Treasury Institute for Higher Education

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# Advanced Capital Financing Part 2

Eileen Byrne &
Mary Peloquin-Dodd

SACUBO
SOUTHERN ASSOCIATION OF COLLEGE AND UNIVERSITY BUSINESS OFFICERS

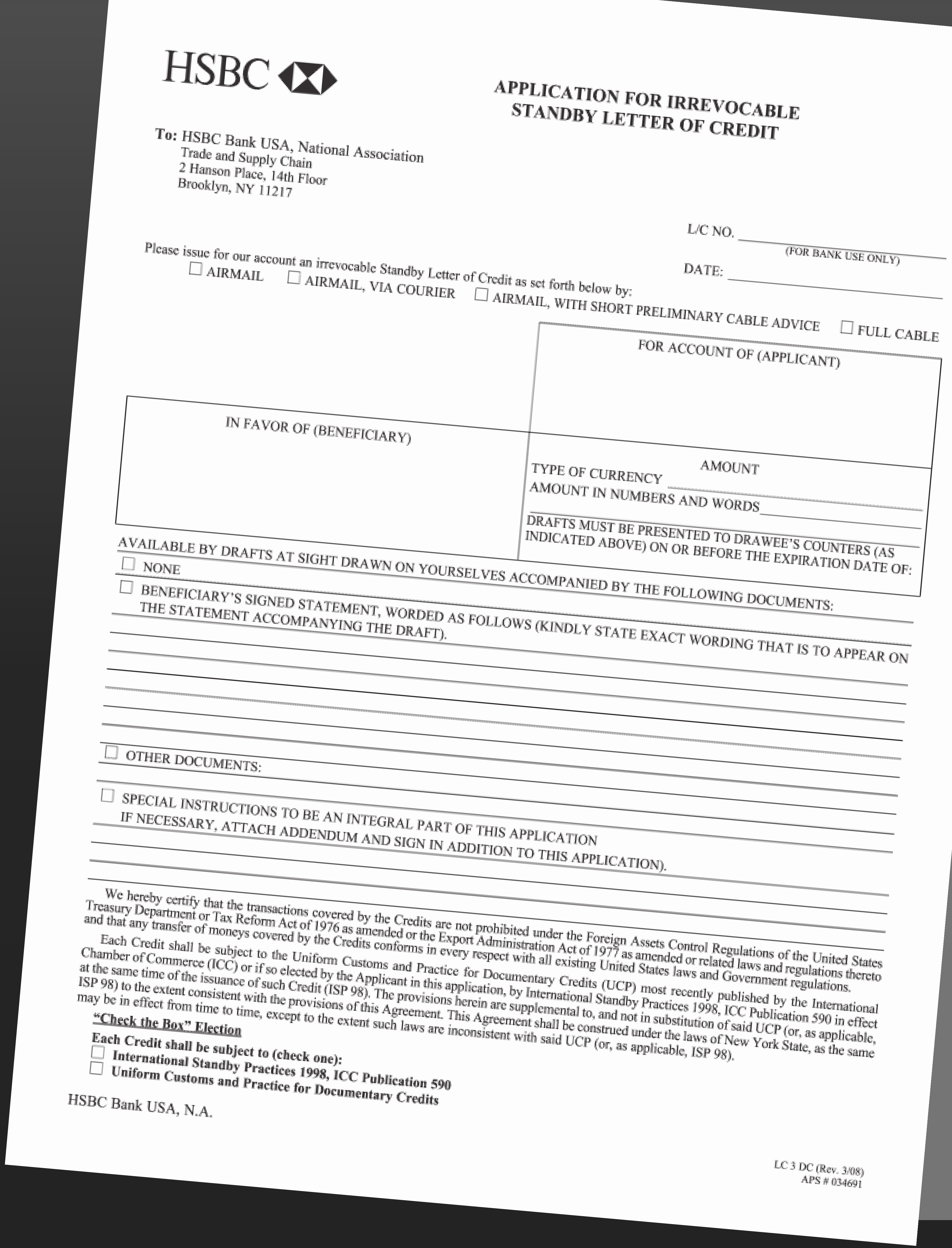
UK Auxiliary Services

# CREDIT ENHANCEMENT

# Credit Enhancement

## Letter of Credit (LOC)

- Bank
- Annual fees
- LOC, remarketing, liquidity
- Direct Pay vs. Standby
- Limited Period
- More flexible with restrictions especially local bank friendly institution



HSBC

APPLICATION FOR IRREVOCABLE STANDBY LETTER OF CREDIT

To: HSBC Bank USA, National Association
Trade and Supply Chain
2 Hanson Place, 14th Floor
Brooklyn, NY 11217

L/C NO. ______ (FOR BANK USE ONLY)

DATE: ______

Please issue for our account an irrevocable Standby Letter of Credit as set forth below by:
☐ AIRMAIL ☐ AIRMAIL, VIA COURIER ☐ AIRMAIL, WITH SHORT PRELIMINARY CABLE ADVICE ☐ FULL CABLE

FOR ACCOUNT OF (APPLICANT)

IN FAVOR OF (BENEFICIARY)

AMOUNT
TYPE OF CURRENCY
AMOUNT IN NUMBERS AND WORDS

DRAFTS MUST BE PRESENTED TO DRAWEE'S COUNTERS (AS INDICATED ABOVE) ON OR BEFORE THE EXPIRATION DATE OF:

AVAILABLE BY DRAFTS AT SIGHT DRAWN ON YOURSELVES ACCOMPANIED BY THE FOLLOWING DOCUMENTS:
☐ NONE
☐ BENEFICIARY'S SIGNED STATEMENT, WORDED AS FOLLOWS (KINDLY STATE EXACT WORDING THAT IS TO APPEAR ON THE STATEMENT ACCOMPANYING THE DRAFT).

☐ OTHER DOCUMENTS:

☐ SPECIAL INSTRUCTIONS TO BE AN INTEGRAL PART OF THIS APPLICATION
IF NECESSARY, ATTACH ADDENDUM AND SIGN IN ADDITION TO THIS APPLICATION).

We hereby certify that the transactions covered by the Credits are not prohibited under the Foreign Assets Control Regulations of the United States Treasury Department or Tax Reform Act of 1976 as amended or the Export Administration Act of 1977 as amended or related laws and regulations thereto and that any transfer of moneys covered by the Credits conforms in every respect with all existing United States laws and Government regulations.

Each Credit shall be subject to the Uniform Customs and Practice for Documentary Credits (UCP) most recently published by the International Chamber of Commerce (ICC) or if so elected by the Applicant in this application, by International Standby Practices 1998, ICC Publication 590 in effect at the same time of the issuance of such Credit (ISP 98). The provisions herein are supplemental to, and not in substitution of said UCP (or, as applicable, ISP 98) to the extent consistent with the provisions of this Agreement. This Agreement shall be construed under the laws of New York State, as the same may be in effect from time to time, except to the extent such laws are inconsistent with said UCP (or, as applicable, ISP 98).

**"Check the Box" Election**

**Each Credit shall be subject to (check one):**
☐ **International Standby Practices 1998, ICC Publication 590**
☐ **Uniform Customs and Practice for Documentary Credits**

HSBC Bank USA, N.A.

LC 3 DC (Rev. 3/08)
APS # 034691

# Credit Enhancement

## Bond insurance

- Insurer guarantees lender will receive timely payment of principal and interest
- Premium paid from bond proceeds at issuance based on total debt service
- Contract requires reimbursement to insurer

Guarantee of debt service payment by a financially stronger party

# Bond Insurance Timeline

## 1$^{ST}$ bond insurer forms

- AMBAC (American Municipal Bond Assurance Corp.)
- Subsidiary of MGIC Investment Corp of Milwaukee
- 1$^{st}$ project – hospital facilities in Juneau, AK
- Initial credit rating – "AA" from S&P

**1971**

Insurer MBIA forms with AAA rating

**1974**

AMBAC achieves AAA rating

**1979**

3% of issues insured

**1980**

25% of new issues insured

**1988**

Diversification to asset-backed securities begins

**1990s**

Orange County, CA declares bankruptcy; bonds survive

**1994**

Nearly 50% of issues insured

**2000**

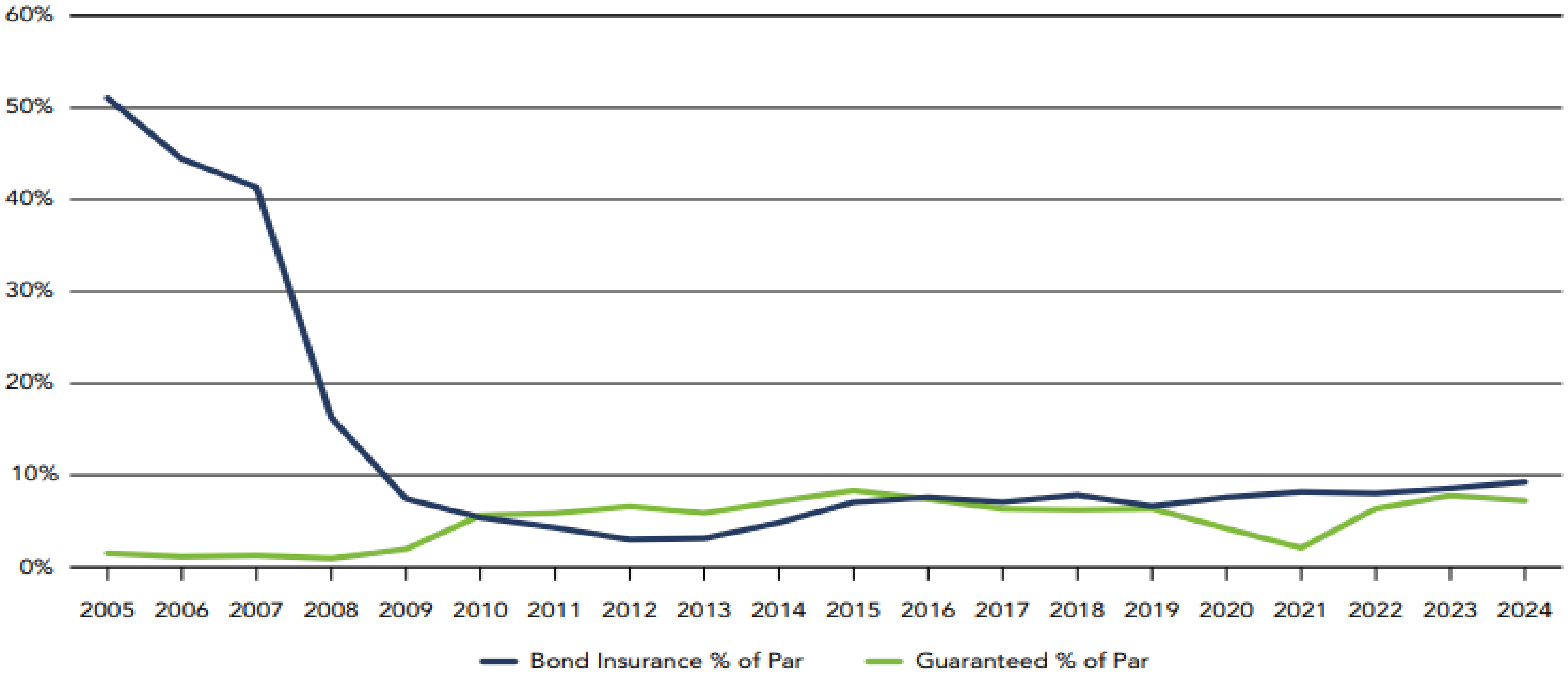
7 insurers were AAA rated

**2007**

Only 4 insurers – none AAA

**2017**

# INSURANCE & GUARANTEES AS % OF TOTAL PAR ISSUED
## 2005 - 2024




Source: LSEG

# Major Players: Bond Insurers

✓ **Assured Guaranty (AA)**
- **AGM**
  (formerly Financial Security Assurance)
  insures only public finance
- **AGC**
- diversified

✓ **Build America Mutual (AA)**

## Assured Guaranty

**2024**
- 58% of market
- $24B of primary-market (most since 2010)
- 645 new issues - 23% more than in 2023
- Insured 27% more AA credits over 2023

Source: Assured Guaranty.com

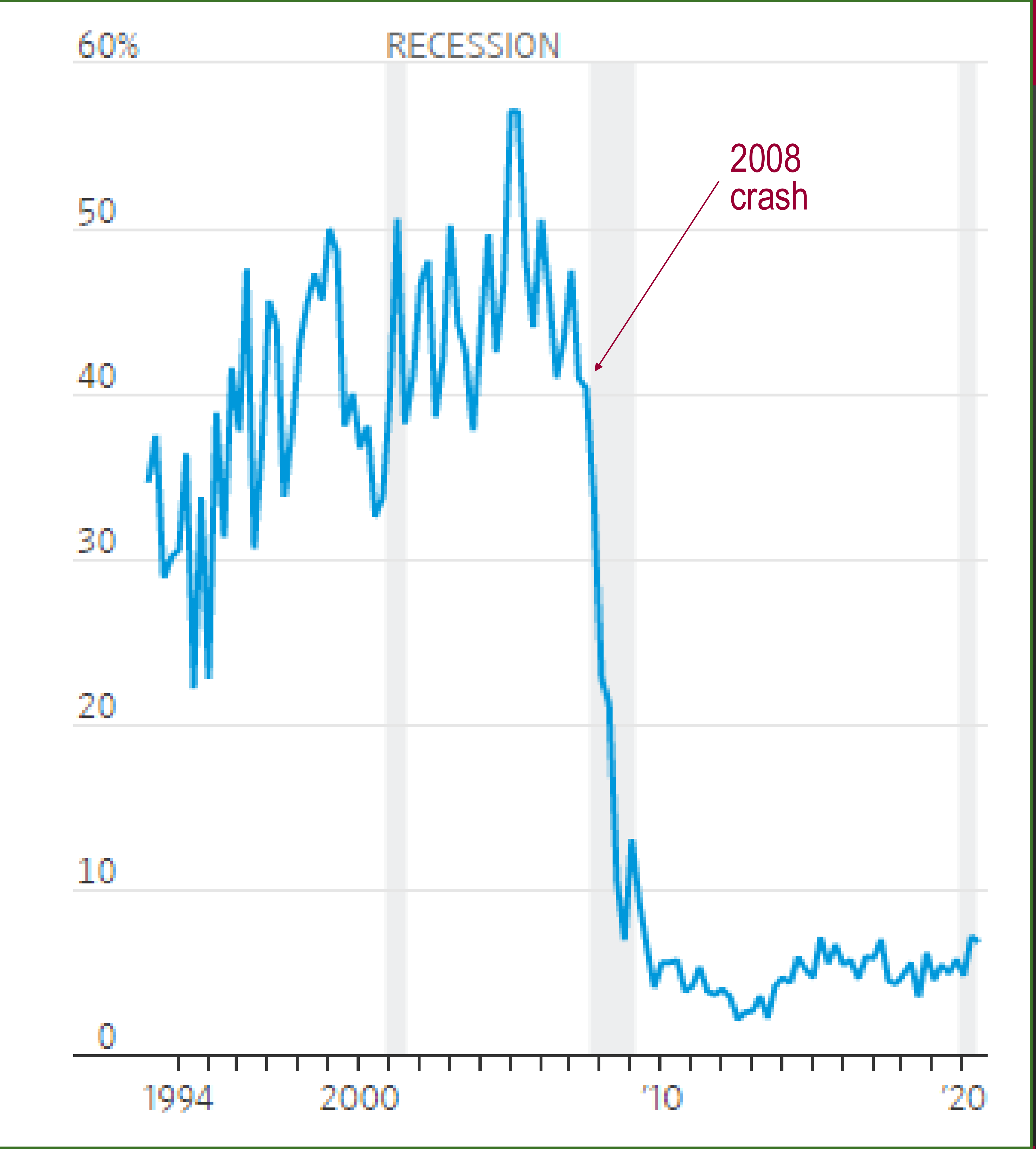
"In a sector like higher education where all credits tend to get painted with a negative brush… to some degree putting insurance on top of it is attractive to some investors who then don't have to do all the research."

"An A-rated borrower might pay $500,000 for insurance that would lower rates on a $100 million 20-yr bond issue by 0.05% to 0.10% points after factoring in the cost of insurance."

Dan Hartman
Managing Director
PFM Financial Advisors LLC

## Extra Protection

### Share of Newly Issued Muni Debt that is Insured




Bond insurance is more popular than at any time since the last recession but remains far below pre-crisis levels.

Source: Wall Street Journal/Municipal Market Analytics

# Selling Without Insurance

- 91% NOT insured in 2025
- More diligence required
- Direct marketing efforts



- Investor Roadshows
- Investor Websites
- Investor Relations Managers

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# SUBPRIME MORTGAGE CRISIS

## A Case Study

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MAYBE THIS ISN'T AS BAD AS IT LOOKS
SUBPRIME MORTGAGES

# Bond Insurance

This subprime mortgage exposure, more than half in the form of triple-A CDO tranches, brought down the monoline insurance industry.

Journal of Applied Finance
2012

## Initial Risk Strategies

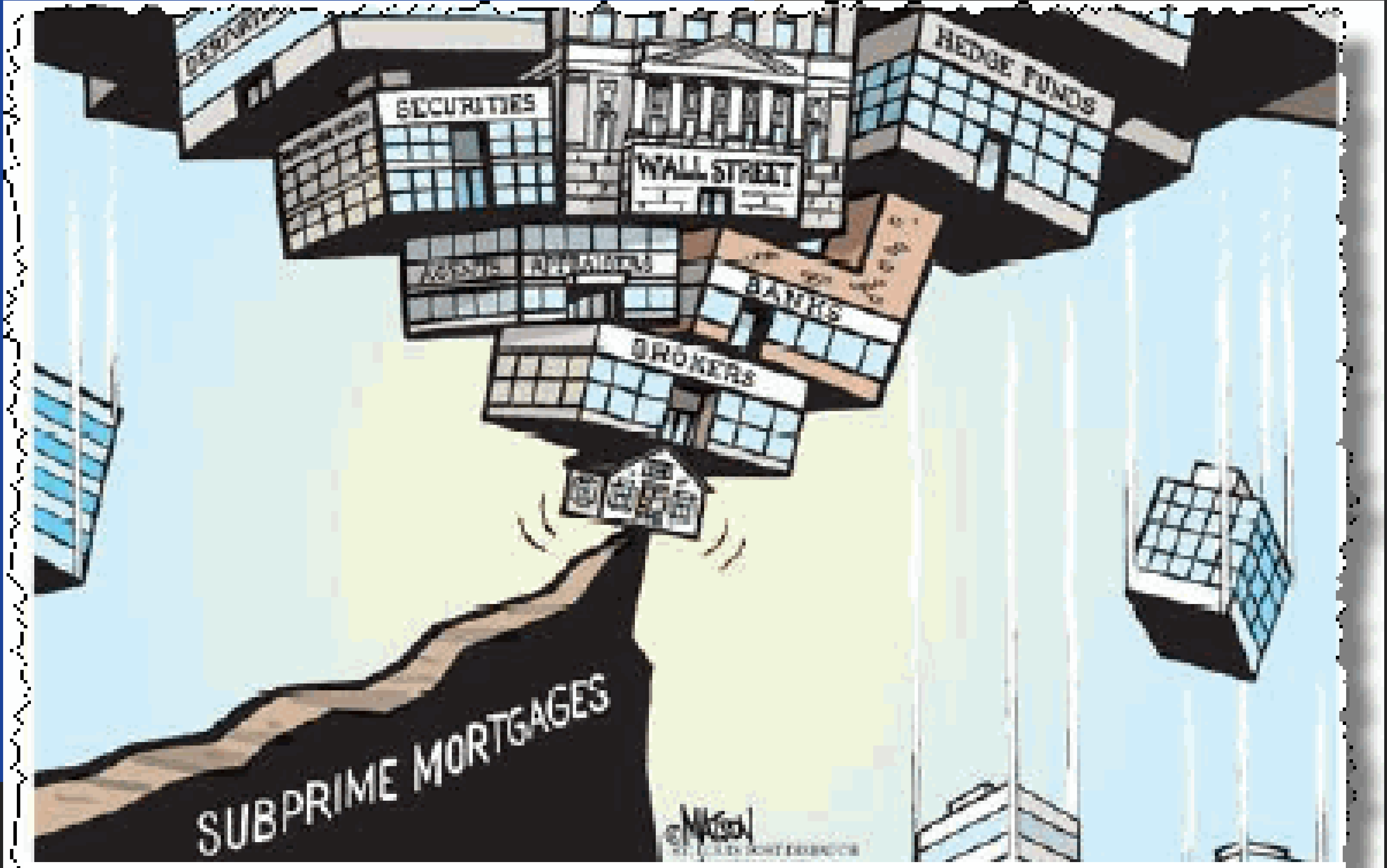
- "Monoline" coverage (one type of coverage only)
- Zero loss standard
- Highly successful
  - Insured nearly 50% of bond market
  - 1987 -1994 default rates < .63%

## Move to Diversification

- Structured Financial Products
  - Residential Mortgage-Backed Securities (RMBS)
    - **Prime + subprime mortgages**
  - Collateralized Debt Obligations (CDOs)
    - **Sliced and diced many RMBS cash flows**

# Subprime Mortgages

- Loans to borrowers with < normally acceptable credit
- Credit score of 660 or below (Scale 300 to 850)
- History of late payments or defaults
- Charged approx. 2.00% (200 basis points) higher than rate for loans to prime customers




"I thought we were just buying a house"

*Rationale?*

Protected by rising real estate values

**30% of U.S. adults have subprime scores**

**$625 Billion subprime mortgages in 2005**

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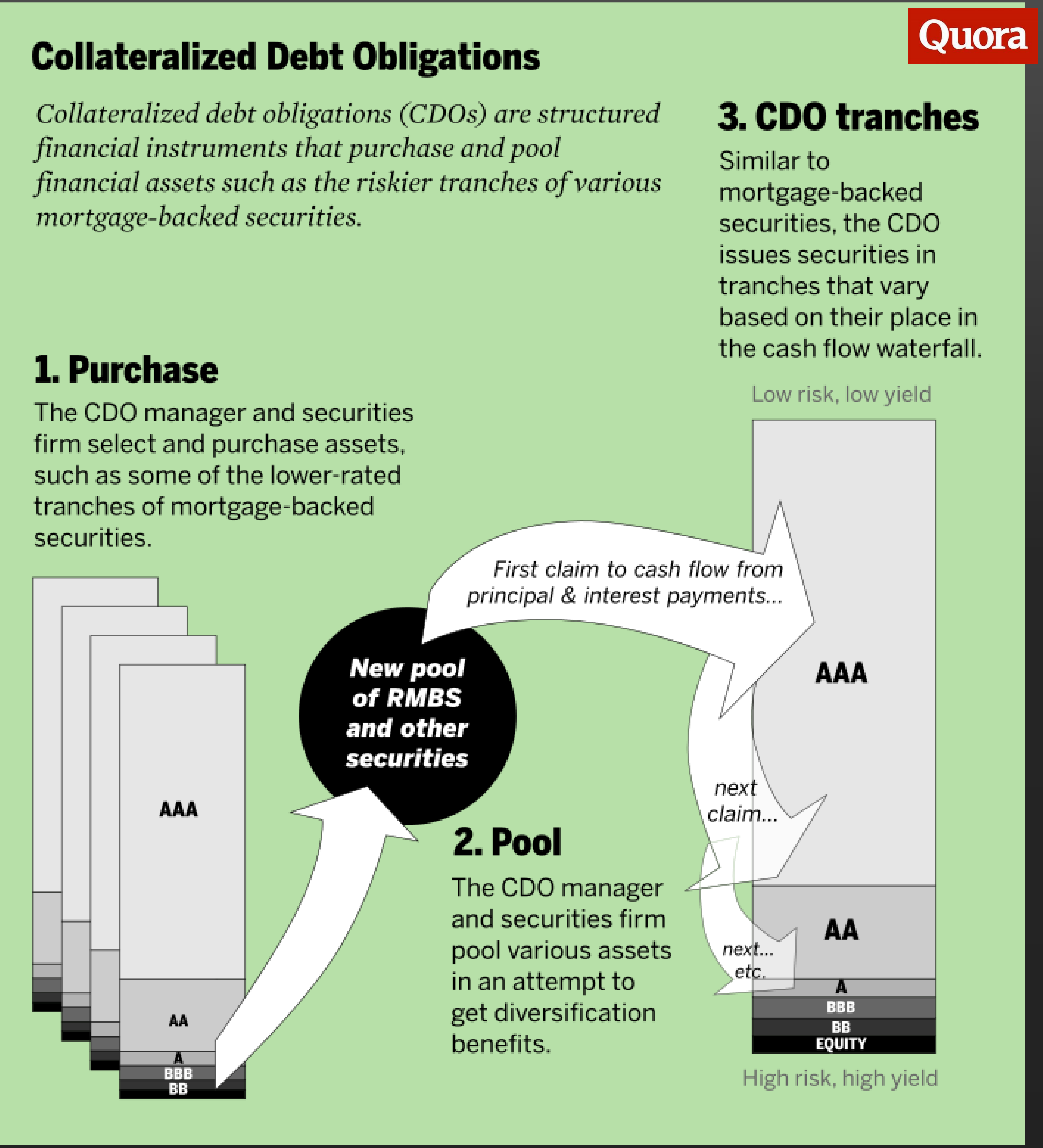
# Securitization

- Lending institutions need capital to continue lending and growth
- Originate mortgage-backed loans then sell to investors
  - Banks
  - Govt. Sponsored Enterprises (GSEs)
- Securitize loans
  - Pool assets and issue fixed income securities representing % of the pool




# Securitization

Banks & GSEs issue
collateralized debt obligations (CDOs)
of asset-backed securities (ABSs)

Residential mortgage-backed securities (RMBS)

Primarily backed by
subprime & second-lien mortgages

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# Turmoil in Bond Markets


## Bond insurers guaranteed securitized pools

- Unexpected losses realized when pooled securities default on debt payments to lenders
- Real estate bubble burst – prices decline in 2006
  - **FMV of illiquid mortgaged property drastically fell**
- Required to increase funding of reserves
- Result: Ceased writing of new business
- Bond insurers ratings downgraded
- Domino effect: **Insured corporate & municipal bonds downgraded**

# Turmoil in Bond Markets

## *Liquidity problem grew exponentially*

- Investment policies often *require* minimum ratings for securities in portfolio
- Investors *forced to sell many* downgraded bonds
- Must replace from smaller pool of high-grade bonds
- Few buyers for downgraded bonds & bondholders must record MV losses from contracted bond market

## *SEC rules changes*

- Disclose analytical data
- More transparency

# Rating Standards

- Separate corporate and municipal scales
- Connecticut 1st to file suit
- Investors demand comparability
- Moody's & Fitch agreed to recalibrate municipal bond rating scale
- S&P: disparity "within a tolerable band"
- Debate
  - **Munis = Financial strength; Corp = default risk**
  - Need more differentiation for useful munis

# Quasi-Immunity?

Once CRAs shifted their business model, charged issuers for ratings, and assigned their ratings in the interest of issuers (i.e., the investment banks that issued Structed Finance products, rather than investors), their ratings and reports became **commercial speech.**

## CRA issues identified:

- "Issuer Pay" model
- Conflicts of interest
- NRSRO designation / liability insulation

## Litigation:

- 2009: SDNY court denied 1st Amendment protection to CRAs
- Rating agencies settled lawsuits for $2+ Billion

## Regulation:

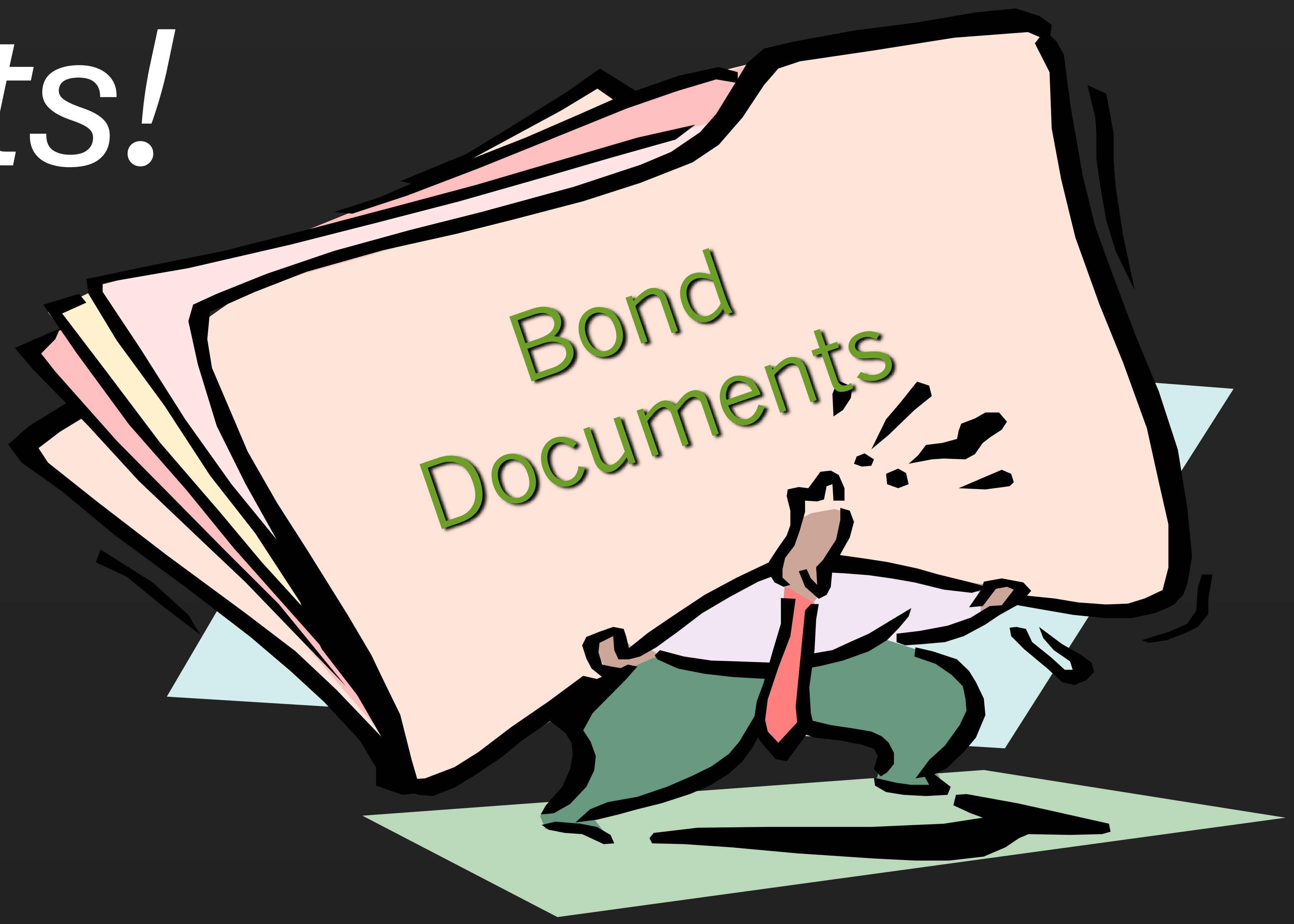
2010: Dodd-Frank Act

- Internal controls, consistent methodology, transparency
- Accountable for statements same as public accounting firms
- Removed all references to credit ratings from federal regs

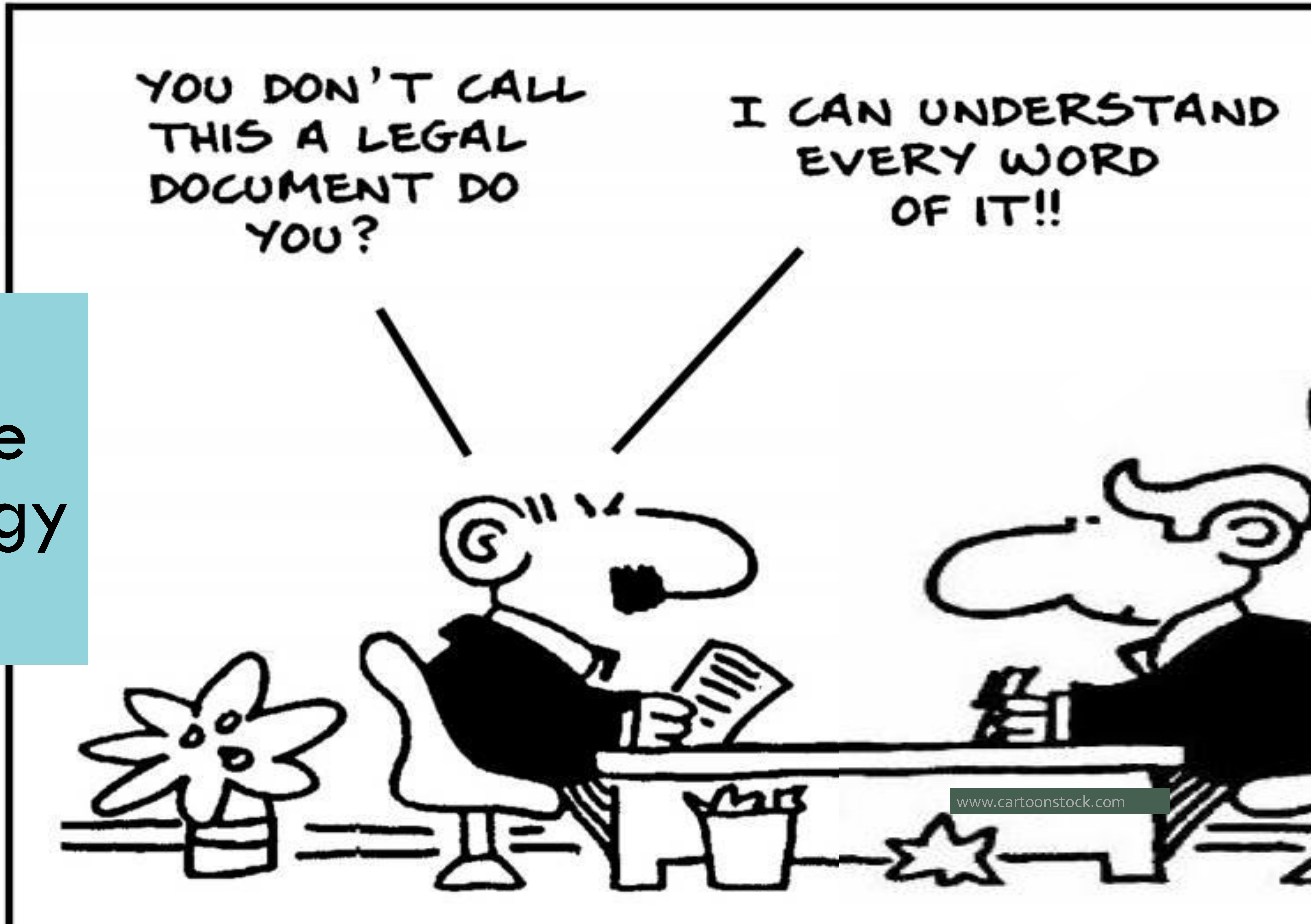
2018: Economic Growth, Regulatory Relief & Consumer Protection Act

- Eased some Dodd-Frank restrictions (e.g. bank stress testing threshold)
- Critics: regulatory rollbacks contributed to Silicon Valley Bank catastrophe in 2023


Documents,
Documents and More
Documents!



# A Bit More Terminology



# Closing Documents

Trust Indenture

Loan Agreement & Assignment of Revenues

Tax Regulatory Agreement

Ground Lease Agreement

Project / Facilities Lease Agreement

Bond Resolution

Preliminary & Final Official Statement ("OS")

Bond Purchase Agreement ("BPA")

Mortgage and Security Agreement

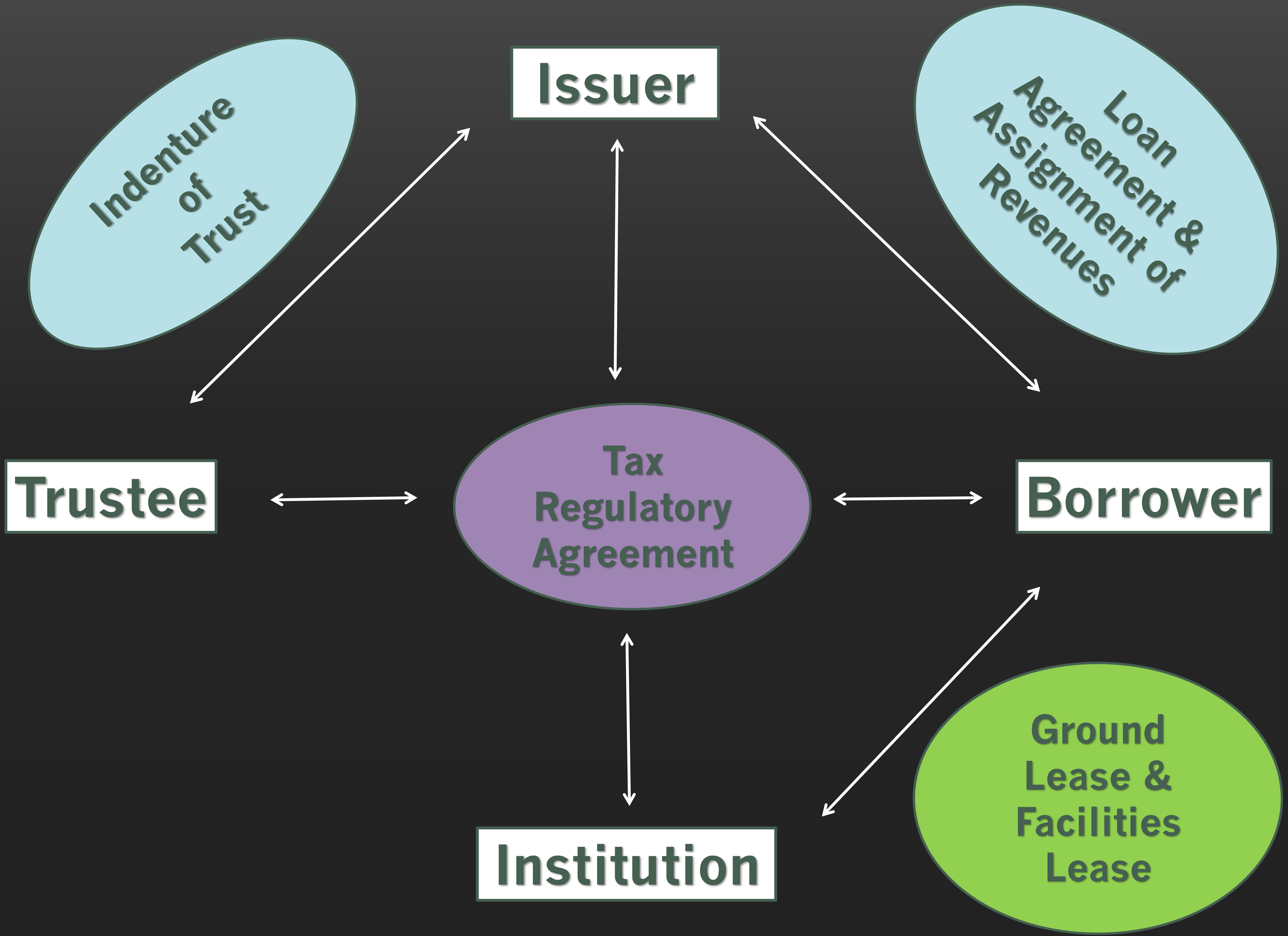
Continuing Disclosure Agreement

Tax Certificate and Non-Arbitrage Certificate

Legal Opinions

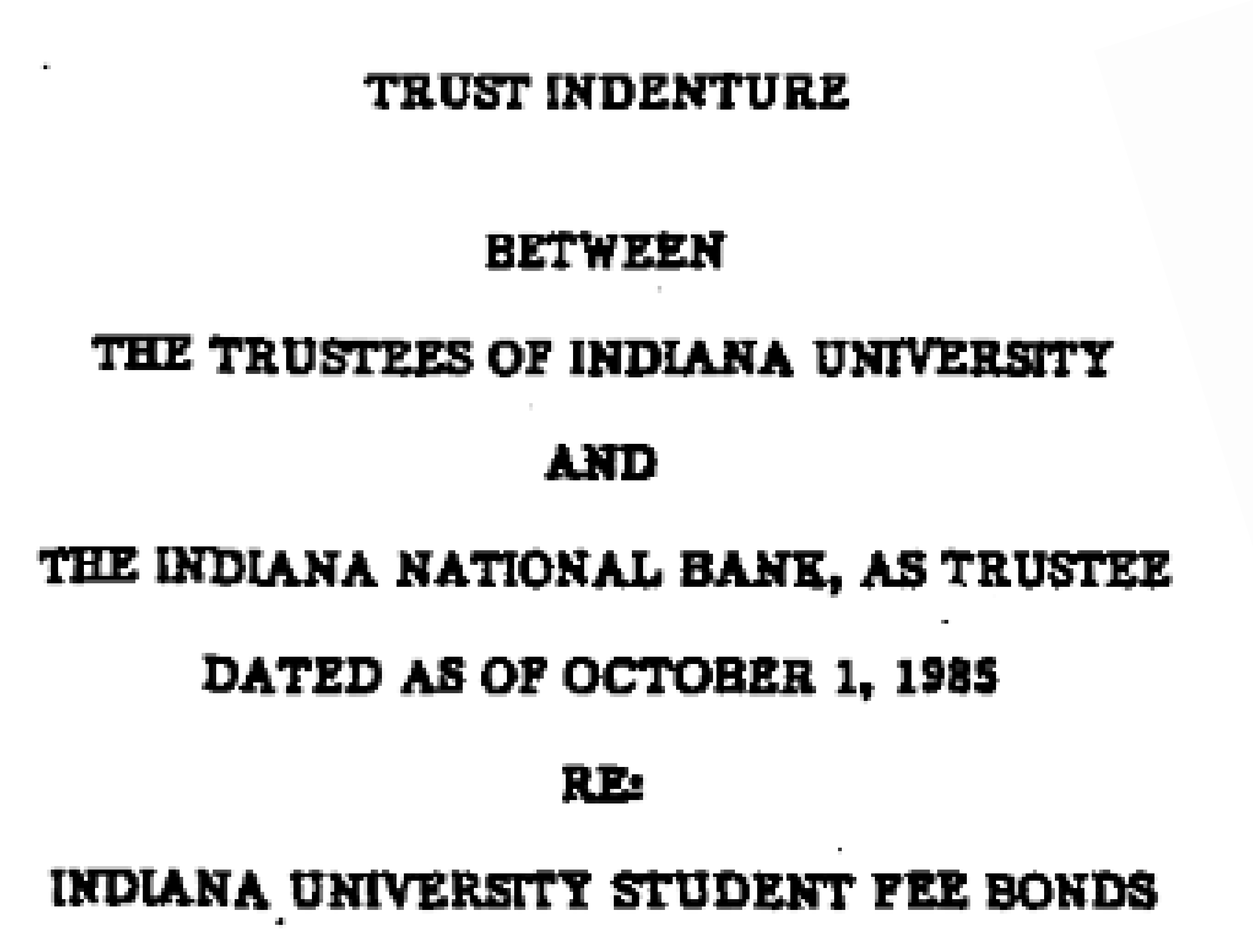
*And many more!*

# Primary Agreements



# Indenture

- Agreement between Issuer and Trustee
- Called "Trust Indenture"
- Terms and conditions of bond issue
- Contains *covenants*



TRUST INDENTURE

BETWEEN

THE TRUSTEES OF INDIANA UNIVERSITY

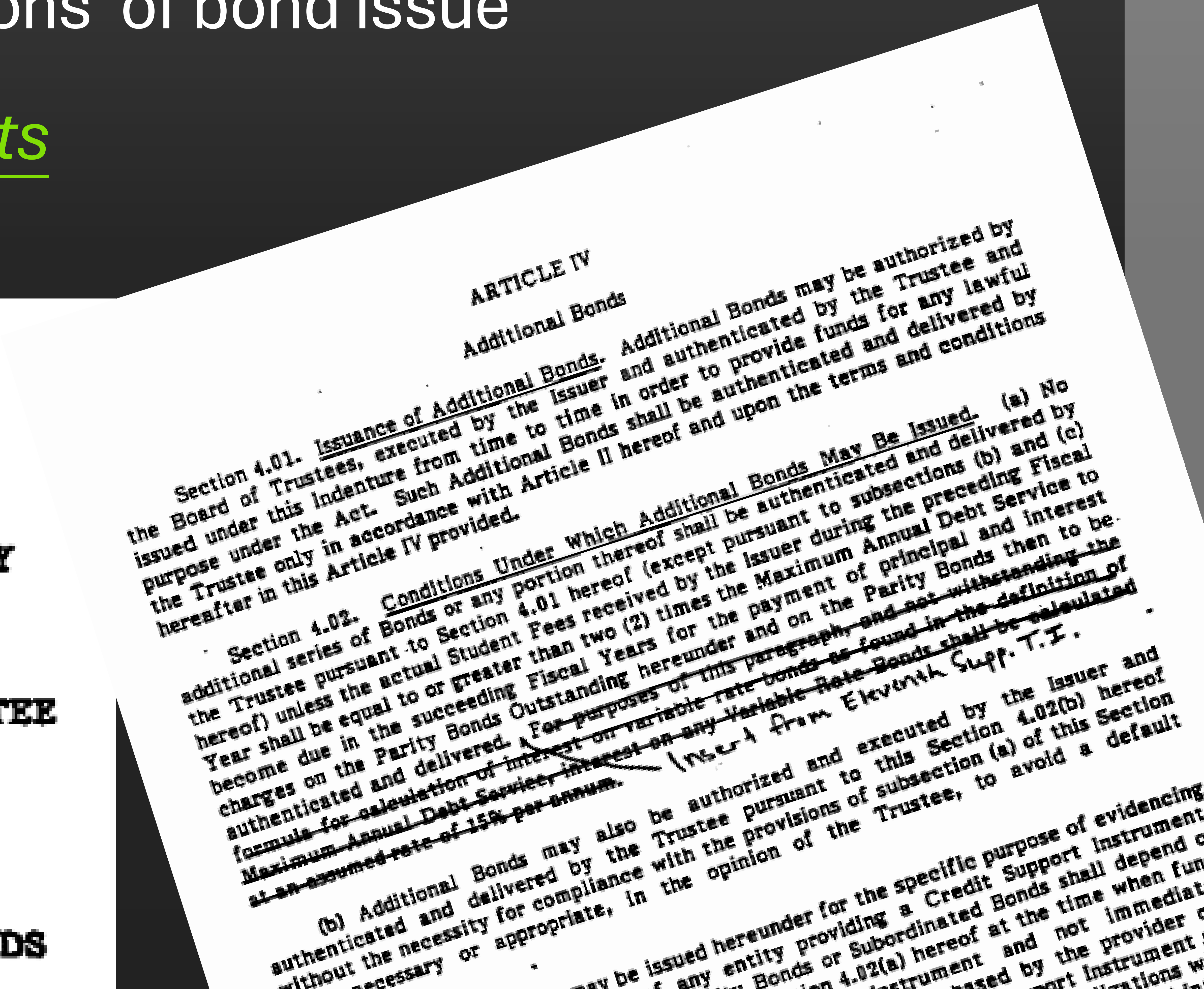
AND

THE INDIANA NATIONAL BANK, AS TRUSTEE

DATED AS OF OCTOBER 1, 1985

RE:

INDIANA UNIVERSITY STUDENT FEE BONDS



ARTICLE IV

Additional Bonds

Section 4.01. Issuance of Additional Bonds. Additional Bonds may be authorized by the Board of Trustees, executed by the Issuer and authenticated by the Trustee and issued under this Indenture from time to time in order to provide funds for any lawful purpose under the Act. Such Additional Bonds shall be authenticated and delivered by the Trustee only in accordance with Article II hereof and upon the terms and conditions hereafter in this Article IV provided.

Section 4.02. Conditions Under Which Additional Bonds May Be Issued. (a) No additional series of Bonds or any portion thereof shall be authenticated and delivered by the Trustee pursuant to Section 4.01 hereof (except pursuant to subsections (b) and (c) hereof) unless the actual Student Fees received by the Issuer during the preceding Fiscal Year shall be equal to or greater than two (2) times the Maximum Annual Debt Service to become due in the succeeding Fiscal Years for the payment of principal and interest charges on the Parity Bonds Outstanding hereunder and on the Parity Bonds then to be authenticated and delivered. ~~For purposes of this paragraph, and not withstanding the formula for calculation of interest on variable rate bonds as found in the definition of Maximum Annual Debt Service, interest on any Variable Rate Bonds shall be calculated at an assumed rate of 15% per annum.~~ Insert from Eleventh Supp. T.I.

(b) Additional Bonds may also be authorized and executed by the Issuer and authenticated and delivered by the Trustee pursuant to this Section 4.02(b) hereof without the necessity for compliance with the provisions of subsection (a) of this Section necessary or appropriate, in the opinion of the Trustee, to avoid a default

# Call / Redemption Provisions

## Mandatory

- Requirement to redeem fixed amount of bonds

## Optional

- Call at issuer's option
- Premium for 10 year call often 2%, usually reduces to 0% by Year 12
- Increases cost of borrowing

## Extraordinary

- Unusual circumstances, e.g. destruction of facility

# Call / Redemption

- Right of issuer to redeem bonds prior to stated maturity date
- Bondholders receive principal, accrued interest, and call premium (if any)


| Traded to | | | SPRD* | Yield | Price | Bond |
|---|---|---|---|---|---|---|
| CALL | 5/12/11 | 100 | +183.5 | -0.743 | 102.76 | 3.27 |
| CALL | 5/12/11 | 100 | +183.5 | 0.257 | 101.74 | 2.25 |
| CALL | 5/12/11 | 100 | +183.5 | 1.257 | 100.74 | 1.24 |
| CALL | 5/12/12 | 100 | +120.6 | 2.257 | 99 ½ | 0.00 |
| CALL | 5/12/13 | 100 | + 63.3 | 3.257 | 97.35 | -2.16 |
| CALL | 5/12/14 | 100 | + 16.6 | 4.257 | 94.377 | -5.15 |
| CALL | 5/12/15 | 100 | - 28.9 | 5.257 | 90.699 | -8.84 |

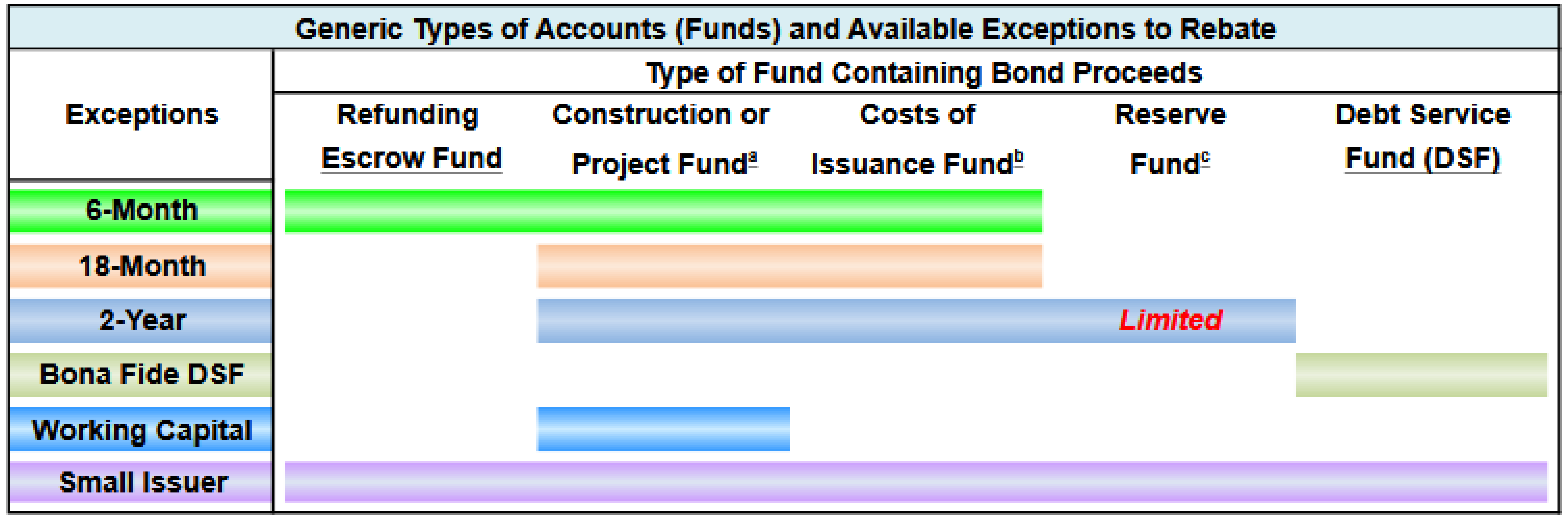
Indenture generally prohibits call for a specified period, usually 10 years

# ARBITRAGE

# Temporary Period Exception for Capital Projects

## Arbitrage

- Expenditure Test
  - Net sales proceeds & investment proceeds reasonably expected to be allocated to expenditures on capital project within 3 years of issue date – may be extended to 5 yrs with designer certification project will take longer
- Time Test
  - Within 6 months incur binding obligation to 3rd party to expend at least 5% of net proceeds on capital projects
- Due Diligence Test
  - Completion of project & net proceeds allocation proceed w/ due diligence




[a] Or Working Capital Fund

**Allowed construction fund spending**

| | |
|---|---|
| 6 months | 10% |
| 12 months | 45% |
| 18 months | 75% |
| 24 months | 100% |

Source: IRS, *Complying with Arbitrage Requirements: A Guide for Issuers of Tax-Exempt Bonds*

# REFUNDING BONDS

- Refinance existing debt
  - Outstanding bond issue
  - Bank Loan
  - Capital lease


*Why refund?*

  - Lower interest rate
  - Eliminate burdensome covenants from existing debt
- Advance refunding
- Defeasance
  - Proceeds are invested, usually in government securities,  until refunded bonds become callable
- Anti-abuse rules
  - Hedging against future increases in interest rates not allowed

# Advance refunding

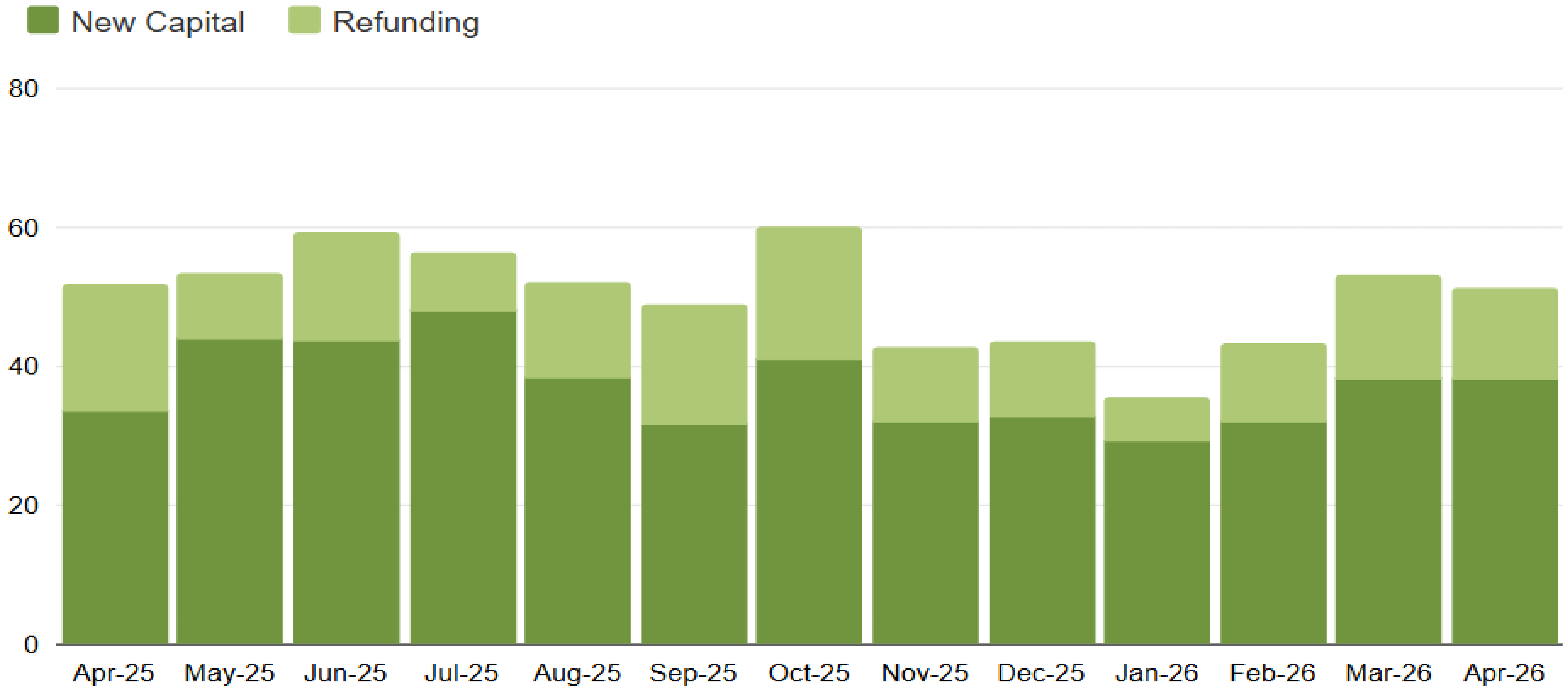
# Refunding Bonds

- Sale of new bonds before 1st call date of existing bonds
- Exchanging bonds before their maturity for other bonds with longer maturities and lower interest rates
- According to Forbes and Jefferies, advance refundings were 17% of municipal bond issuances
- *Tax Cuts and Jobs Act of 2017* made interest on advance refunding bonds taxable
- In March 2023, the *Investing in Our Communities Act* introduced to reinstate the exclusion from gross income for interest earned on advanced refunding bonds
- Several workarounds and alternatives (e.g. Current refunding, forward delivery bonds, “Cinderella” bonds”, tender offers)

# U.S. Municipal Bond Issuance

APRIL 2025- APRIL 2026

$ Billions




Source: SIFMA Research

# DERIVATIVE INSTRUMENTS

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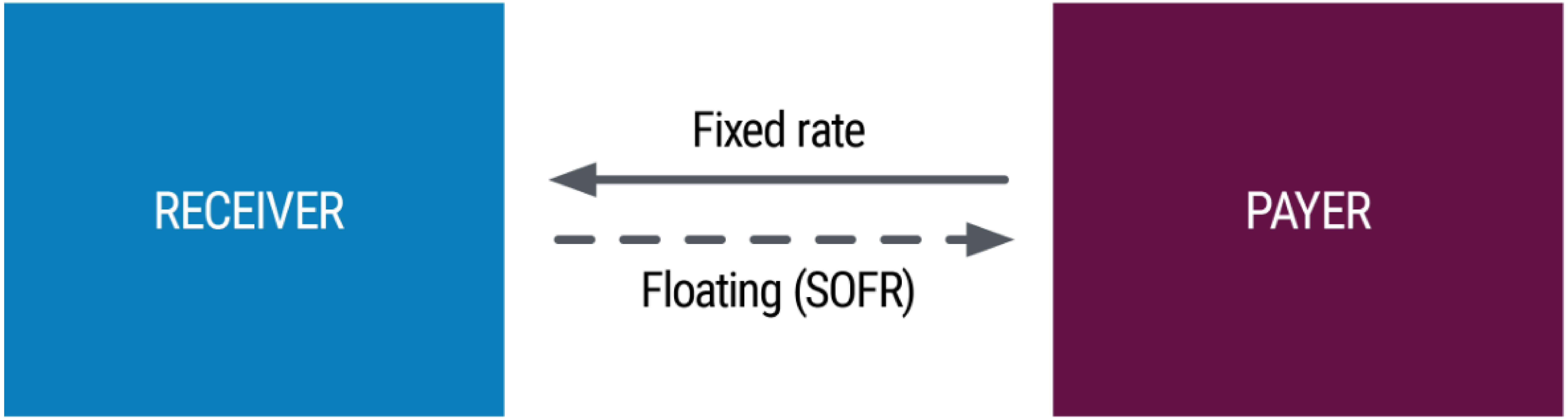



- In this simple example, the fixed rate payer exchanges payments with floating rate payer
- Universities are usually a fixed rate payer, and banks are usually a floating rate payer
- If the university payment is short, it will need to pay additional amounts to floating rate payer

# DERIVATIVE INSTRUMENTS

## What to know about derivatives:

- Overreliance on an interest rate swap can make debt look cheaper
- Derivatives include liquidity risk and counterparty risk
- Most common derivative is an interest rate swap – it effectively changes the institution’s underlying rate
- Others: interest rate caps and floors, collateralized debt obligations (CDOs), and credit default swaps (CDS)
- Before the Great Recession variable rate debt hedged by interest rate swaps were common — but many were terminated

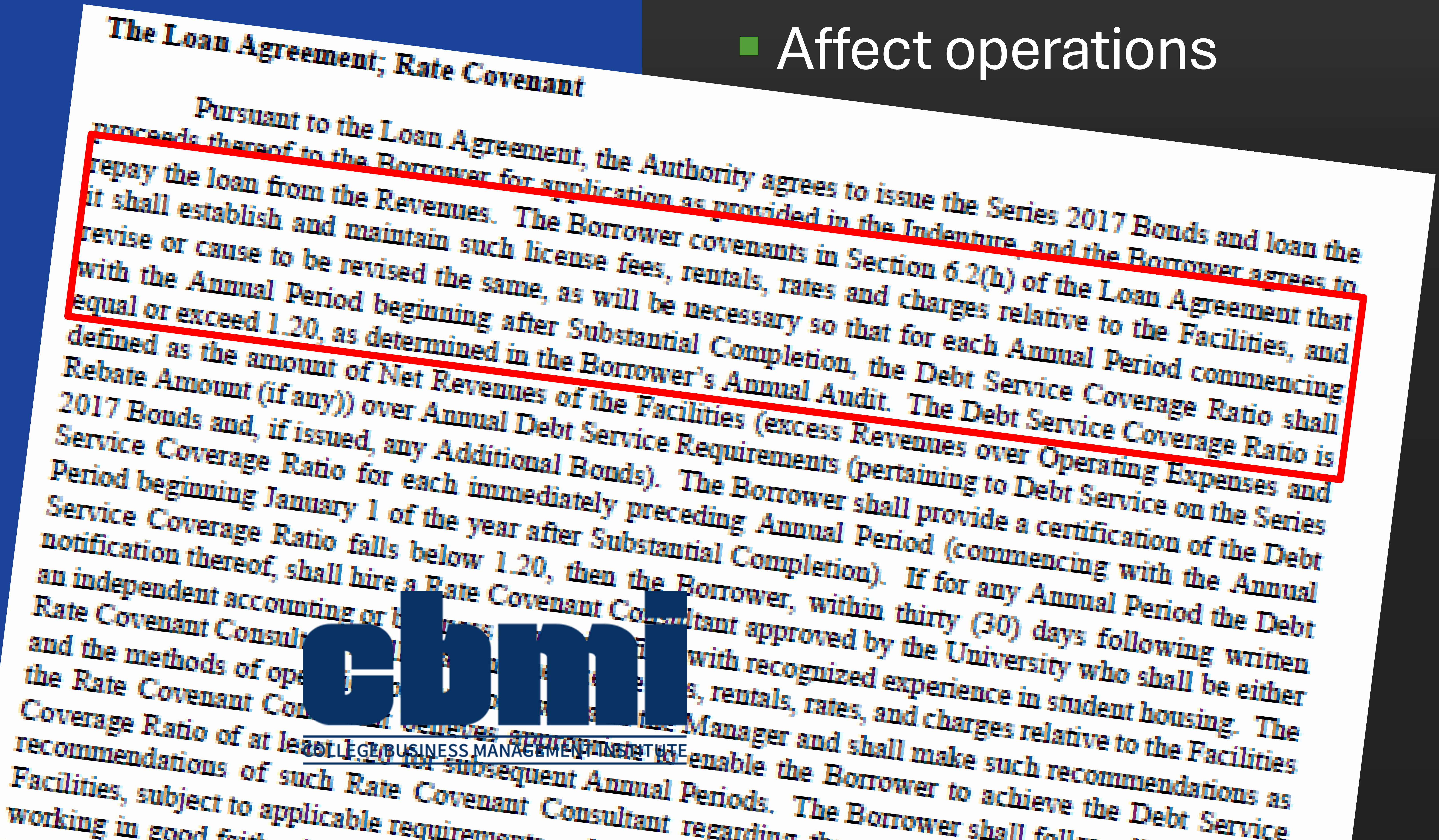
# DERIVATIVE INSTRUMENTS

## WHAT TO KNOW ABOUT DERIVATIVES:

- Public universities that engage in a swap strategy are required to have an independent representative (“swap advisor)
- Swaps must be tracked monthly to determine whether the institution is “in the money” or “out of the money”
- The institution may need to post collateral depending on its contracts — if its credit rating falls, the institution may also need to post collateral
- So, the institution should thoroughly understand its obligations

# COVENANTS

- Pledge by borrower
- If violated, can cause default
- Bond insurer requirements > LOC provider
- Affect operations



**The Loan Agreement; Rate Covenant**

Pursuant to the Loan Agreement, the Authority agrees to issue the Series 2017 Bonds and loan the proceeds thereof to the Borrower for application as provided in the Indenture, and the Borrower agrees to repay the loan from the Revenues. The Borrower covenants in Section 6.2(h) of the Loan Agreement that it shall establish and maintain such license fees, rentals, rates and charges relative to the Facilities, and revise or cause to be revised the same, as will be necessary so that for each Annual Period commencing with the Annual Period beginning after Substantial Completion, the Debt Service Coverage Ratio shall equal or exceed 1.20, as determined in the Borrower's Annual Audit. The Debt Service Coverage Ratio is defined as the amount of Net Revenues of the Facilities (excess Revenues over Operating Expenses and Rebate Amount (if any)) over Annual Debt Service Requirements (pertaining to Debt Service on the Series 2017 Bonds and, if issued, any Additional Bonds). The Borrower shall provide a certification of the Debt Service Coverage Ratio for each immediately preceding Annual Period (commencing with the Annual Period beginning January 1 of the year after Substantial Completion). If for any Annual Period the Debt Service Coverage Ratio falls below 1.20, then the Borrower, within thirty (30) days following written notification thereof, shall hire a Rate Covenant Consultant approved by the University who shall be either an independent accounting or
with recognized experience in student housing. The Rate Covenant Consul
s, rentals, rates, and charges relative to the Facilities and the methods of ope
Manager and shall make such recommendations as the Rate Covenant Co
enable the Borrower to achieve the Debt Service Coverage Ratio of at lea
for subsequent Annual Periods. The Borrower shall foll
recommendations of such Rate Covenant Consultant regarding th
Facilities, subject to applicable requirem
working in good fait

Examples

- Rate Maintenance Covenant
- Debt Service Coverage Ratio
- No Competing Facilities

# *Financing Terms & the Effect on Your Options & Operations*

**"When examining these new contracts, gentlemen, please note that in Paragraph 48 the word 'golden' has been replaced by 'plywood'  and 'parachute' is now 'toboggan'."**

# Possible Covenants

## Rate Maintenance

Agree to maintain rents and other charges at the level necessary to service the debt

## Debt Service Coverage ratio

Available Revenues / Annual Debt Service

## Debt Service Reserve

Maintain Maximum Annual Debt Service (MADS) in a reserve

# Possible Covenants

## Operating Reserve

- Maintain balance to cover operational losses
- Typically 1-2 years of operating expenses

## Additional Bonds Test

Sufficient revenue required before additional parity bonds issued

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## Permitted Investments

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# Possible Covenants

- Bondholder approval of certain significant transactions
- Credit enhancer approvals
  - **Mandatory actions if fail to meet covenants**
  - **Required to engage consultants**
- Covenants less restrictive with increased credit quality

**Dodge City Community College Student Union & Dorm Bonds**

"… feature a clear disclaimer that the school has no direct obligation for these bonds. But DCCC remains the sole issuer of the bonds. According to bond traders active in the municipal bond markets, the school's exact obligation in case of legal default can only be discovered through careful examination of the covenants of a specific bond and the overall financial health of the school."

Brookside Research

InsideHigherEd.com - Moody's Report Sept 2020:

Lower debt service coverage could trigger some bond covenants, leading to a technical default but not situations where colleges have defaulted on their loans because they did not pay.
Such technical defaults can often lead to colleges being required to bring in a consultant.

BARRON'S

THE DOW JONES BUSINESS AND FINANCIAL WEEKLY

# Defaults and Potential Defaults

## Dowling College in Default on Bond Payments

August 7, 2015


**Still small in number**

FE WEEK

**Lloyds Bank Forced to Gift Millions to Bradford College**

ABOVE THE LAW

**Troubled Law School Defaults On Its Bonds, May Be Forced to Cease Operations**

AP Associated Press

**Private Alabama College Seeks Bailout, Warning It May Close**

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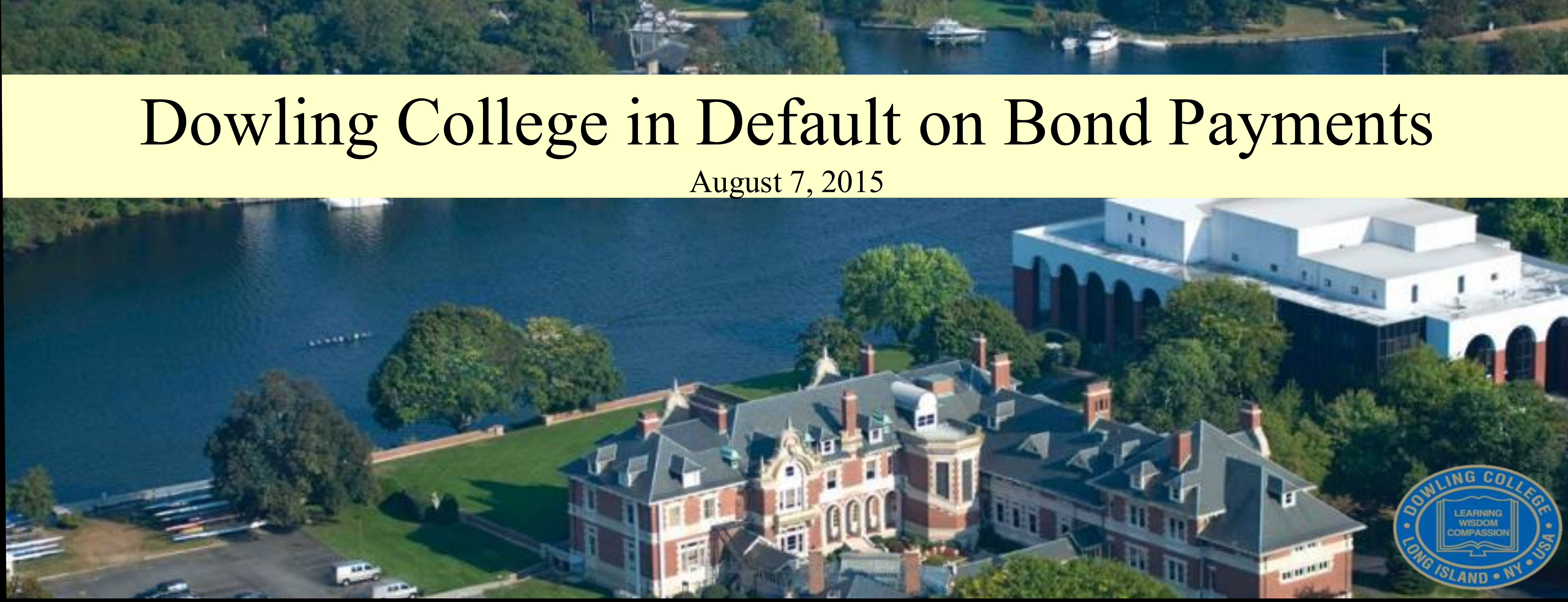


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**Private Alabama College Seeks Bailout, Warning It May Close**

# SOURCES
# &
# USES
# OF FUNDS

# Project Sizing: Sources and Uses Example

## Sources

| | |
|---|---|
| Par amount (Principal) | $ 81,000,000 |
| Less: Underwriter's discount | (414,000) |
| **Total Sources** | **$ 80,586,000** |

## Uses

| | |
|---|---|
| Project (Construction) Fund | $ 68,311,350 |
| Capitalized Interest Fund | 3,842,500 |
| Costs of Issuance | 1,542,150 |
| Debt Service Reserve Fund | 6,890,000 |
| **Total Uses** | **$ 80,586,000** |

***Note that only 85% of par value goes into this project***

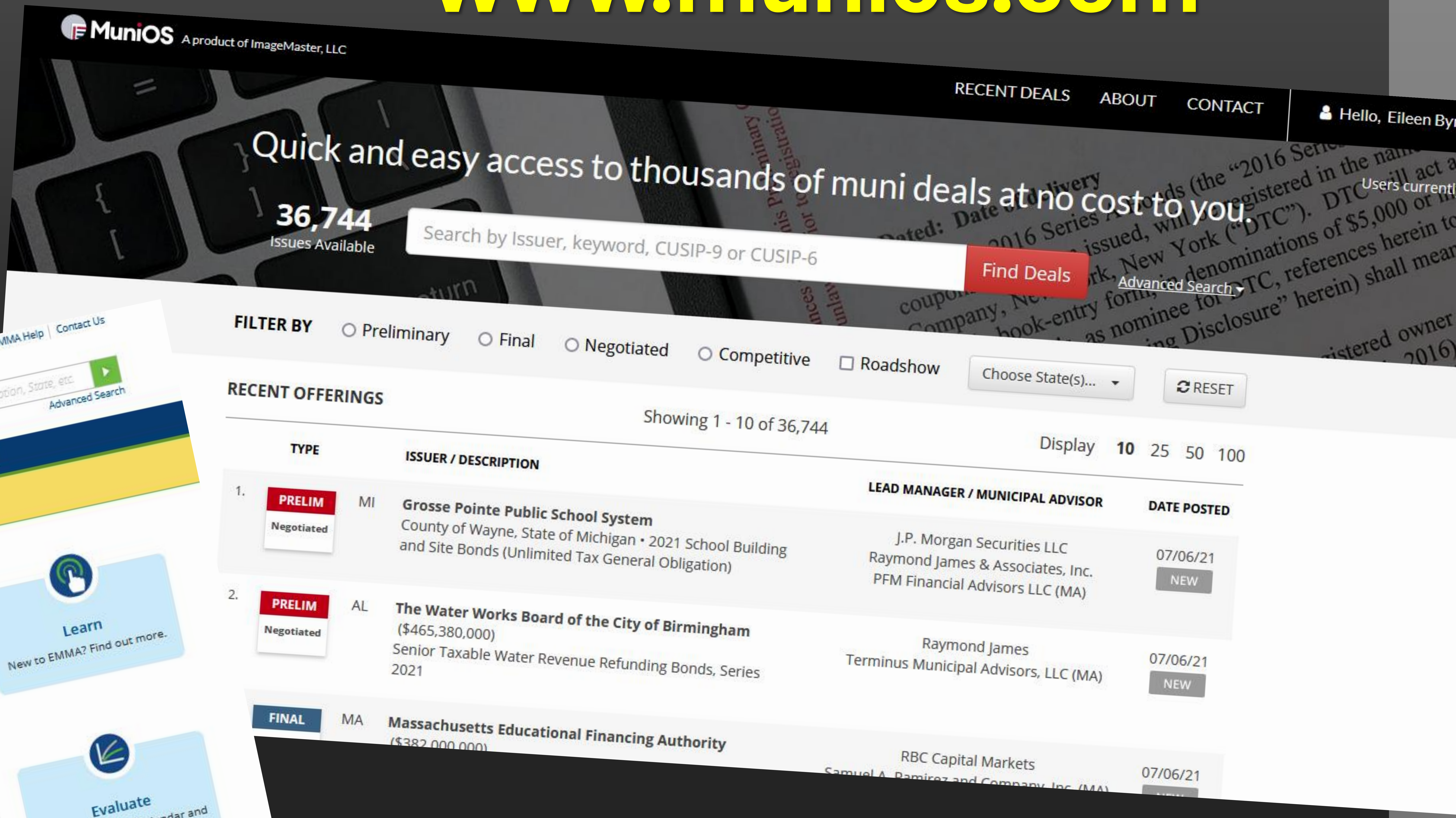
# Reimbursement Resolution

# Declaration of Official Intent

- Borrower wants to work on a project before tax-exempt debt is incurred and reimburse itself with bond proceeds (e.g., feasibility analysis, planning/design work, demolition, extraordinary working capital)
- Other than for certain preliminary expenditures, borrower must have "*reimbursement resolution*" in place that satisfies **Treas. Reg 1.150-2**
- Reimbursement resolution requirements
    - Information
        - Project description
        - Maximum amount of reimbursement
    - Timing
        - Resolution adopted not later than 60 days after pmt of original expenditure
        - In most cases bonds must be issued no later than 18 months after later of
            - Date the original expenditure is paid; ***or***
            - Date project placed in service, but NOT > 3 years after original expenditure is paid
- Does not commit borrower to issuing debt; merely provides flexibility

# Examples of Bond Issue Structures

www.munios.com





www.emma.msrb.org

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# OFF-BALANCE SHEET FINANCING

# Privatized Student Housing

# Financing Privatized Housing

## Privatized Housing Projects

- Various structures
- Tax-exempt bonds with total or partial institutional leases or guarantees
  - More risk
  - More potential return
- Taxable financing
  - Developer financed and owned
  - Less Risk
  - Less Return

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# Privatized Student Housing Structure Comparison

| | Developer Guaranteed<br>Taxable | Foundation with No Guarantee<br>Tax-Exempt | Foundation with Institution Guarantee<br>Tax-Exempt |
|---|---|---|---|
| Net Oper. Income | $675,000 | $675,000 | $675,000 |
| Debt Service | ($888,274) | ($846,712) | ($707,162) |
| Gross Cash Flow | ($213,274) | ($171,712) | ($32,162) |
| | | | |
| Developer loss | ($213,274) | $0 | $0 |
| *Foundation loss* | *$0* | *($171,712)* | *$0* |
| *Institution loss* | *$0* | *$0* | *($32,162)* |
| | | | |
| Debt Service Coverage | .76 | .80 | .95 |

# Privatized Student Housing Structure Comparison

| | Developer Guaranteed<br>Taxable | Foundation with No Guarantee<br>Tax-Exempt | Foundation with Institution Guarantee<br>Tax-Exempt |
|---|---|---|---|
| Net Oper. Income | $1,075,000 | $1,075,000 | $1,075,000 |
| Debt Service | ($888,274) | ($846,712) | ($707,162) |
| Gross Cash Flow | $186,726 | $228,288 | $367,838 |
| Developer gain | $93,363 | $0 | $0 |
| *Foundation gain* | *$0* | *$228,288* | *$0* |
| *Institution gain* | *$93,363* | *$0* | *$367,838* |
| Debt Service Coverage | 1.21 | 1.27 | 1.52 |

# Fullerton Village at Depaul University

# CASE STUDIES

Total debt affected: $72.23 million

- Student housing development suffered low occupancy levels attributable at least in part to unconventional architecture
- Loft-style apartments with concrete floors and high ceilings – noisy!!
- Occupancy dropped from 87% in Spring 2007 to 52% in Fall 2007
- June 2008: tapped DSRF to pay debt service
- Dec 2008: Defaulted
- Fall 2016: occupancy = 83%

- Project revenues paid operating expenses + interest, but not principal
- 2017: Project sold for $92 million
- Both senior and subordinate bondholders were repaid in full

cbmi
COLLEGE BUSINESS MANAGEMENT INSTITUTE

# NCCD – College Station Properties LLC, TX

## Case Studies

Total debt affected: $341.6 million

- Texas A&M student housing had been at maximum capacity for 5 years
- Project would increase on-campus housing stock by 28% in 2017, creating a risk that new stock may not be fully absorbed
- During construction numerous projects sprung up in better proximity to campus
- Initial lease up rate well below projections
- Also, market did not support rent levels at targeted price points
- 2018: Revenues insufficient due to lower market rents than projected; operating reserves tapped to pay 1st year of amortizing debt service
- July 2022: Occupancy strong but rent insufficient to make principal
- Recovery pending

# CONCLUSION

1. Develop a prioritized capital plan and capital budget
2. Hire financial advisor unless very experienced
3. Have well defined objectives
4. Understand covenants & effects on operations
5. Ensure documents are clear for benefit of successors
6. Question and negotiate document terms
7. Stay on top of post-issuance tasks

# Campus-Based defaults—Payments and Covenants

- 1. https://cardinalnews.org/2025/01/16/averett-bonds-in-default-due-to-high-debt-ratio-trustee-reports/
- 2. Hampshire College to close after failing to refinance bonds
- 3. University in Kentucky breaches covenant, hires consultant
- 4. https://www.bloomberg.com/news/articles/2024-01-16/struggling-private-midwest-college-strikes-deal-with-bondholders
- 5. https://www.bondbuyer.com/news/georgia-proton-center-bondholders-will-take-haircut-after-bankruptcy-sale

*Extracts from Official Statements are in your handouts*

# Examples of Bond Issue Structures

Preliminary Official Statements

Colorado State University System

Cheltanham Township Industrial Development Authority (Arcadia University)

General Obligation Bonds

The University of Vermont and State Agricultural College

Revenue Bonds

University System of Maryland

University of Delaware

Development Authority of Fulton County (Georgia Tech Athletic Association Project)

# APPENDIX A

# EXTRACTS OF MUNICIPAL BOND DOCUMENTS

## PRELIMINARY OFFICIAL STATEMENTS
## OFFICIAL STATEMENTS

# Appendix A
# To FIN 2232
# Introduction to Capital Financing
# Extracts of Municipal Bond Documents
# Preliminary Official Statements/Official Statements

## Preliminary Official Statement
## Revenue Refunding Bonds

Colorado State University
System

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 5, 2017

NEW ISSUE
BOOK-ENTRY ONLY

STATE INTERCEPT RATINGS[†]: Moody's: "Aa2"
S&P Global Ratings: "AA-"

Credit Ratings

UNDERLYING RATINGS[†]: Moody's: "Aa3"
S&P Global Ratings: "A+"
See "RATINGS" herein.

Bond Counsel

*In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2017 Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Series 2017 Bonds is exempt from taxation for state, county, school district, special district, municipal, or other purposes in the State of Colorado. For a more complete description, see "TAX MATTERS" herein.*

Issuer

Par Amount

**$255,540,000***
**Board of Governors of**
**the Colorado State University System**
**System Enterprise Revenue Refunding Bonds**
**Series 2017C**

**$38,600,000***
**Board of Governors of**
**the Colorado State University System**
**System Enterprise Revenue Refunding Bonds**
**Series 2017D**

Revenue Bonds

**Dated: Date of Delivery** **Due: March 1, as shown on inside front cover**

The Board of Governors (the "Board") of the Colorado State University System (the "System") will issue the above-captioned bonds (the "Series 2017C Bonds" and "Series 2017D Bonds," respectively, and collectively, the "Series 2017 Bonds"). The Series 2017 Bonds are being issued as fully registered bonds in denominations of $5,000 and integral multiples thereof. When issued, the Series 2017 Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC initially will act as securities depository for the Series 2017 Bonds. Individual purchases will be made in book entry form only, and purchasers of the Series 2017 Bonds will not receive physical delivery of bond certificates, all as more fully described herein. The principal of and premium, if any, and interest on the Series 2017 Bonds is payable by Wells Fargo Bank, National Association, Minneapolis, Minnesota, as paying agent, to DTC. Interest on the Series 2017 Bonds is payable on March 1 and September 1, commencing March 1, 2018. DTC is required to remit such principal, premium and interest to its Participants, for subsequent disbursement to the Beneficial Owners of the Series 2017 Bonds, as more fully described herein. See "THE SERIES 2017 BONDS—Book-Entry System" herein.

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIPS SHOWN ON INSIDE FRONT COVER.**

Proceeds of the Series 2017 Bonds will be used for the purposes of (a) financing the payment and discharge of all or a portion of certain bonds outstanding under the Master Resolution; and (b) paying certain costs relating to the issuance of the Series 2017 Bonds. See "PLAN OF FINANCING" herein.

The Series 2017 Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES 2017 BONDS—Redemption" herein.

**THE SERIES 2017 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE BOARD, PAYABLE SOLELY FROM NET REVENUES, AS DEFINED HEREIN, DERIVED FROM OR IN RESPECT OF THE OPERATION OF THE SYSTEM. NET REVENUES ARE CALCULATED BY SUBTRACTING FROM THE GROSS REVENUES, AS DEFINED HEREIN, OPERATION AND MAINTENANCE EXPENSES. OUTSTANDING PARITY BONDS SECURED WITH A LIEN ON NET REVENUES ON A PARITY WITH THE LIEN OF THE SERIES 2017 BONDS ARE CURRENTLY OUTSTANDING IN THE AGGREGATE PRINCIPAL AMOUNT OF $1,119,705,000 (INCLUDING $281,905,000* OF CERTAIN SUCH BONDS EXPECTED TO BE REFUNDED WITH PROCEEDS OF THE SERIES 2017 BONDS). THE PAYMENT OF THE SERIES 2017 BONDS WILL NOT BE SECURED BY AN ENCUMBRANCE, MORTGAGE, OR OTHER PLEDGE OF ANY PROPERTY EXCEPT NET REVENUES. THE SERIES 2017 BONDS WILL NOT CONSTITUTE OR BECOME A DEBT OR INDEBTEDNESS OF THE STATE, THE BOARD, THE SYSTEM OR THE UNIVERSITIES (AS DEFINED HEREIN) WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION, AND THE SERIES 2017 BONDS WILL NOT BE CONSIDERED OR HELD TO BE GENERAL OBLIGATIONS OF THE BOARD OR AN OBLIGATION OF THE STATE OF COLORADO EXCEPT TO THE EXTENT PROVIDED FOR IN THE STATE INTERCEPT PROGRAM WITH RESPECT TO THE SERIES 2017C BONDS.**

The Series 2017C Bonds qualify for the State of Colorado Intercept Program (the "State Intercept Program") as described herein. Pursuant to the State Intercept Program, Colorado's State Treasurer shall pay the principal of and interest on the Series 2017C Bonds if the Board does not make such payments when they are due. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS—State Intercept Program Applicable to Series 2017C Bonds."

The Board has the right, subject to certain conditions described herein, to issue additional obligations secured by a lien on the Net Revenues which is on a parity with or subordinate to the lien thereon securing the Series 2017 Bonds.

Muni Advisor

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, particularly the section titled "INVESTMENT CONSIDERATIONS," to obtain information essential to the making of an informed investment decision.

*The Series 2017 Bonds are offered when, as and if issued, subject to the approving opinion of Kutak Rock LLP, as Bond Counsel, and certain other conditions. Kutak Rock LLP has also acted as counsel to the Board in connection with the preparation of this Official Statement. The Underwriters are being represented by their counsel, Hogan Lovells US LLP, Denver, Colorado. North Slope Capital Advisors, Denver, Colorado, has served as Municipal Advisor to the Board in connection with the issuance of the Series 2017 Bonds. It is expected that the Series 2017 Bonds will be issued and available for delivery through DTC in New York, New York on or about December __, 2017, against payment therefor.*

Underwriters' Counsel

**Morgan Stanley** **Wells Fargo Securities**

Co-Underwriters

**The date of this Official Statement is December __, 2017.**

[†] The Series 2017C Bonds will be secured by the State Intercept Program. The Series 2017D Bonds are not eligible for the State Intercept Program.
* Preliminary; subject to change.

## SERIES 2017C BONDS MATURITY SCHEDULE*

**(CUSIP Base No. 196707[1])**

| Maturity Date* (March 1) | Principal Amount* | Interest Rate | Yield | Price | CUSIP[1] |
|---|---|---|---|---|---|
| 2018 | $ 3,990,000 | % | % | % | |
| 2019 | 155,000 | | | | |
| 2020 | 160,000 | | | | |
| 2021 | 170,000 | | | | |
| 2022 | 175,000 | | | | |
| 2023 | 185,000 | | | | |
| 2024 | 3,610,000 | | | | |
| 2025 | 3,800,000 | | | | |
| 2026 | 7,715,000 | | | | |
| 2027 | 8,090,000 | | | | |
| 2028 | 8,485,000 | | | | |
| 2029 | 8,475,000 | | | | |
| 2030 | 8,890,000 | | | | |
| 2031 | 9,350,000 | | | | |
| 2032 | 9,815,000 | | | | |
| 2033 | 10,300,000 | | | | |
| 2034 | 10,815,000 | | | | |
| 2035 | 11,355,000 | | | | |
| 2036 | 11,925,000 | | | | |
| 2037 | 12,250,000 | | | | |
| 2038 | 12,730,000 | | | | |

$56,765,000* _____% Term Bond due March 1, 2042* Yield: _____% Price: _____% CUSIP[1]: _______

$56,065,000* _____% Term Bond due March 1, 2047* Yield: _____% Price: _____% CUSIP[1]: _______

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* Preliminary; subject to change.

[1] CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein provided by CUSIP Global Services ("CGS"), managed on behalf of the American Bankers Association by S&P Capital IQ. The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for the CUSIP service. CUSIP numbers have been assigned by an independent company not affiliated with the Board and are provided solely for convenience and reference. None of the Board, the System or the Underwriters take responsibility for the accuracy of the CUSIP numbers.

**Preliminary Official Statement**
**Revenue Bonds**
**Conduit Issuer & University**

Cheltanham Township Industrial
Development Authority
(Arcadia University)

This Preliminary Official Statement and any information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2023 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities law of such jurisdiction.

**PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 14, 2023**

**NEW ISSUE**
**BOOK-ENTRY-ONLY**

**Credit Rating**

**RATING: S&P: "BBB-"**
**(See "RATING" herein)**

*In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Series 2023 Bonds will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the Authority and the University with the requirements of the Internal Revenue Code of 1986, as amended. Interest on the Series 2023 Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals. Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, interest on the Series 2023 Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. See "TAX MATTERS" herein.*

**Borrower**

**Conduit Issuer**

ARCADIA UNIVERSITY

**$23,805,000***
**CHELTENHAM TOWNSHIP INDUSTRIAL DEVELOPMENT AUTHORITY**
**Arcadia University Revenue Bonds**
**Series of 2023**

**Dated: Date of Delivery** | **Due: April 1, as shown on inside cover**

The Cheltenham Township Industrial Development Authority (the "Authority") is issuing its $23,805,000* aggregate principal amount Arcadia University Revenue Bonds, Series of 2023 (the "Series 2023 Bonds"). The Series 2023 Bonds are issuable only in fully registered form without coupons, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). So long as Cede & Co. is the registered owner, references herein to the registered owners of Series 2023 Bonds shall mean Cede & Co. and not the Beneficial Owners (as defined herein). DTC will act as securities depository of the Series 2023 Bonds, and purchases of beneficial ownership interests in the Series 2023 Bonds will be made in book-entry form only, in denominations of $5,000 or integral multiples thereof. Beneficial Owners will not receive certificates representing their interest in the Series 2023 Bonds. See "THE SERIES 2023 BONDS — Book-Entry Only System" herein.

Interest on the Series 2023 Bonds is payable on April 1 and October 1 in each year until maturity or prior redemption, commencing October 1, 2023. Principal or redemption price of and interest on the Series 2023 Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). So long as Cede & Co. is the registered owner, the Trustee will pay the principal or redemption price of and interest on the Series 2023 Bonds when due to DTC, which will remit such principal or redemption price of and interest to its Participants (as defined herein), which will in turn remit such principal or redemption price of and interest to the Beneficial Owners of the Series 2023 Bonds, as described herein.

**The Series 2023 Bonds are subject to redemption and purchase in lieu of redemption prior to maturity as more fully described herein.**

The proceeds of the Series 2023 Bonds, together with certain other funds, will be used to: (i) currently refund all or a portion of the Montgomery County Higher Education and Health Authority's Arcadia University Revenue Bonds, Series of 2013, $15,360,000 of which are currently outstanding; (ii) undertake various capital projects consisting of, among other things, (a) the construction, installation, equipping and furnishing of various capital projects, including but not limited to, classrooms, laboratories, faculty and staff offices, lounges and athletic facilities, a fire suppression system, information technology architecture and an elevator at the facilities comprising the Royal Avenue Property (as defined herein); and (b) the renovation of certain student housing facilities; and (iii) pay certain costs and expenses of issuing the Series 2023 Bonds, as more fully described herein. See "THE 2023 PROJECT; PLAN OF FINANCING" herein.

**The Series 2023 Bonds are limited obligations of the Authority and are payable solely from payments required to be made by the University under the Series 2023 Loan Agreement and other sources described herein. Neither the credit nor the taxing power of the Township of Cheltenham, Montgomery County, Pennsylvania ("Township"), the County of Montgomery, Pennsylvania ("County") or the Commonwealth of Pennsylvania ("Commonwealth") or any political subdivision thereof is pledged for the payment of the principal or redemption price of or interest on the Series 2023 Bonds, nor shall the Series 2023 Bonds be or be deemed a general obligation of the Authority or an obligation of the Township, the County or the Commonwealth or any political subdivision thereof. The Authority has no taxing power.**

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the Appendices, to obtain information essential to making an informed investment decision.

The Series 2023 Bonds are offered for delivery when, as and if issued by the Authority and received by the Underwriter and subject to receipt of the approving legal opinion of Eckert Seamans Cherin & Mellott, LLC, Philadelphia, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon for the Authority by its counsel, Hamburg, Rubin, Mullin, Maxwell & Lupin, PC, Lansdale, Pennsylvania; for the University by its General Counsel, Margaret M. Callahan, Esquire, and for the Underwriter by its counsel, Ballard Spahr LLP, Philadelphia, Pennsylvania. It is expected that the Series 2023 Bonds will be available for delivery through The Depository Trust Company, New York, New York on or about ______, 2023.

**BofA Securities**

Dated: ________, 2023

* Preliminary, subject to change.

Bond Counsel

**NEW ISSUE - BOOK-ENTRY ONLY** **Ratings: (See "Ratings" herein)**

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the University ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2017 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the 2017 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In the opinion of Bond Counsel, interest on the 2017 Bonds is exempt from State of Vermont personal income taxes and State of Vermont corporate income taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on the 2017 Bonds. See "TAX MATTERS" herein.*

Issuer

Par Amount

**$57,020,000**

**THE UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE**

**GENERAL OBLIGATION BONDS, SERIES 2017**

G. O. Bonds

**Dated: Date of Delivery** **Due: October 1, as shown on the inside cover**

The University of Vermont and State Agricultural College General Obligation Bonds, Series 2017 (the "2017 Bonds") will be issued only as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2017 Bonds. Purchases of the 2017 Bonds will be made in book-entry form, in denominations of $5,000 or any integral multiple of $5,000 in excess thereof. Purchasers will not receive certificates representing their interest in 2017 Bonds purchased. So long as Cede & Co. is the registered owner, as nominee of DTC, references herein to the holders or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2017 Bonds. See "THE 2017 BONDS – Book-Entry Only System" herein.

The 2017 Bonds are being issued under and are secured by a Trust Indenture dated as of February 1, 1990 between the University of Vermont and State Agricultural College (the "University") and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), as amended and supplemented to date (as so amended and supplemented, the "Indenture"). The proceeds of the 2017 Bonds, together with other available funds, will be applied to refund certain tax-exempt obligations of the University described herein and to pay certain costs of issuance of the 2017 Bonds.

So long as DTC or its nominee, Cede & Co., is the holder of the 2017 Bonds, payment of principal, redemption price, if any, and interest on the 2017 Bonds will be made directly to Cede & Co. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC Participants, as more fully described herein. Interest on the 2017 Bonds will be payable on April 1 and October 1 of each year, commencing October 1, 2017, until maturity or prior redemption.

The 2017 Bonds are subject to redemption prior to maturity, as described under "THE 2017 BONDS – Redemption" herein.

The 2017 Bonds are general obligations of the University and are not secured by a pledge of revenues or property of the University. The moneys and investments held under the Indenture are pledged thereunder to secure the payment of the 2017 Bonds. The 2017 Bonds are not secured by any pledge of ad valorem or any other taxes. Nothing in the 2017 Bonds or the Indenture may be construed as obligating the State of Vermont or any political subdivision thereof to pay the principal or redemption price, if any, and interest on the 2017 Bonds or as pledging the faith and credit or taxing power of the State of Vermont and no holder shall have any right to have taxes levied by the State of Vermont or any political subdivision thereof for the payment of principal of and any premium and interest on the 2017 Bonds. No debt service reserve fund is created under the Indenture.

The 2017 Bonds are offered, subject to prior sale, to withdrawal or to modification of the offer without notice, when, as and if issued by the University and received by the Underwriters, subject to the approval of certain legal matters relating to the issuance of such 2017 Bonds by Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel to the University. Certain legal matters will be passed on for the University by its General Counsel. The Yuba Group LLC is serving as financial advisor to the University in this transaction. Certain legal matters will be passed on for the Underwriters by their counsel, McCarter & English, LLP, Boston, Massachusetts. It is expected that the 2017 Bonds in definitive form will be available for delivery in New York, New York, on or about July 10, 2017.

**Citigroup** **BofA Merrill Lynch**

Underwriters' Counsel

Dated: June 16, 2017

Co-Underwriters

## MATURITIES, AMOUNTS, INTEREST RATES, PRICES AND YIELDS

**$57,020,000**
**GENERAL OBLIGATION BONDS, SERIES 2017**

Serial Bonds

Coupon Rate

$32,290,000 Serial Bonds

Yield

| Due October 1 | Principal Amount | Interest Rate | Price | Yield | CUSIP† |
|---|---|---|---|---|---|
| 2019 | $2,815,000 | 5.000% | 108.524 | 1.110% | 915200XY0 |
| 2020 | 2,825,000 | 5.000 | 111.848 | 1.240 | 915200XZ7 |
| 2021 | 2,200,000 | 5.000 | 114.894 | 1.360 | 915200YA1 |
| 2022 | 2,315,000 | 5.000 | 117.523 | 1.500 | 915200YB9 |
| 2023 | 2,430,000 | 5.000 | 119.869 | 1.630 | 915200YC7 |
| 2024 | 2,565,000 | 5.000 | 121.737 | 1.780 | 915200YD5 |
| 2025 | 2,695,000 | 5.000 | 123.156 | 1.940 | 915200YE3 |
| 2026 | 2,830,000 | 5.000 | 124.013 | 2.120 | 915200YF0 |
| 2027 | 2,965,000 | 5.000 | 125.094 | 2.240 | 915200YG8 |
| 2028 | 1,565,000 | 5.000 | 123.548[c] | 2.390 | 915200YH6 |
| 2029 | 1,640,000 | 5.000 | 122.228[c] | 2.520 | 915200YJ2 |
| 2030 | 1,725,000 | 5.000 | 121.523[c] | 2.590 | 915200YK9 |
| 2031 | 1,815,000 | 5.000 | 120.724[c] | 2.670 | 915200YL7 |
| 2032 | 1,905,000 | 5.000 | 120.030[c] | 2.740 | 915200YM5 |

Term Bonds

$885,000 3.125% Term Bond Due October 1, 2035 priced @ 96.813 to Yield 3.360% - CUSIP† 915200YN3
$645,000 3.250% Term Bond Due October 1, 2037 priced @ 97.101 to Yield 3.450% - CUSIP† 915200YP8
$23,200,000 5.000% Term Bond Due October 1, 2043 priced @ 116.536[c] to Yield 3.100% - CUSIP† 915200YQ6

† CUSIP is a registered trademark of the American Bankers Association. The CUSIP numbers have been assigned by an organization not affiliated with the University, the Underwriters or the Trustee, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of holders and no representation is made as to the correctness of the CUSIP numbers printed on the inside cover hereof. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including but not limited to the refunding or defeasance of such issue or the use of secondary market financial products. None of the University, the Underwriters or the Trustee has agreed to, nor is there any duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers printed on the inside cover hereof.

[c] Priced to the earliest call date of October 1, 2027.

**Official Statement**
**Revenue Bonds**

University System of Maryland
Auxiliary Facility and
Tuition Revenue Bonds

**NEW ISSUE-Book-Entry-Only**

**Fitch Ratings: AA+**
**Moody's Investors Service, Inc.: Aa1**
**S&P Global Ratings: AA+**
**(See "Ratings")**

*In the opinion of Bond Counsel, assuming compliance with certain covenants and agreements contained in the Tax Certificate and Compliance Agreement to be executed and delivered on the date of delivery of the 2024 Series Bonds and subject to the exceptions under "Tax Matters" herein, under existing laws, regulations, rulings and judicial decisions, interest on the 2024 Series Bonds is excludible from gross income for federal income tax purposes. Interest on the 2024 Series Bonds is not a tax preference item directly subject to the federal alternative minimum tax for individuals; however, such interest may be included in the income of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax. In addition, interest on the 2024 Series Bonds may be subject to the branch profits tax imposed on certain foreign corporations engaged in a trade or business in the United States of America. See "Tax Matters" herein. In the opinion of Bond Counsel, the 2024 Series Bonds, their transfer and income, including any profit made on sale, are free from taxation by the State of Maryland or by any of its political subdivisions, or by any town or incorporated municipality or any other public agency within the State of Maryland, except that no opinion is expressed as to such exemption from estate or inheritance taxes, or any other taxes not levied directly on the principal of and interest on the 2024 Series Bonds, their transfer and income, including any profit made on sale..*

UNIVERSITY SYSTEM of MARYLAND

# $104,865,000
# UNIVERSITY SYSTEM OF MARYLAND
## AUXILIARY FACILITY AND TUITION REVENUE BONDS
## 2024 SERIES A and
## 2024 REFUNDING SERIES B

**Dated: Date of Initial Delivery** **Due: April 1 as shown below**

The 2024 Series Bonds will be issued in book-entry-only form through The Depository Trust Company, New York, New York ("DTC"). The 2024 Series Bonds will be issued in denominations of $5,000 and integral multiples thereof. Interest is payable on October 1, 2024 and semiannually thereafter on April 1 and October 1 by Manufacturers and Traders Trust Company, successor to Allfirst Bank, Baltimore, Maryland (the "Trustee") as described herein. The principal of and premium (if any) on the 2024 Series Bonds are payable at the principal corporate trust office of the Trustee in Wilmington, Delaware. So long as DTC or its nominee, Cede & Co., is the registered owner of the 2024 Series Bonds, payments of principal of, premium (if any) and interest on the 2024 Series Bonds will be made directly to DTC, and disbursements of such payments to the Beneficial Owners (defined herein) of the 2024 Series Bonds will be the responsibility of the DTC Participants and Indirect Participants, as more fully described herein. See "THE 2024 SERIES BONDS – Book-Entry-Only System."

The 2024 Series Bonds will bear interest from their delivery date at the rates per annum and will mature on April 1 of the years and in the amounts set forth in the inside front cover.

*The 2024 Series Bonds are subject to redemption prior to maturity as described herein under "THE 2024 Series Bonds — Redemption Provisions."*

**The 2024 Series Bonds are limited obligations of the University System of Maryland (the "System") payable solely from and secured by the Trust Estate (as defined herein) pledged by the System under the Indenture of Trust dated as May 1, 1989, as supplemented and amended by a First Supplemental Indenture of Trust dated as of June 1, 1995 (together, the "Indenture") between the System and Trustee, including but not limited to (i) Tuition Revenues (as defined herein), (ii) Auxiliary Facility Fees (as defined herein), and (iii) any and all amounts in the Revenue Fund (as defined herein) established in accordance with the Indenture. The 2024 Series Bonds do not create or constitute any indebtedness or obligation of the State of Maryland or of any political subdivision thereof except the System or pledge the faith, credit or the taxing power of the State of Maryland, or any political subdivision thereof. Neither the State of Maryland nor any political subdivision thereof nor the System shall be obligated to pay the principal of, or premium (if any) or interest on, the 2024 Series Bonds except from the Trust Estate. The 2024 Series Bonds do not constitute a direct, indirect or contingent debt or obligation, moral or otherwise, contracted by the State of Maryland or any political subdivision thereof to levy or pledge any form of taxation or to make any appropriation for payment. The System has no taxing power.**

Delivery of the 2024 Series Bonds is subject to the approval of Miles & Stockbridge P.C., Baltimore, Maryland, Bond Counsel to the System, and to certain other conditions. Certain legal matters will be passed upon for the System by the Office of the Attorney General of the State of Maryland. It is expected that the 2024 Series Bonds will be available for delivery on or about February 29, 2024, through the facilities of DTC.

*This cover page contains certain information for quick reference only. It is not a summary of the terms of the 2024 Series Bonds. Prospective investors must read this entire Official Statement and the Appendices attached hereto to obtain information essential in making an informed investment decision.*

Dated: February 14, 2024

**THE 2024 SERIES BONDS DO NOT CREATE OR CONSTITUTE ANY INDEBTEDNESS OR OBLIGATION OF THE STATE OF MARYLAND OR OF ANY POLITICAL SUBDIVISION THEREOF EXCEPT THE SYSTEM, OR PLEDGE THE FAITH, CREDIT OR THE TAXING POWER OF THE STATE OF MARYLAND OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE STATE OF MARYLAND NOR ANY POLITICAL SUBDIVISION THEREOF NOR THE SYSTEM SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF, OR PREMIUM (IF ANY) OR INTEREST ON, THE 2024 SERIES BONDS EXCEPT FROM THE TRUST ESTATE. THE 2024 SERIES BONDS DO NOT CONSTITUTE A DIRECT, INDIRECT OR CONTINGENT DEBT OR OBLIGATION, MORAL OR OTHERWISE, CONTRACTED BY THE STATE OF MARYLAND OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR PAYMENT. THE SYSTEM HAS NO TAXING POWER.**

**Pledge of Tuition Revenues and Auxiliary Facility Fees**

Under the Indenture, the System has pledged to the Trustee the following (collectively, the "Trust Estate"): (i) Tuition Revenues (as defined below); (ii) all Auxiliary Facility Fees (as defined below); (iii) the proceeds from the issuance and sale of each series of Bonds issued pursuant to the Indenture; and (iv) any and all amounts in any trust fund (other than the Rebate Fund held under the Indenture) established in accordance with the Indenture, including the Revenue Fund (as defined below), or pursuant to any Resolution authorizing the issuance, sale and delivery of Bonds of any series. The pledge of the Tuition Revenues and the Auxiliary Facility Fees and any and all amounts held in the Revenue Fund are for the equal and proportionate benefit of the Holders of the 2024 Series Bonds and all other Bonds issued under and secured by the Indenture.

As defined in the Indenture, "Tuition Revenues" means any and all receipts, revenues, income and other monies received by or on behalf of the System that are required to be reflected as tuition, student fees and activity fees on the financial statements of the System in accordance with generally accepted accounting principles, and all rights to receive the same, whether in the form of accounts receivable, documents, instruments, contract rights, general intangibles or other rights, and the proceeds thereof, whether now existing or hereafter coming into existence or whether now owned or held or hereafter acquired; provided, however, that "Tuition Revenues" shall include only such of the foregoing as constitute tuition, student fees and activity fees collected by the System from its students within the meaning of the Act as in effect as of the date of the Indenture.

As defined in the Indenture, "Auxiliary Facility" and "Auxiliary Facilities" mean the property, plant and equipment either (i) owned or leased on May 1, 1989 or thereafter by or for the benefit of the System that, as of June 30, 1988, was reflected on the financial statements of the System, or (ii) that under generally accepted accounting principles is from time to time required to be reflected upon the financial statements of the System, as auxiliary enterprise property, plant or equipment, including, without limitation, each Project (as defined in the Indenture, see "THE PROJECTS" below), and any and all additions, improvements, extensions, alterations, machinery, equipment and appurtenances thereto, existing as of the date of the Indenture; provided, however, that "Auxiliary Facilities" (i) shall include only such property as constitutes any facility or facilities which furnish a service to students, faculty, or staff of the System within the meaning of the Act, including (but not limited by any type, class or otherwise) housing facilities, eating facilities, recreational facilities, campus infirmaries, parking facilities, athletic facilities, student union or activity facilities, laboratory facilities, testing facilities, and any related or incidental facility or any combination of such facilities within the meaning of the Act and (ii) subject to the limitation contained in clause (i) above and subject to the right of the System to transfer or exclude any Auxiliary Facility as permitted by the Indenture, shall always include auxiliary enterprise property, plant or equipment owned or leased by or for the benefit of the System in existence on the date of the Indenture.

As defined in the Indenture, "Auxiliary Facility Fees" means any and all receipts, revenues, rentals, income and other monies received by or on behalf of the System from or in connection with any Auxiliary Facilities that, as of June 30, 1988 or subsequently, were reflected as auxiliary enterprise revenues on the financial statements of the System or are required to be reflected as auxiliary enterprise revenue on the financial statements of the System in accordance with generally accepted accounting principles, and all rights to receive the same, whether in the form of accounts receivable, documents, instruments, contract rights, general intangibles or other rights, and the proceeds thereof, whether now existing or hereafter coming into existence or

**Official Statement**
**Revenue Bonds**
**Variable Rate**

University of Delaware

**NOT A NEW ISSUE - BOOK-ENTRY ONLY** RATINGS: See "RATINGS" herein

*On April 18, 2013, Saul Ewing LLP, Wilmington, Delaware, as bond counsel ("Saul Ewing") delivered its opinion that, as of the date thereof assuming continuing compliance by the University with the requirements of the federal tax laws, interest on the Series 2013C Bonds is not includable for gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, as then enacted and construed. In addition, Saul Ewing opined that interest on the Series 2013C Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the individual and corporate alternative minimum taxes. However, under the Code, such interest may be subject to certain other taxes affecting corporate holders of the Series 2013C Bonds. Saul Ewing further opined that under existing statutes, interest on the Series 2013C Bonds will also be excluded from taxable income for the purposes of personal and corporate income taxes imposed by the State of Delaware. On the date of conversion of the Series 2013C Bonds to a Daily Mode, Saul Ewing LLP, Wilmington, Delaware ("Bond Counsel") will deliver its opinion that such conversion of the Series 2013C Bonds to a Daily Mode, will not, in and of itself, adversely affect the exclusion of the interest on the Series 2013C Bonds from gross income for federal income tax purposes. Under existing statutes, interest on the Series 2013C Bonds continues to be exempt from personal and corporate income tax imposed by the State of Delaware. For a more complete discussion, see "TAX MATTERS" herein.*

**$57,475,000**
**UNIVERSITY OF DELAWARE**
**Variable Rate Revenue Bonds, Series 2013C**

**Conversion Date: May 2, 2016** **Due: November 1, 2037**

This Remarketing Circular relates to the University of Delaware's Variable Rate Revenue Bonds, Series 2013C (the "Series 2013C Bonds"). The Series 2013C Bonds were issued on April 18, 2013 in the original aggregate principal amount of $57,475,000 as variable rate bonds in book-entry only form through the facilities of The Depository Trust Company, New York, New York ("DTC"). See "The Series 2013C Bonds – Book-Entry Only System" herein.

The Series 2013C Bonds are being remarketed (i) to bear interest in the Daily Mode and (ii) in connection with the addition of a Liquidity Facility to secure the Series 2013C Bonds. The interest rate modes of the Series 2013C Bonds are subject to change as described herein. See "The Series 2013C Bonds-Interest Rates and Modes." While bearing interest at a Weekly Rate or Daily Rate as described herein, beneficial interests in the Series 2013C Bonds shall be in authorized denominations of $100,000 and integral multiples of $5,000 in excess thereof, and interest on the Series 2013C Bonds will be payable on the first Business Day of each month commencing on June 1, 2016.

Permitted Interest Rate Modes

The method for determining the interest rate on all or a portion of the Series 2013C Bonds may be converted from time to time to a Weekly Rate, a Flexible Rate, a Fixed Rate, a Term Rate, an Applicable SIFMA-Based Rate, an Index Floating Rate, or a LIBOR Index Bank Rate. This Remarketing Circular describes certain terms of the Series 2013C Bonds applicable while that Series of Bonds bears interest at a Daily Rate. There are significant changes in the terms of the Series 2013C Bonds in other Interest Rate Modes. This Remarketing Circular is not intended to provide information with respect to any Series of Bonds in any Interest Mode other than a Daily or Weekly Mode.

The Series 2013C Bonds are subject to redemption and mandatory tender for purchase prior to maturity as described herein and, while bearing interest at a Daily or Weekly Rate, are subject to optional tender for purchase as described herein.

Effective May 2, 2016, payment of the purchase price for the Series 2013C Bonds tendered or required to be tendered for purchase will be supported by a Liquidity Facility from

Liquidity Provider

TD Bank, N.A.

under a Standby Bond Purchase Agreement (the "Liquidity Facility") among the University, the Trustee and TD Bank, N.A. (the "Liquidity Provider"). Subject to certain terms and conditions and to the extent provided for therein and described herein, the Liquidity Provider agrees to make funds available to pay the purchase price for Series 2013C Bonds that are tendered or required to be tendered for purchase and not remarketed or for which remarketing proceeds or monies deposited by the University with the Trustee under certain circumstances are not available, plus an amount equal to interest on the Series 2013C Bonds up to a maximum per annum interest rate of twelve percent (12%) for a period of 35 days. The obligation of the Liquidity Provider to make funds so available under the Liquidity Facility will expire on April 30, 2019, but may be extended, terminated or replaced as described herein. The Liquidity Facility may be terminated prior to its stated expiration date under certain circumstances described herein without any prior notice to Bondholders. After notice to Bondholders, the University may replace the Liquidity Facility or decide not to support the payment of the purchase price for Series 2013C Bonds with any liquidity facility issued by a liquidity provider, but instead choose to be solely responsible for the full payment of the purchase price for Series 2013C Bonds that are tendered or required to be tendered for purchase and not remarketed, or for which remarketing proceeds are not delivered. In any event, the payment of the purchase price for the Series 2013C Bonds tendered or required to be tendered for purchase is a general obligation of the University. The Series 2013C Bonds, if in a Fixed Rate Mode, or a Term Rate Mode, will not be subject to tender for purchase and will not be supported by any liquidity facility.

Expiration of Liquidity Facility

Pledge

The Series 2013C Bonds were issued under and pursuant to a Trust Agreement dated as of October 1, 1989 as supplemented, including by Supplemental Agreement No. 14 dated as of April 1, 2013, and a First Supplement to Supplemental Agreement No. 14 dated as of May 1, 2016, each between the University and Wilmington Trust Company, as trustee (the "Trustee"), as more fully described herein. The Series 2013C Bonds were issued to provide a portion of the moneys to (i) refund certain prior bonds of the University, and (ii) pay the costs of issuing the Series 2013C Bonds. The Series 2013C Bonds are limited obligations of the University payable solely from Pledged Revenues. Pledged Revenues include gross revenues received by the University from the operation of its currently existing facilities located on the University's main campus that provide housing, dining or health care services for students; the Comprehensive Student Fee, the Student Health Fee, the Student Center fee; certain parking and book store revenues; and any other revenues pledged by the University in its sole discretion. **THE SERIES 2013C BONDS DO NOT CONSTITUTE A GENERAL OBLIGATION OF THE UNIVERSITY NOR A DEBT OR GENERAL OBLIGATION OF THE STATE OF DELAWARE OR OF ANY POLITICAL SUBDIVISION THEREOF, OR A PLEDGE OF THE FAITH AND CREDIT OF THE UNIVERSITY OR A PLEDGE OF THE FAITH AND CREDIT OR THE TAXING POWER OF THE STATE OF DELAWARE OR ANY POLITICAL SUBDIVISION THEREOF.**

**THE OBLIGATION OF THE UNIVERSITY TO PAY PURCHASE PRICE WHEN DUE IS A GENERAL OBLIGATION OF THE UNIVERSITY. FAILURE BY THE UNIVERSITY TO PAY PURCHASE PRICE WHEN DUE IS AN EVENT OF DEFAULT UNDER THE TRUST AGREEMENT.**

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Remarketing Circular to obtain information essential to the making of an informed investment decision.

The Series 2013C Bonds are reoffered by Merrill Lynch, Pierce, Fenner & Smith Incorporated, New York, New York, as remarketing agent, subject to receipt of the approving legal opinion of Saul Ewing LLP, Wilmington, Delaware, Bond Counsel in connection with the interest rate conversion, addition of the Liquidity Facility, and certain other conditions. It is expected that the remarketed Series 2013C Bonds will be delivered on or about May 2, 2016.

**BofA Merrill Lynch**

**The date of this Remarketing Circular is April 25, 2016.**

$57,475,000
University of Delaware
Variable Rate Revenue Bonds, Series 2013C
Dated: April 18, 2013
Conversion Date: May 2, 2016
Due: November 1, 2037
Price: 100%
CUSIP No. 91425M DV6[1]

Initial Mode: Daily Mode
Interest Payment Dates: Monthly, starting with June 1, 2016

[1] CUSIP numbers have been assigned by an organization not affiliated with the University and are included solely for the convenience of the holders of the Series 2013C Bonds. The University is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to the correctness of the CUSIP numbers on the Series 2013C Bonds or as indicated above.


***Education is what you get when you read the fine print.***

***Experience is what you get when you don't.***

*-Pete Seeger*