

UCONN 2000 Bond Issuance Procedures

General Obligation Bonds Secured by the State's Debt Service Commitment

Section 10a-109 of the Connecticut General Statutes empowers the University to issue General Obligation Bonds secured by the State's Debt Service Commitment (sometimes referred to as "General Obligation Debt Service Commitment Bonds" or "GO-DSC Bonds"). These Bonds are issued pursuant to the General Obligation Master Indenture of Trust, dated as of November 1, 1995, between the University of Connecticut, as Issuer, and Fleet National Bank of Connecticut as Trustee (now U.S. Bank N.A.). The University's Board of Trustees on November 10, 1995, and the State Bond Commission on December 21, 1995 approved the Master Indenture of Trust. The Master Indenture was subsequently amended and approved by the University's Board of Trustees on September 26, 2003 and the State Bond Commission on December 19, 2003. The Board of Trustees and the Governor approve the subsequent Supplemental Indentures for each bond issue. The University and the Office of the State Treasurer, working in conjunction, manage the Debt Service Commitment Bond sale process.

Special Obligation Student Fee Revenue Bonds Secured by Pledged Revenues

UCONN 2000 also authorizes the University to issue Special Obligation Revenue bonds. Unlike the UCONN 2000 General Obligation Debt Service Commitment Bonds that are paid from the State's General Fund, debt on the Special Obligation Bonds are paid from certain pledged revenues of the University as defined in the particular bond series indenture. Student Fee Revenue Bonds are issued pursuant to the Special Obligation Indenture of Trust, dated as of January 1, 1997, between the University as Issuer and U.S. Bank N.A. as successor to State Street Bank & Trust as Trustee ("the Special Obligation Master Indenture"). The Board of Trustees approved the Master Indenture on November 8, 1996. The University's Board of Trustees and the Governor approve the subsequent Supplemental Indentures for each Special Obligation bond issue.

A. The Bond Issuance Procedures

The power to issue tax-exempt is both a powerful privilege and a weighty responsibility. The Bond issuance process is long and arduous with many required steps. The consent of several State officials and agencies are required. There is a designed bureaucracy inherent in the processing of the essential state power to enter into debt on behalf of the people of the State and that is too large extent unavoidable.

1. Bond Proceed Needs & Authorization

The issuance process begins with the determination of what projects will be financed with the next fiscal year's allotment of bond authorizations. There is an annual ceiling for each fiscal year in the legislation. Then a Supplemental Indenture is drafted. Once approved by the Board of Trustees and the Office of the Governor (or deemed approved if 30 days elapse), the Supplemental Indenture becomes the "Authorization" for issuing bonds. The Supplemental Indenture basically sets broad

guidelines for the types of bonds to be issued, defines certain terms, delegates certain responsibilities, and establishes the total amount of dollars to be bonded by Project.

2. Schedule and Working Group

The next step is to develop a draft issuance schedule for when the money is required and the steps in the issuance process in between, and to schedule a window for the issue with the State Treasurer.

A working group is then assigned. For a negotiated bond issue (such as UConn has been), this usually comprises: UConn's EVPA/CFO and Treasury Services; usually one or more representatives of the State Treasurer's Office including the Debt Management Department; UConn's bond counsel; the State's Bond Counsel; UConn's financial advisors; the book running Underwriters (this changes by issue) and their counsel; the Trustee Bank and their counsel, and often times others. Sometimes a negotiated bond issue is well underway before the underwriters are involved. Other involved entities are the rating agencies, the bond insurers, the printers, and others.

The working group moves step by step together through the issuance schedule. While there are one or two face to face meetings, besides investor presentations, much of the work is done by phone, fax, and conference calls. The issuer is responsible and always has a role. The other working group members' contributions wax and wane along with their respective responsibilities. All members have a role and can influence the final product of the working group, whether attending the due diligence meetings, the investor meetings, working on obtaining the ratings for the bonds, producing the Preliminary Official Statement, or the sale of the bonds, or producing the Bond Purchase Agreement, or the Official Statement, or the Tax Regulatory Certificate or other closing documents.

The actual amounts bonded for will vary up to the time of issuance and then must be sized for a twelve month period of expected spending on each authorized project, plus 20% if required up to the maximum authorization, plus cost of issuance.

Treasury Services prepares many of the technical closing documents and records.

3. Bond Issuance Schedule Operational Example

A typical UConn negotiated bond Issue would have the following abbreviated steps:

- (a) Board of Trustees approves Supplemental Indenture (Treasury Services works with bond counsel and others at University to develop Supplemental Indenture)
- (b) Initial Bond Issuance Schedule

- (c) Kick Off Meeting – Working Group including - UConn Treasury Services and State Treasurer and others - preliminary discussion of bond issue including comments to draft schedule
- (d) Preliminary Official Statement Development (Treasury Services manages)
- (e) Rating Agencies contacted
- (f) Due Diligence meeting organized by Treasury Services with UConn Senior Officials, staff, underwriters, State Treasurer's Office, Bond counsel, underwriters counsel, etc.
- (g) Marketing - UConn & OTT Public Relations review materials
- (h) Marketing program begins – radio, newsprint, TV, mailings, possible Internet site, etc.
- (i) Final Preliminary Official Statement
- (j) Credit Ratings Obtained
- (k) Bonds Priced & Bond Purchase Agreement executed
- (l) Closing Documents
- (m) Closing Instructions and Deposit and Investment of Bond Proceeds (Treasury Services)
- (n) Pre-closing
- (o) Closing – Money in Bank
- (p) Ongoing Compliance and Record Keeping 23 to 33 years