UNIVERSITY OF IOWA FACILITIES CORPORATION REVENUE BONDS
(JOHN AND MARY PAPPAJOHN BIOMEDICAL DISCOVERY BUILDING), SERIES 2011

Action Requested: Consider adopting a Resolution authorizing and approving the execution and delivery of the ground lease, the lease, the 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 (John and Mary Pappajohn Biomedical Discovery Building project) $28,000,000 Revenue Bonds, Series 2011, providing for the payment thereof, and directing the issuer to issue said bonds.

(ROLL CALL VOTE)

Executive Summary: The Board is asked to consider adoption of a resolution authorizing and approving various lease documents, an indenture, a bond purchase agreement and other agreements and certificates related to the sale of University of Iowa Facilities Corporation Revenue Bonds to partially finance the costs of constructing and equipping the University of Iowa John and Mary Pappajohn Biomedical Discovery Building (Biomedical Discovery) project.

The amount being financed by the Facilities Corporation in two series of bond issuances is $50 million of a total project budget of $133.7 million. (Other funds sources for the project are $30 million in state appropriations, federal grants, Carver College of Medicine Gifts and Earnings, and Income from Treasurer’s Temporary Investments.) In addition to project proceeds, the amount of the first bond issue in the amount of $28,000,000 includes the needed reserve fund and issuance costs.

Principal payments on the bonds would be made on June 1, 2013 – 2037. Annual debt service for the bonds is estimated at approximately $1.9 million. Bonds maturing on or after June 1, 2021, are callable commencing June 1, 2020 and any date thereafter at par. The debt service payments would be paid from lease rentals, which will be paid by the University to the Facilities Corporation under the terms of the lease.

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 (interest 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. In the case of the Biomedical Discovery project, the Board will lease to the Corporation an undivided interest in the land upon which the Facility will be located; this undivided interest will be equal to the percentage of the total costs of building and equipping the facility that are to be paid for with the bonds. After the facility is completed, the Corporation will own an undivided interest in the facility equal to the percentage of the total costs of building and equipping the facility that are paid for with the bonds. The Corporation's
interest in the facility will be leased to the Board during the term of the bonds. Upon retirement of the bonds, the portion of the facility financed by the Facilities Corporation will be conveyed to the University, subject to approval of the Board of Regents.

**Additional Information:** The Biomedical Discovery facility is currently under construction on the University’s west campus as an extension to the Health Sciences Academic / Biomedical Research Complex (the Medical Education Research Facility [MEBRF] and Carver Biomedical Research Building [CBRB]); it will house interdisciplinary research laboratory space to support the University’s growth in extramural research funding, primarily in the Health Sciences.

The lease obligation between the Board (on behalf of the University), as lessee, and the Facilities Corporation, as lessor, will be an absolute and unconditional obligation of the University of Iowa. Lease payments are to be sufficient to pay the interest and principal on the bonds; supplemental rents are equal to administrative and trustee expenses.

The issuance size of $28,000,000 would include:

- Project costs (estimated at $25,618,500);
- Debt service reserve (estimated at $1,870,600)
- Issuance costs (estimated at $90,900); and
- Bond discount (estimated at $420,000).

The receipt and opening of bids is scheduled for 10:30 a.m. on Thursday, August 4, 2011. 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. and reviewed by Springsted, Inc.

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

Specifics of the bonds are:

- Average Maturity: 15.76 Years
- Bonds Dated: August 1, 2011
- Interest Due: June 1, 2012 and each December 1 and June 1 to maturity
- Interest Exemption: Exempt from federal taxes for individual purchasers
- Principal Due: June 1, 2013 – 2037
- Optional Call: Bonds maturing on or after June 1, 2021 are callable commencing June 1, 2020 and any date thereafter at par
- Denomination: $5,000 and integral multiples thereof