DUE DILIGENCE QUESTIONNAIRE
UNIVERSITY OF CONNECTICUT AND UCONN HEALTH

University of Connecticut
General Obligation Bonds, 2019 Series A
General Obligation Bonds, 2019 Refunding Series A

I Statutory Authorization and Compliance

Scott Jordan
Nicole Gelston

1. Have all resolutions and other official actions required for the issuance of the Bonds under State law been duly adopted?

2. To the best of your knowledge, has there been any legal or regulatory challenge filed regarding the University of Connecticut 2000 Act?

II UCONN 2000 / UCONN 21st CENTURY PROGRAM / NEXT GENERATION (the “Program”)

Scott Jordan
Jack Sullivan

Review the overall status of the Program, taken as a whole, and progress made on the projects constituting the Program (the “Projects”) to date.

1. The Act requires periodic performance review reports to the General Assembly. When was the last one completed and please summarize its findings. Discuss:

(a) Any ongoing legal, financial or other issues with which the University is still managing as a result of such past problems.

(b) Any material weakness or deficiencies reported in the last annual audit of the Program; and

Any internal investigations currently in progress with respect to the Program that have not yet been made public.

2. Another progress assessment under the Act is due on December 31 of this year. What is the progress on that report? Have any significant problems (i.e. construction, code compliance and accountability problems) been identified?

3. Except as discussed above, are there currently any material delays in the schedule for construction of the projects comprising the Program? If so, what are the reasons for such delays (i.e., supply requirements, labor issues, site conditions, financing problems, etc.)? What is the anticipated impact of such delays?
4. Are there any other existing or foreseeable developments which would affect the University’s ability to meet its goals under the Program?

5. Discuss any significant environmental issues affecting the Program or the University.

6. Briefly describe the general condition of the buildings and facilities at the University and UConn Health, including insurance coverage. Discuss any occupational safety issues at the University which have not been ameliorated.

7. Describe the availability of campus housing and parking.

8. Discuss any plans for future new facilities on the main campus, off campus or regional campuses and at UConn Health other than as disclosed in the latest draft of the Preliminary Official Statement related to the captioned Bonds (the “Draft Preliminary Official Statement”).

10. Is there any local opposition to the projects to be financed or refinanced with the Bonds?

III GENERAL FUND AND BUDGET

The University and UConn Health

1. Discuss the current financial status of the University and UConn Health and the financial performance of the University and UConn Health for the most recent fiscal year. Include in your discussion any differences between budgeted and actual/forecasted results for the University and UConn Health for FY 2018. Has the University’s or UConn Health’s financial position materially changed since its last audit?

2. Discuss any anticipated budgetary shortfalls and, if applicable, the University’s and UConn Health’s plans to address these.

3. Discuss the effect of potential reductions in State support for upcoming fiscal years. How do you plan to deal with these reductions? In particular, discuss revenue generators, other than State support, and the role they play in the budget.

4. Does the University and UConn Health have a financial plan for the next several years? If so, what are the specific goals?

5. Discuss the Foundation’s investment performance for the past three fiscal years and expectations for the current and next several fiscal years. A report on the comprehensive plan to guide Next Generation Connecticut
investments was submitted by the University on Feb. 7, 2018. Please summarize that report. Has another report been prepared for 2019?

6. Discuss the impact of GASB Statements 68 and 71 on the financial performance of the University and UConn Health.

7. UConn Health has experienced significant losses in recent fiscal years. Discuss the long term plans that are in place to deal with these financial challenges.

8. Has there been any change in the auditors who audit the Program over the last three years? If so, what is reason for such change?

9. Have there been any disputes or any material issues raised by your auditors that may materially affect the University or UConn Health or the Bonds?

10. Have any compliance or other audits been conducted by accountants or any governmental or private entity providing material funding to University or UConn Health programs or by regulatory agencies within the past 3 years? Were any material developments disclosed? Are any ongoing?

11. Explain the components of gifts, grants and contracts portion of the University and UConn Health budgets. Discuss the status and trend of federal and private grant and contract research funding.

12. Are you aware of any financial issues/concerns that are not reflected in the recent audited financials of the University or UConn Health?

13. Explain the possible impact of healthcare reform on UConn Health’s budget and finances. Review any significant pending legislation, other than budget related legislation, impacting the University or UConn Health.

14. Discuss fundraising efforts at the University and UConn Health. Compare actual FY 2018 and projected FY 2019 results to prior years.

15. Are there any transactions or events contemplated or pending that are reasonably likely to materially affect the business of the University or UConn Health (such as mergers, acquisitions, sale or disposition of assets, reorganizations, key personnel changes, etc.)?

16. Have there been any credit watches, downgrades, or other actions by rating agencies with respect to any securities issued or payable by the University, or have any such actions been threatened? Has the University entered into, terminated, or modified any debt financing or interest rate exchange agreement since the date of its most recent certified audited financial statements, other than as may be reflected therein.
IV INDEBTEDNESS

1. What are the University’s debt management plans for the remainder of FY 2019, if any? Does the University contemplate entering into any lease purchase arrangements similar to that utilized to finance the cogeneration plant?

2. Have there been any developments that would adversely affect any existing University debt (including direct general obligation debt, special obligation and revenue debt or contingent liability debt)? If so, how do such developments affect the current University budget?

3. What is the total level of capital expenditures that the University expects to incur in the next five fiscal years? How much of this figure will be debt financed?

4. Have there been any defaults in the repayment of the University’s outstanding debt?

V GOVERNANCE AND ADMINISTRATION

1. Confirm the description of the Board of Trustees contained in the draft Appendix I-A of the Draft Preliminary Official Statement. Describe how the Board of Trustees operates, including the selection and terms of its members and the functioning of its committees.

2. Confirm the description of the Board of Directors for the governance of UConn Health contained in the current draft of the Appendix I-A of the Draft Preliminary Official Statement. Describe how the Board operates, including the selection and terms of its members and the functioning of its committees.

3. How would the Board of Trustees characterize relations between the Board of Trustees and the University’s President? What are the University’s relations with its various constituencies, including the administration, faculty, community, alumnæ and students?

4. Discuss the UConn Alumni Association status, the transfer of assets to the Foundation and future plans for alumni outreach and activities? Discuss the effect, if any, such changes may have on alumni support.

5. Discuss any ongoing or pending changes in University and UConn Health service and strategic priorities.

VI ENROLLMENT/STUDENT BODY

1. Review application trends for undergraduate and graduate enrollment for the last five years, including: (i) acceptance, matriculation and attrition rates;
(ii) geographic distribution of students; (iii) standardized testing scores and class ranks of applicants and accepted students; and (iv) full-time equivalencies.

2. Discuss the admissions program in general, including any special programs focus of recruiting efforts, information tracking and “need blind” policy, if any. What are the University’s undergraduate and graduate admissions goals for the next several years? What are UConn Health’s admission goals for the next several years?

3. Discuss demographic and economic trends which have affected the University’s and/or UConn Health enrollment patterns, including declining enrollment of out-of-state residents. How have these been managed and what are future plans in this regard?

4. What are the University’s and UConn Health’s major competitors and their strengths and weaknesses against these competitors? What are the principal factors that cause applicants to select the University or UConn Health over competing institutions and vice versa?

5. Describe the financial aid picture at the University: sources of aid, policies and practices regarding its distribution. How stable are the current sources of aid? Are any material changes in financial aid provided by the University expected in the next several years?

6. How have increases in tuition over the past 5 years affected the number or quality of student applications for any of its programs? How far is the University from the maximum it can charge for tuition without losing students to its competitors?

VII ACADEMIC PROGRAMS/FACULTY AND STAFF

1. Discuss any plans to expand, consolidate or terminate any existing academic programs or to add additional programs? Include a discussion of the effect, if any, of the significant emphasis on the STEM (science, technology, engineering and math) fields on existing non-STEM programs.

2. Discuss the degree to which any of the University’s undergraduate or graduate programs are currently capacity-constrained by available academic, research, residential or other facilities.

3. Discuss the status and trend of federal, state and other grant and contract research funding and any material outstanding audits or disputes with respect thereto.

4. Discuss the following relating to faculty recruitment:
(a) Hiring goals;  
(b) Historical rate of turnover; and  
(c) Trends.

5. Describe the University’s tenure track and any alternatives thereto, including:

(a) Current and, if applicable, targeted percentage of the faculty with tenure; and  
(b) Current and, if applicable, targeted percentage of the faculty with advanced degrees.

6. How does the University’s faculty compensation compare with competing universities?

7. Discuss any areas of significant contention between the faculty and the administration.

8. Describe any labor relations issues affecting the University, including the current status of any collective bargaining negotiations for contracts and any work stoppages or threatened work stoppages.

9. How have state employee layoffs and early retirements affected the University and UConn Health?

10. Discuss the status of the University and UConn Health accreditations and the schedule for these accreditations to be reviewed.

VIII COMMUNITY RELATIONS

1. Describe the University’s current relationship with its host communities. Community relations?

2. Discuss any faculty or student off campus housing issues.

3. What is the University’s experience with security issues and crime?

IX LITIGATION/LEGAL/ACCREDITATION

1. Is there any pending or threatened litigation or anticipated litigation not described in the Draft Preliminary Official Statement which, if determined adversely to the University or UConn Health, could have an adverse impact on the University’s or UConn Health’s financial condition (exceeding $1,000,000) or delay the Program (or any significant component) for a significant period of time?

2. Has the University or UConn Health received any notices of violations of law or is the University or UConn Health aware of any pending or threatened violations? Is
the University or UConn Health under any orders from federal, state or local governmental authorities?

3. Are there any existing, pending or threatened State or federal legislative or regulatory proceedings or actions (including, without limitation, those involving the United States Internal Revenue Service, the United States Securities and Exchange Commission, the United States Department of Education, or any state Attorney General or securities administrator) that might have a material adverse effect on the University or UConn Health?

4. What is the most recent period for which the University calculated its arbitrage liability with respect to tax-exempt securities payable by it? Does the University believe that any material unfunded contingent arbitrage liability currently exists? Has the University made all payments to the United States Treasury required to be made prior to the date hereof to comply with applicable arbitrage requirements? Has the University had any audits of tax-exempt securities payable by it? What was the outcome?

5. Are there any known State or federal legislative or administrative proposals that, if enacted or adopted, might have a material adverse effect on the University or UConn Health?

X CONTINUING DISCLOSURE/TAX COMPLIANCE

1. Have you had the opportunity to review the information under the headings “Continuing Disclosure Agreement” in the Preliminary Official Statement?

Have appropriate officials of the University received disclosure training or otherwise been advised of the University’s responsibility of ensuring compliance by the University with its prior and current continuing disclosure undertakings? Are such officials in a position to know all material information within the possession of the University?

2. The University’s existing continuing disclosure undertakings provide that all disclosure filings are made with the Trustee who is tasked with disseminating the information. Does the University have policies and procedures in place to confirm that the filings are made in the time periods required? Please confirm that except to the extent disclosed in the Preliminary Official Statement, that the University is in compliance with its continuing disclosure filing requirements on all securities payable by it to which Rule 15c2-12 applies? If not, please discuss.

3. Has the University made all annual continuing disclosure filings required under Rule 15c2-12 continuing disclosure undertakings for which it is an “obligated person” in the last five years?
4. Has the University been notified by any of its underwriters that a prior University transaction was reported to the SEC pursuant to the SEC’s MCDC Initiative? Did the University self-report any transactions pursuant to the SEC’s MCDC Initiative? Has the University entered into a settlement with the SEC under the MCDC Initiative?

5. Please describe how the university will ensure compliance with continuing disclosure obligations on this transaction, including but not limited to, the reporting of material events. In particular, what policies and procedures does the University have in effect to confirm that annual continuing disclosure filings are made within the time periods required by Rule 15c2-12 and the University’s continuing disclosure undertakings?

(a) When were the procedures put into place?

(b) Who at the University has primary responsibility for ensuring such filings are made timely?

(c) Does the University handle all required filings internally or is any component of making the required filings outsourced? If any portion of continuing disclosure compliance is outsourced:

(1) Who is the disclosure agent?

(2) How long has the disclosure agent been engaged?

(3) What components of continuing disclosure compliance does the disclosure agent perform (e.g. does the disclosure agent send filing reminders; does the disclosure agent just make the filings; does the disclosure agent compare filing to the continuing disclosure undertaking)?

6. Have any notice events (listed below) occurred within the last five years that have not been disclosed on the EMMA website and/or that currently require the University to make an event filing(s) under its existing continuing disclosure agreements?

(a) Principal and interest payment delinquencies

(b) Nonpayment-related defaults, if material

(c) Unscheduled draws on debt service reserves reflecting financial difficulties

(d) Unscheduled draws on credit enhancements reflecting financial difficulties

(e) Substitution of credit or liquidity providers, or their failure to perform

(f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security

(g) Modifications to rights of security holders, if material

(h) Bond calls, if material, and tender offers
(i) Defeasances
(j) Release, substitution or sale of property securing repayment of the securities, if material
(k) Rating changes
(l) Bankruptcy, insolvency, receivership or similar event of the University*
(m) The consummation of a merger, consolidation or acquisition involving the University or the sale of all or substantially all of the assets of the University, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
(n) Appointment of a successor or additional trustee or the change of name of a trustee, if material

7. Will the continuing disclosure agreement conform to the new event notice filings required by the amendment to the Rule?

8. Has the University implemented post-issuance tax compliance procedures? If so, is the University in compliance with such procedures?

9. Has the University established criteria to determine the materiality of a financial obligation or term, or modified term of a financial obligation affecting security holders or when it has incurred financial difficulties? If not, how will the University make that determination?

10. Has the University adopted written policies and procedures reflecting the process to determine whether a financial obligation, term, or modified term affecting security holders is material and when it has incurred financial difficulties; and its process for determining the occurrence of a reportable event and filing the required notice with EMMA?

XI GENERAL

1. Have the appropriate officials in the offices of the President, the Provost and Executive Vice President for Academic Affairs, the Executive Vice President for Health Affairs, and the Executive Vice President for Administration and Chief Financial Officer, as well as the appropriate department heads and officials at the University and UConn Health, reviewed the University information in the Draft Preliminary Office Statement?

Scott Jordan
Jack Sullivan

President Herbst
Rachel Rubin
John Elliott
Scott Jordan
Andrew Agwunobi
Jeff Geoghegan

* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the University in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the University, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the University.
circumstances of which we should be aware of before we enter the market to sell the Bonds as described in the Draft Preliminary Official Statement? Are there any corrections or other changes that need to be made?

2. Does any of the information, relating to the University or UConn Health contained in the Draft Preliminary Official Statement, including draft Appendix I-A, make any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made not misleading?

3. Is there any other question that has not been asked, the answer to which might necessitate a revision to the Preliminary Official Statement or Appendix I-A, or be material to an investor making an informed investment decision?

4. Have any analyses or reports been prepared by the University, its auditors, consultants, counsel, investment bankers, engineers, management consultants, accountants or others during the last three years, including appraisals, marketing studies, credit reports or other types of reports, financial or otherwise, relating to the financial condition, operations or activities of the University, UConn Health, the Program, or the issuance of the Bonds? If so, please describe the substance of such reports.

5. Has the issuer or obligor engaged bond counsel or disclosure counsel to provide the underwriters with negative assurance on the entire official statement (other than financial, forecast, technical, statistical statements, and data)?

6. Is the University an obligor on the financings of another issuer (e.g., as the result of a conduit borrowing)?

7. What general concerns/issues, if any, do you have with respect to the current operations of the University or UConn Health?