UCONN

OFFICE OF TREASURY SERVICES

Debt Management Practices

I) Overview

The Office of Treasury Services ("OTS") is responsible for UConn 2000 debt management. OTS issues UConn 2000 bonds, invests and disburses bond proceeds, and serves as the compliance department for UConn 2000 debt. OTS strives to promote public confidence in UConn 2000 bonds through effective management of resources and high standards of professionalism, so as to permit the University to operate and maintain its physical plant in sound operating condition and contribute to the economy of the State of Connecticut.

II) UConn 2000 Debt Limits

These debt management practices set specific limits for each type of UConn 2000 debt considering statutory limits, bond indentures, public policy considerations, financial restrictions, and planning considerations.

The University is statutorily enabled, pursuant to The University of Connecticut 2000 Act, ("UConn 2000 Act" or "Act'), Connecticut Gen. Stat. Sec. 10a-109a to 10a-109y, to issue debt for projects listed in the Act.

A. General Obligation Debt Service Commitment Bonds

The UConn 2000 Act provides that the University may issue up to $4,920,900,000 of General Obligation Debt Service Commitment ("GO-DSC") bonds, phased in by fiscal year across the life of the program, currently 1996-2031. Per statute, the State of Connecticut pays the debt service on GO-DSC bonds.

GO-DSC bonds are issued pursuant to the General Obligation Master Indenture of Trust, dated as of November 1, 1995, between the University of Connecticut, as Issuer, and Fleet National Bank of Connecticut (now U.S. Bank Trust Company, National Association), as Trustee. The University's Board of Trustees on November 10, 1995, and the State Bond Commission on December 21, 1995 approved the Master Indenture. The Master Indenture was subsequently amended and approved by the University's Board of Trustees on September 26, 2003 and the State Bond Commission on December 19, 2003.

The Board of Trustees and the Governor approve the Supplemental Indenture for each bond issue. The University and the Office of the State Treasurer, working in conjunction, manage the bond sale process.

B. Special Obligation Student Fee Revenue Bonds

The UConn 2000 Act also authorizes the University to issue Special Obligation Student Fee Revenue ("SO-SFR") Bonds. Unlike GO-DSC Bonds, debt service on SO-SFR bonds is paid from certain pledged revenues of the University as defined in the particular bond series indenture. Unlike GO-DSC bonds, the limit on SO-SFR debt is flexible and considers indenture covenants, including maintaining coverage of pledged revenue at 1.25 times the debt service requirements, Board of Trustees and Governor authorizations, self-sufficiency, and other functions.

SO-SFR bonds are issued pursuant to the Special Obligation Supplemental Indenture of Trust, dated as of January 1, 1997, between the University, as Issuer, and State Street Bank & Trust (now U.S. Bank Trust Company, National Association), as Trustee. The Board of Trustees approved the Master Indenture on

November 8, 1996.

The Board of Trustees and the Governor approve the Supplemental Indenture for each bond issue. The University and the Office of the State Treasurer, working in conjunction, manage the bond sale process.

C. Other UConn 2000 Debt

1. Heating Plant Upgrade – Tax-Exempt Governmental Lease Purchase Agreement

The Heating Plant Upgrade Tax-Exempt Governmental Lease Purchase Agreement was subject to financing documents as permitted in the UConn 2000 Act, which authorizes the University to issue other debt for UConn 2000 projects. Unlike GO-DSC debt, there is no statutory limit on such debt. The Board of Trustees authorized $81,900,000 of UConn 2000 debt in the form of a Tax-Exempt Governmental Lease Purchase Agreement secured by the University's general obligation for the cogeneration facility portion of the UConn 2000 Heating Plant Upgrade project. This debt was entered into in two parts, on December 18, 2003, and August 15, 2005, and is scheduled to mature on December 29, 2025.

2. Residential Life Facilities – Nathan Hale Inn Taxable Promissory Note

On April 29, 2015, the Board of Trustees authorized the University to assume existing indebtedness of the seller of the Nathan Hale Inn on the UConn campus in the form of a promissory note (the "Note") to Webster Bank in the maximum principal amount of $5,500,000. The Governor approved the financing on May 19, 2015. On July 1, 2015, the University entered the Note, $5,376,712.73, secured by the general obligation of the University. The Note was issued subject to separate financing documents as permitted in the Act. The Note matured and was retired on December 1, 2016.

D. Public Policy Considerations

1. Purpose

The purpose of the UConn 2000 Act is to promote the welfare and prosperity of the people of the State and the continuation and improvement of their educational opportunities by approving a special capital improvement program for the University and enabling the University to borrow money by issuing bonds and enter into financing transactions in its own name, on behalf of the State, to expand the authority of the University to construct Projects and to assure State support for the financing of the acquisition, construction, reconstruction, improvement and equipping of facilities, structures and related systems for the benefit of the educational and economic development needs of the State and the University, all to the public benefit and good.

2. Public Private Partnerships

In order to foster research and advancement to enhance the economy of the State the University may engage in public private partnerships, as appropriate, subject to proper approvals.

E. Financial Restrictions and Planning Considerations

Consideration for debt issues generally reflect financial resource constraints, such as reduced use of a particular type of debt due to financial conditions, appropriate debt limits, and impact on bond ratings, including review of key financial ratios. Specific financial analyses are used for different types of debt.

1. Short-Term Debt is possible, however it has not been efficient or necessary to use to date, and nothing is authorized to date.

2. Variable Rate Debt is possible, however it has not been efficient or necessary to use to date, and nothing is authorized to date.

III) Debt Structuring, Debt Issuance, Debt Management, Use of Derivatives

A. Debt Structuring

The following debt structuring practices apply:

1. Maximum term and debt service structure: practice for GO-DSC 20-year level debt service, SO-SFR 30-year level debt service, any exception would be determined upon consultation with financial advisors and the Office of the State Treasurer. Other debt varies however generally level debt service.

2. A capitalized interest fund for SO-SFR debt may be created for project construction.

3. Use of optional redemption features that reflect market conditions is determined at the time of issuance upon consultation with financial advisors and the Office of the State Treasurer.

4. Considerations for taxable, tax-exempt, variable or fixed-rate debt, credit enhancements, and short-term debt, are determined at the time of issuance upon consultation with financial advisors and the Office of the State Treasurer.

5. Other structuring practices may be used as appropriate.

B. Debt Issuance

The following debt issuance practices apply:

1. UConn selects service providers in conjunction with the Office of the State Treasurer, including independent financial advisors, bond counsels, verification agents, underwriters, etc.

2. Criteria for determining the sale method (e.g., competitive, negotiated, private placement) are made in consultation with Office of the State Treasurer, financial advisors and bound counsel.
   a. Uses of comparative bond pricing as advised by financial advisors and market information often use comparable financing or market indices as a benchmark in negotiated transactions, as well as to evaluate final bond pricing results.

3. Use of credit ratings, determination of the number of ratings, and selection of rating services are made in consultation with the Office of the State Treasurer and financial advisors.

4. Primary market disclosure occurs in conjunction with Office of State Treasurer and bond counsel, per UConn's written Disclosure Practices.

C. Debt Management

The following practices apply:

1. Investment of bond proceeds – construction funds invested in the State of Connecticut Short Term Investment Fund.

2. Use of Bond Proceeds – the allocation of bond proceeds to capital projects is carefully monitored and recorded for compliance with IRS, federal and state laws, University policies and procedures, and bond indentures.

   a. IRS compliance monitoring
      1. Arbitrage – the University retains a nationally recognized firm of rebate consultants to perform an arbitrage rebate report for each issue at least every five years.
      2. Private use – ongoing monitoring, in consultation with bond counsel and the Office of the State Treasurer.

   b. Federal and state law compliance practices – ongoing monitoring, with advice of bond counsel and the Office of the State Treasurer.

3. Budgeting for and making debt service payments – occurs in consultation with the University's Budget, Planning, and Institutional Research and Accounting offices.

4. Continuing disclosure practices – EMMA filings made with bond counsel advice, per UConn's written Disclosure Practices.

5. UConn's criteria for issuance of refunding bonds are flexible depending on needs, and consideration such as current and projected interest rates and the market environment. UConn generally follows Office of the State Treasurer criteria for refunding candidates.

6. Investor Relations – ongoing efforts, through UConn's Investor Relations website.

7. Credit ratings – routine reporting and information sharing with rating agencies.

D. Use of Derivatives

UConn's practice is not to use derivatives, and no derivatives have been authorized or issued. There are certain State statute and indenture requirements that govern derivative use. The University would work with the Office of State Treasurer, should derivatives be deemed efficient.