- **Board of Regents**
  - Vets and Approves Project
  - Approves Financing Structure
  - Reviews Construction Documents
  - Provides Post-closing Oversight
  - Executes the Rental Agreement

- **Student / User's**
  - Housing Rents
  - Student Fees
### Summary of potential financing options

<table>
<thead>
<tr>
<th>Financing Observations</th>
<th>Traditional University</th>
<th>University-Affiliated Foundation</th>
<th>Unaffiliated-Nonprofit Corporation</th>
<th>Fully Privatized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Capital</td>
<td>Lowest</td>
<td>Slightly Higher</td>
<td>Higher</td>
<td>Highest</td>
</tr>
<tr>
<td>Credit Rating (1)</td>
<td>Aaa</td>
<td>Aa2 – A1</td>
<td>A3 – Baa</td>
<td>Baa - Below</td>
</tr>
<tr>
<td>Tax-Exempt Financing</td>
<td>Available</td>
<td>Available</td>
<td>Potentially Available</td>
<td>Not Available</td>
</tr>
<tr>
<td>Off-balance Sheet Treatment</td>
<td>Not Possible</td>
<td>Not Possible</td>
<td>Possible</td>
<td>Yes</td>
</tr>
<tr>
<td>Level of University Control</td>
<td>Highest</td>
<td>High if managed by University, but lower if managed by outside management firm</td>
<td>Lowest</td>
<td></td>
</tr>
<tr>
<td>Financial Return for University</td>
<td>Highest</td>
<td>High</td>
<td>Moderate</td>
<td>Low</td>
</tr>
<tr>
<td>Ease of Implementation</td>
<td>Lowest</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Highest</td>
</tr>
</tbody>
</table>

**NOTES:**
(1) For illustrative purposes only. Based on Moody’s ratings.
Off Balance Sheet and PPV

**Off Balance Sheet**
- Rated Baa3 (BBB-)
- Coverage Requirement – 1.20x
- Cash Funded Reserve 100% Requirement
- First Fill Agreement
- Freshmen & Sophomore Housing Requirement
- Construction Risk Requirements
- Insurance Premium Rate – 225 bps
- Cost of Capital – 5.45%

**Georgia Board of Regents**
- Rated A+
- Coverage Requirement -1.05x
- Cash Funded Reserve 50% Requirement
- No Fill Agreement or Housing Requirement
- Construction Risk Requirements
- Insurance Premium Rate – 65 bps
- Cost of Capital – 4.88%
Team members involved in PPV bond issues

- University
- Foundation / LLC – Project Owner
- Board of Regents
- Project Consultant or Program Manager
- General Contractor / Developer
- Issuer and Issuer’s Counsel
- Bond Counsel
- Underwriter and Underwriter’s Counsel
- Trustee
- Rating Agency
- Credit Enhancer
Credit criteria for financing a PPV

- **University**
  - Market position? Governance? Operating performance?
  - What are the university’s current capital needs? Long-range capital plans?
  - Has the university participated in a PPV financing before? If so, how is the project performing?

- **Project**
  - Who is legal obligor? Relationship to university?
  - Is the university involved? If so, what role?
  - Location of project? Is it located on university-owned land?
  - Strategic importance of the project?
Credit criteria for financing a PPV (continued)

- **Bond / Legal Structure**
  - Project revenues? Mandatory or discretionary fees? What is the security pledge?
  - Projected assumptions in proforma?
  - How is construction risk addressed?
  - Flow of funds
  - Is a debt service reserve fund established? Cash funded at 100% or 50% of requirement? Surety bond?
Moody’s

- Ratings reflect a blended assessment based on (1) the lease agreement with the Board of Regents and (2) underlying credit characteristics of the university, which ranges from “Aa2” to “A3”.

- Strengths include:
  - Strategic importance of the projects
  - Initial approval and continued oversight by Board of Regents

- Challenges include:
  - Rental payments are subject to annual renewal
  - Certificate of occupancy must be issued before rental payments begin
  - Construction risk can be mitigated, but not eliminated
  - Challenging state funding environment
Ratings reflect the lease agreement with the Board of Regents, which is currently “A+”.

Strengths include:

- Strategic importance of the projects
- Initial approval and continued oversight by Board of Regents
- University System of Georgia’s large, comprehensive role as the state’s system of higher education

Challenges include:

- Annual appropriation risk and abatement risk
- Rapid growth of debt issued by the University System of Georgia
- Construction risk can be mitigated, but not eliminated
Assured Guaranty

- Insurance policies are irrevocable and guarantee the timely payment of principal and interest on bonds to investors.

- Requirements would be significantly more stringent without the Rental Agreement.

- Assured Guaranty’s analytical approach to USG PPV is multifaceted combining elements of off balance sheet / project finance and tradition higher education analytics.

- Risks include:
  - Ability of individual institutions to attract students
  - Risk of Damage to the facility and abatement of rent by Board
  - Project Self Sustainability
  - Appropriation and Allocation Risk of the Board
  - Construction Risk – Rents payable upon completion of project
Construction risk can be mitigated

The following strategies have been used to mitigate construction risk:

- All drawings, designs, studies and engineering reports will be final before bond sale
- Payment and performance bonds for the full project cost
- Construction contract will have a guaranteed completion date for a guaranteed maximum price (GMP)
- Builders Risk Insurance
- Collateral assignment of construction agreements to the trustee
- Six months of capitalized interest beyond expected completion date
- Reasonable level of liquidated damages
- Principal payments do not start until the following year project is placed in service
What are the Changes Going Forward?

- BoR
- Rating Agencies
- Credit Enhancer
- Structural
- Market
- Political
University System of Georgia
Facilities Officer Conference

15th Annual Facilities Officers Conference
October 26-28, 2011
Cunningham Center
Columbus State University
Interest Rate Market Update

**Long Term:**
US Treasury and Tax-Exempt Rates are down over 600 basis points over the 10 year period

**Short Term:**
US Treasury and Tax-Exempt Rates are down over 225 basis points over a 1 year period

---

**Long –Term: 30-Year Treasury and MMD (tax-exempt)**

Current Rates:
- **10yr.** 2.19%
- **30yr.** 3.21%

**Tax-Exempt:**
- 2.42%
- 3.72%

**Short-Term: 30-Year Treasury and MMD (tax-exempt)**

Ratio of MMD/Treas.
- Current 1.23
- Average 1.00
- High 1.29
- Low 0.86

Source: Thomson Financial as of October 2011
How Did Japan’s Recession Impact Bond Yields?

- Japan’s 10Y bond yield fell below 2% in 1997 and has since spent 83% of the time below that level
- Japanese yields have remained at this historically low level for the past 14 years

Source: Bloomberg
Treasury Yields Have Moved Counterintuitive to QE Anticipation versus Actual Purchases

10-Year U.S. Treasury Yield

11/25/2008QE1 announced
3/31/2010QE1 purchases end
8/27/2010Jackson Hole speech hinted QE2
11/3/2010QE2 purchases begin
8/27/2010Terrible economy, which led to anticipation of QE2
9/21/2011Operation Twist announced

It was fair to believe that this was the end of the world as we know it

Source: Bloomberg

Facilities Officers Conference – October 27, 2011
Municipal Bond Fund Flows

After massive outflows from November 2010 through June 2011, investors have recently started to leave the sidelines and money is trickling back into municipal bond funds.

Even with this reduction in the buying power of municipal bond funds, the market hasn’t experienced symptoms of reduced demand because volume has been so depressed.

Source: Lipper FMI as of October 2011
Holders of Municipal Debt

Municipal bonds remain largely in the hands of professional investors although retail represents the largest investor segment at 37% of all current holdings.

As municipal bond fund outflows and political debate over long-term tax exemptions threaten demand, will retail investors pick up the slack?

### USG Institution Credit Ratings

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ABAC</td>
<td>42,560,000</td>
<td>A3</td>
<td>-</td>
</tr>
<tr>
<td>Albany State University</td>
<td>78,895,000</td>
<td>-</td>
<td>A+</td>
</tr>
<tr>
<td>Armstrong Atlantic State University</td>
<td>93,780,000</td>
<td>A2</td>
<td>-</td>
</tr>
<tr>
<td>Atlanta Metropolitan College</td>
<td>-</td>
<td>-</td>
<td>A+</td>
</tr>
<tr>
<td>Augusta State University</td>
<td>29,110,000</td>
<td>A2</td>
<td>-</td>
</tr>
<tr>
<td>Bainbridge College [2]</td>
<td>21,005,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>BOR/OIT</td>
<td>11,050,000</td>
<td>Aa2</td>
<td>-</td>
</tr>
<tr>
<td>Clayton State University</td>
<td>70,555,000</td>
<td>-</td>
<td>A+</td>
</tr>
<tr>
<td>College of Coastal Georgia [2]</td>
<td>28,955,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Columbus State University</td>
<td>65,166,433</td>
<td>A2</td>
<td>-</td>
</tr>
<tr>
<td>Dalton State College [2]</td>
<td>7,130,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Darton College</td>
<td>45,885,000</td>
<td>-</td>
<td>A+</td>
</tr>
<tr>
<td>East Georgia College [3]</td>
<td>8,910,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fort Valley State University</td>
<td>81,960,000</td>
<td>A3</td>
<td>-</td>
</tr>
<tr>
<td>Gainesville State College</td>
<td>11,715,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Georgia College &amp; State University</td>
<td>146,530,000</td>
<td>A2</td>
<td>A+</td>
</tr>
<tr>
<td>Georgia Gwinnett College</td>
<td>162,570,000</td>
<td>-</td>
<td>A+</td>
</tr>
<tr>
<td>Georgia Highlands College</td>
<td>19,285,000</td>
<td>-</td>
<td>A+</td>
</tr>
<tr>
<td>Georgia Institute of Technology [3]</td>
<td>503,475,000</td>
<td>Aa3</td>
<td>AA-</td>
</tr>
<tr>
<td>Georgia Perimeter College</td>
<td>77,965,000</td>
<td>A2</td>
<td>-</td>
</tr>
<tr>
<td>Georgia Southern University</td>
<td>207,725,000</td>
<td>A1</td>
<td>-</td>
</tr>
<tr>
<td>Georgia Southwestern State University</td>
<td>40,565,000</td>
<td>A2</td>
<td>-</td>
</tr>
<tr>
<td>Georgia State University</td>
<td>358,325,000</td>
<td>A1</td>
<td>-</td>
</tr>
<tr>
<td>Gordon College</td>
<td>32,830,000</td>
<td>A3</td>
<td>-</td>
</tr>
<tr>
<td>Kennesaw State University</td>
<td>358,675,000</td>
<td>A1</td>
<td>A+</td>
</tr>
<tr>
<td>Macon State College</td>
<td>12,405,000</td>
<td>-</td>
<td>A+</td>
</tr>
<tr>
<td>Medical College of Georgia [4]</td>
<td>29,435,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Middle Georgia College</td>
<td>62,895,000</td>
<td>-</td>
<td>A+</td>
</tr>
<tr>
<td>North Georgia College &amp; State University</td>
<td>154,025,000</td>
<td>-</td>
<td>A+</td>
</tr>
<tr>
<td>Savannah State University</td>
<td>103,935,000</td>
<td>-</td>
<td>A+</td>
</tr>
<tr>
<td>South Georgia College</td>
<td>35,525,000</td>
<td>A3</td>
<td>-</td>
</tr>
<tr>
<td>Southern Polytechnic State University</td>
<td>92,920,000</td>
<td>A2</td>
<td>-</td>
</tr>
<tr>
<td>University of Georgia</td>
<td>295,819,285</td>
<td>Aa2</td>
<td>-</td>
</tr>
<tr>
<td>University of West Georgia</td>
<td>140,460,000</td>
<td>A1</td>
<td>-</td>
</tr>
<tr>
<td>Valdosta State University</td>
<td>191,988,775</td>
<td>A1</td>
<td>-</td>
</tr>
<tr>
<td>Waycross College</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,624,029,493</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

**Notes:**

[1] As of October 25, 2011

[2] GHEFA Financing Rating (A2/A+)


[4] Insured rating

---

### % of Debt Outstanding by Rating Category

- **A1/A+** 60.48%
- **Aa1/AA+** 0.29%
- **Aa3/AAA** 13.89%
- **A2/AA** 8.18%
- **AAA/Aaa** 0.00%
- **A3/A-** 5.32%
- **Other** 0.81%

---

Facilities Officers Conference – October 27, 2011
Current Tax-Exempt Interest Rates

<table>
<thead>
<tr>
<th>Year</th>
<th>A1/A+</th>
<th>Aa2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1.500%</td>
<td>0.650%</td>
</tr>
<tr>
<td>2014</td>
<td>1.780%</td>
<td>1.030%</td>
</tr>
<tr>
<td>2015</td>
<td>2.140%</td>
<td>1.390%</td>
</tr>
<tr>
<td>2016</td>
<td>2.510%</td>
<td>1.760%</td>
</tr>
<tr>
<td>2017</td>
<td>2.790%</td>
<td>2.010%</td>
</tr>
<tr>
<td>2018</td>
<td>3.030%</td>
<td>2.270%</td>
</tr>
<tr>
<td>2019</td>
<td>3.310%</td>
<td>2.560%</td>
</tr>
<tr>
<td>2020</td>
<td>3.550%</td>
<td>2.800%</td>
</tr>
<tr>
<td>2021</td>
<td>3.670%</td>
<td>2.920%</td>
</tr>
<tr>
<td>2022</td>
<td>3.790%</td>
<td>3.040%</td>
</tr>
<tr>
<td>2023</td>
<td>3.930%</td>
<td>3.180%</td>
</tr>
<tr>
<td>2024</td>
<td>4.060%</td>
<td>3.310%</td>
</tr>
<tr>
<td>2025</td>
<td>4.180%</td>
<td>3.430%</td>
</tr>
<tr>
<td>2026</td>
<td>4.290%</td>
<td>3.540%</td>
</tr>
<tr>
<td>2027</td>
<td>4.390%</td>
<td>3.640%</td>
</tr>
<tr>
<td>2028</td>
<td>4.490%</td>
<td>3.740%</td>
</tr>
<tr>
<td>2029</td>
<td>4.590%</td>
<td>3.840%</td>
</tr>
<tr>
<td>2030</td>
<td>4.660%</td>
<td>3.910%</td>
</tr>
<tr>
<td>2031</td>
<td>4.730%</td>
<td>3.980%</td>
</tr>
<tr>
<td>2032</td>
<td>4.770%</td>
<td>4.170%</td>
</tr>
<tr>
<td>2033</td>
<td>4.770%</td>
<td>4.170%</td>
</tr>
<tr>
<td>2034</td>
<td>4.770%</td>
<td>4.170%</td>
</tr>
<tr>
<td>2035</td>
<td>4.770%</td>
<td>4.170%</td>
</tr>
<tr>
<td>2036</td>
<td>4.770%</td>
<td>4.170%</td>
</tr>
<tr>
<td>2037</td>
<td>4.820%</td>
<td>4.220%</td>
</tr>
<tr>
<td>2038</td>
<td>4.820%</td>
<td>4.220%</td>
</tr>
<tr>
<td>2039</td>
<td>4.820%</td>
<td>4.220%</td>
</tr>
<tr>
<td>2040</td>
<td>4.820%</td>
<td>4.220%</td>
</tr>
<tr>
<td>2041</td>
<td>4.820%</td>
<td>4.220%</td>
</tr>
<tr>
<td>2042</td>
<td>4.820%</td>
<td>4.220%</td>
</tr>
</tbody>
</table>

Value to a higher rating:
- 60 basis point difference between A1/A+ and Aa2
- Viability of bond insurance is uncertain
**Sample New Project Financing**

Today’s Market Rule of Thumb:
$800,000 of Debt Service = $10,000,000 Project

### SOURCES OF FUNDS

<table>
<thead>
<tr>
<th>Project Size</th>
<th>$10,000,000</th>
<th>$20,000,000</th>
<th>$30,000,000</th>
<th>$40,000,000</th>
<th>$50,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Par Amount of Bonds</td>
<td>$11,380,000</td>
<td>$22,715,000</td>
<td>$34,015,000</td>
<td>$45,350,000</td>
<td>$56,650,000</td>
</tr>
<tr>
<td>Original Issue Premium/(Discount)</td>
<td>105,387</td>
<td>210,323</td>
<td>314,912</td>
<td>419,907</td>
<td>524,535</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL SOURCES OF FUNDS</strong></td>
<td>$11,485,387</td>
<td>$22,925,323</td>
<td>$34,329,912</td>
<td>$45,769,907</td>
<td>$57,174,535</td>
</tr>
</tbody>
</table>

### USES OF FUNDS

<table>
<thead>
<tr>
<th>Project Size</th>
<th>$10,000,000</th>
<th>$20,000,000</th>
<th>$30,000,000</th>
<th>$40,000,000</th>
<th>$50,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Costs of Issuance</td>
<td>159,663</td>
<td>285,565</td>
<td>398,793</td>
<td>506,427</td>
<td>610,417</td>
</tr>
<tr>
<td>Debt Service Reserve Fund (50%)</td>
<td>402,963</td>
<td>803,459</td>
<td>1,202,347</td>
<td>1,602,500</td>
<td>2,001,494</td>
</tr>
<tr>
<td>Capitalized Interest Fund (2 Years)</td>
<td>911,340</td>
<td>1,819,277</td>
<td>2,724,123</td>
<td>3,631,950</td>
<td>4,536,889</td>
</tr>
<tr>
<td>Project Cost</td>
<td>10,011,421</td>
<td>20,017,022</td>
<td>30,004,650</td>
<td>40,029,030</td>
<td>50,025,736</td>
</tr>
<tr>
<td><strong>TOTAL USES OF FUNDS</strong></td>
<td>$11,485,387</td>
<td>$22,925,323</td>
<td>$34,329,912</td>
<td>$45,769,907</td>
<td>$57,174,535</td>
</tr>
</tbody>
</table>

Average Annual Debt Service | $806,000 | $1,607,000 | $2,405,000 | $3,205,000.00 | $4,000,000 |
Project Size as % of Principal | 87.97% | 88.12% | 88.21% | 88.27% | 88.31% |
Capitalized Interest Fund | 8.01% | 8.01% | 8.01% | 8.01% | 8.01% |
Debt Service Reserve Fund | 3.54% | 3.54% | 3.53% | 3.53% | 3.53% |
Costs of Issuance | 1.40% | 1.26% | 1.17% | 1.12% | 1.08% |
Refunding Analysis

**Refunding Essentials:**
- Existing bonds typically have a 10-year call protection
- Escrow pays existing bonds until the call date
  - Low short term rates (negative arbitrage) is very costly
- Couponing (selling at a premium or discount) effects savings
- Establish a savings threshold, i.e. 3% present value savings

**Considerations:**
- Refunding might add annual fees that did not exist on original debt
  - Authority, BOR, etc.
- Who retains the savings? Project, LLC, Institution, BOR or State
- Rental Payments can not increase
- Rated debt refunding insured debt

**Current Status:**
- $3.6 billion outstanding
- $255.7 million of principal (only 7% of all maturities) generates 3% or greater present value savings
### USG Debt by Repayment Sources

#### Revenue Sources

<table>
<thead>
<tr>
<th>Source</th>
<th>Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Rents</td>
<td>2,040,721,433</td>
</tr>
<tr>
<td>Student Fee</td>
<td>430,758,060</td>
</tr>
<tr>
<td>Student Center Fee</td>
<td>302,160,000</td>
</tr>
<tr>
<td>Research</td>
<td>345,060,000</td>
</tr>
<tr>
<td>Operating Funds</td>
<td>305,115,000</td>
</tr>
<tr>
<td>Parking Fee</td>
<td>135,085,000</td>
</tr>
<tr>
<td>Meal Plan</td>
<td>27,435,000</td>
</tr>
<tr>
<td>Continuing Education</td>
<td>23,295,000</td>
</tr>
<tr>
<td>Bookstore</td>
<td>14,400,000</td>
</tr>
<tr>
<td>Retail Space</td>
<td>-</td>
</tr>
</tbody>
</table>

**Total Outstanding**: 3,624,029,493
USG PPV Debt by Institution
Disclosure

This document and any other materials accompanying this document (collectively, the “Materials”) are provided for your information. By accepting the Materials, the recipient acknowledges and agrees to the matters set forth below.

The Materials are not an offer to sell or a solicitation of an offer to buy, or a recommendation or commitment for any transaction involving the securities or financial products named or described therein, and are not intended as investment advice or as a confirmation of any transaction. Externally sourced information contained in the Materials has been obtained or derived from sources we believe to be reliable, but Wells Fargo Bank, National Association (“WFBNA”) makes no representation or warranty, express or implied, with respect thereto, and does not represent or guarantee that such information is accurate or complete. Such information is subject to change without notice, and WFBNA accepts no responsibility to update or keep it current.

WFBNA does not assume or accept any liability for any loss which may result from reliance thereon. WFBNA and/or one or more of its affiliates may provide advice or may from time to time have proprietary positions in, or trade as principal in, any securities or other financial products that may be mentioned in the Materials, or in derivatives related thereto.

Any opinions or estimates contained in the Materials represent the judgment of WFBNA at this time, and are subject to change without notice. Interested parties are advised to contact WFBNA for more information.

WFBNA acts solely on an arm’s length basis in connection with the proposed transaction with the customer. Therefore, in entering into, terminating or taking any other action with respect to any such transaction, the customer must make its own evaluation of the proposed transaction (including its appropriateness for the customer) and the risks involved. Accordingly, since neither WFBNA nor any of its affiliates is acting as the customer’s agent, broker, advisor, or fiduciary in any respect in connection with the proposed transaction, the customer must rely only upon its own evaluation and upon advice from its own financial, legal, tax, accounting or other advisors. Neither WFBNA nor any of its affiliates shall be liable for any loss resulting from reliance on any statement, view, recommendation or opinion provided by WFBNA (or any of its affiliates) or any representative or advisor of WFBNA (or of any of its affiliates) in connection with the proposed transaction.

Although the Materials may describe how the customer could use the proposed transaction to hedge against the expense of an existing or future loan or other financing or otherwise reduce its funding costs, the proposed transaction would be a separate and independent obligation of the customer and would not be contingent on whether or not any loan or other financing closes, is outstanding or is repaid, in whole or in part, at any time. In addition, if the customer provides any existing or future collateral or other credit support to secure both the proposed transaction and any existing or future loan or other financing, then the customer would be entitled to the release of such collateral or credit support only if certain conditions contained in the related collateral agreement or credit support document are completely satisfied for both the proposed transaction and any such loan or other financing.

Terms, prices and structure in the Materials are subject to changing market conditions, are indicative only, and do not constitute an offer or commitment. All final prices are subject to market conditions at deal time, final credit approval and agreement on transaction terms. Also, historical data, past trends and past performance do not reflect or guarantee future trends or performance. WFBNA does not represent that any transaction can or could have been effected at any valuation(s) reflected in the Materials.

The Materials are not intended to provide, and must not be relied on for, accounting, legal, regulatory, tax, business, financial or related advice or investment recommendations. No person providing any Materials is acting as fiduciary or advisor with respect to the Materials. You must consult with your own advisors as to the legal, regulatory, tax, business, financial, investment and other aspects of the Materials.

Notwithstanding anything to the contrary contained in the Materials, all persons may disclose to any and all persons, without limitations of any kind, the U.S. federal, state or local tax treatment or tax structure of any transaction, any fact that may be relevant to understanding the U.S. federal, state or local tax treatment or tax structure of any transaction, and all materials of any kind (including opinions or other tax analyses) relating to such U.S. federal, state or local tax treatment or tax structure, other than the name of the parties or any other person named herein, or information that would permit identification of the parties or such other persons, and any pricing terms or nonpublic business or financial information that is unrelated to the U.S. federal, state or local tax treatment or tax structure of the transaction to the taxpayer and is not relevant to understanding the U.S. federal, state or local tax treatment or tax structure of the transaction to the taxpayer.

IRS Circular 230 Disclosure:

To ensure compliance with requirements imposed by the IRS, we inform you that any tax advice contained in the Materials is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax penalties or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.