

Contact: Joan Racki

**UNIVERSITY OF IOWA FACILITIES CORPORATION REVENUE REFUNDING BONDS**  
**(MEDICAL EDUCATION AND BIOMEDICAL RESEARCH FACILITY PROJECT)**  
**SERIES 2008**

**Action Requested:** Consider adopting the following resolution, subject to receipt of acceptable bids:

A Resolution Authorizing and Approving the Execution and Delivery of the 2008 Amendments to Lease, the Third Supplemental Indenture, the Bond Purchase Agreement, the Tax Exemption Certificate and the Continuing Disclosure Certificate, Authorizing and Providing for the Issuance of University of Iowa Facilities Corporation (Medical Education and Biomedical Research Facility Project) \$15,695,000 (estimated) Revenue Refunding Bonds, Series 2008, Providing for the Payment Thereof and Directing the Issuer to Accomplish Said Refunding.

**(ROLL CALL VOTE)**

**Executive Summary:** The Board is asked to consider adoption of a resolution authorizing and approving various lease documents, a supplemental indenture, a bond purchase agreement and various certificates related to the issuance of University of Iowa Facilities Corporation Revenue Refunding Bonds for the Medical Education and Biomedical Research Facility (MEBRF). When the calendar year 2008 bond issuance schedule was approved by the Board in October 2007, it authorized such refunding bonds as the Executive Director determines advisable.

A review of possible refundings by Springsted, Inc., the Board's and Corporation's Financial Advisor, has determined that significant interest rate savings could occur by refunding the 2009 – 2020 maturities of the \$22,250,000 University of Iowa Facilities Corporation Revenue Bonds, Series 1998. These bonds were the first of four bond issues sold to finance a portion of the cost of a new College of Medicine Medical Education and Biomedical Research Facility. (The remaining costs were financed by state appropriations.)

The refunding of the bonds would be a current refunding as the refunding would occur less than 90 days prior to the anticipated redemption date. The June 1, 2008 principal payment will be made as scheduled; the 2009 – 2020 maturities of the bonds would be called and principal payments made on the redemption date of July 7, 2008. The refunding would not extend the maturity of the bonds beyond the last scheduled maturity of the 1998 Series bonds.

Interest rates on the refunding bonds are anticipated to be lower than the interest rates on the refunded bonds for the same years. (Rates on the 1998 Series bonds range from 4.6% in 2009 to 5.1% in 2020.) Springsted, Inc., has projected that the refunding would result in a present value savings of approximately \$970,000. Annual cash flow savings are estimated at approximately \$110,000.

The refunding issuance amount is estimated at \$15,695,000. This amount will be adjusted up or down, depending upon the bid received, but will not exceed \$16,500,000. This flexibility will provide sufficient funds to call and redeem the Series 1998 Refunded Bonds and to pay costs of issuance, which are estimated at \$91,000.

**Facilities Corporation:** The University of Iowa Facilities Corporation was incorporated in 1967 as a not-for-profit supporting organization of the University of Iowa Foundation to assist in maintaining, developing, increasing, and extending the facilities and services of the University.

Although the bonds would be issued by the Facilities Corporation, they are deemed by Internal Revenue Service rulings to be issued "on behalf" of the Board of Regents and the State of Iowa. The Board of Regents must, therefore, approve the sale and terms of the bonds. The bonds would be single tax-exempt (exempt from federal, but not state taxes).

The bond structure for the University of Iowa Facilities corporation bond issues differs from the structure used for Board of Regents bonds. The Corporation issues the debt and leases the facility to the Board for use by the University during the term of the bonds. Upon retirement of the bonds, the facility is conveyed to the University.

**Additional Information:** The receipt and opening of bids is scheduled for 10:00 a.m. on Thursday May 1, 2008. The Executive Committee of the Board of Directors of the Facilities Corporation is expected to approve the sale and terms of the bonds based on the best bid at a meeting scheduled for that date. The Board of Regents, at its regularly scheduled meeting, will be asked to approve the previously referenced resolution, which was prepared by Ahlers & Cooney, P.C.

The official statement for the bond sale may be found on the website of Springsted, Inc., at <http://www.springsted.com/>.

Specifics of the bonds are:

- Average Maturity: 6.83 Years
- Bonds Dated: June 1, 2008
- Interest Due: December 1, 2008 and each June 1 and December 1 to maturity
- Interest Exemption: Exempt from federal taxes for individual purchasers
- Principal Due: June 1, 2009 – 2020
- Optional Call: The bonds will not be subject to redemption in advance of the stated maturity dates
- Denomination: \$5,000 and integral multiples thereof