BOARD OF REGENTS
STATE OF IOWA

AGENDA ITEM 10c
FEBRUARY 1-2, 2006

Contact: Joan Racki

AMENDMENT TO MASTER LEASE AGREEMENT

Action Requested: Consider authorizing the Executive Director to enter into an amendment to the Government Lease-Purchase Master Agreement, dated January 1, 2002 with Wells Fargo Brokerage Services, LLC to provide for an adjustment in the applicable spread for tax-exempt financing and to provide for taxable financing.

Executive Summary: In November 2001, the Board approved entering into an agreement with Wells Fargo Brokerage Services LLC (Wells Fargo) to provide tax-exempt lease financing for the Regent institutions. The master lease financing option provides certain advantages, compared to the issuance of bonds, for financing necessary and essential property. These include the negotiation of lease financing terms and amortization schedules to allow lease payments to be better matched with available cash flows, and lower origination costs than small bond issues.

Wells Fargo's proposal at that time provided for a higher interest rate increment over the specified published market index (the Delphis Hanover Yield Curve for "A" rated tax-exempt municipal obligations) than had been in effect in the prior master lease agreement. As part of the Government Lease-Purchase Master Agreement, dated January 1, 2002 (Master Agreement), with the Board of Regents, Wells Fargo agreed to review the increments on an annual basis and decrease the margins if the market conditions warrant.

Wells Fargo recently conducted its annual review and has proposed lower margins (interest rate increments over the market index) as shown in the following table. (Expressed in Basis Points – 1 basis point = 1/100%).

Avg Term of Borrowing	Current Margin	Proposed Margin	Change in Margin	Percentage Change
3 Years	166.00	111.00	(55.00)	-33.13%
4 Years	174.00	101.00	(73.00)	-41.95%
5 Years	137.00	98.00	(39.00)	-28.47%
6 Years	148.00	98.00	(50.00)	-33.78%
7 Years	135.00	94.00	(41.00)	-30.37%
10 Years	82.00	75.00	(7.00)	-8.54%

Springsted, Inc., the Board's financial advisor, has reviewed these new margins and believes that they are appropriate and reasonable in view of prevailing interest rates.

In response to market demand, Wells Fargo has agreed to provide for a taxable option under the master lease program. The proposed margins to the "A" Delphis rates, which are substantially equivalent to tax-exempt interest rates under the Master Agreement (based on a 25% tax rate), are shown in the following table (Expressed in Basis Points – 1 basis point = 1/100%):

Avg Term of Borrowing	Current Margin	Proposed Margin
3 Years	N/A	297.00
4 Years	N/A	279.00
5 Years	N/A	266.00
6 Years	N/A	255.00
7 Years	N/A	249.00
10 Years	N/A	230.00

Ahlers & Cooney, the Board's bond counsel, has drafted a proposed amendment to the Master Agreement, which would change the incremental margin for tax-exempt financing and provide for taxable financing at the margins listed above. The proposed amendment is available from the Board Office.