
UNIVERSITY OF CONNECTICUT

Description of Disclosure Practices

Followed in Connection with General Obligation and Special Obligation Securities issued by the University of Connecticut in the Public Markets

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SECTION 1. INTRODUCTION

A. Purpose

This Description of Disclosure Practices (the “Disclosure Practices”) memorializes the practices followed by the University of Connecticut (the “University”), including the University of Connecticut Health Center (“UCH”), in connection with the disclosures required by federal and state law of material information in connection with UConn 2000 general obligation and special obligation securities issued by the University in the public markets.

In addition, this document is intended as an orientation for officials new to the disclosure process and a training resource. It is intended to (1) facilitate compliance with applicable law and existing contracts when preparing and distributing disclosure documents, (2) reduce the chances of making a material misstatement or misleading omission in disclosure to investors and (3) establish a defense of reasonable care against actions for misstatements and omissions should they occur.

B. Background

Under the federal securities laws, the University, as an issuer of municipal securities may neither make a misstatement of material fact, nor make a statement that is misleading (in light of the circumstances in which it is made) due to the omission of a material fact, in connection with the purchase or sale of securities. If the University does, it could become exposed to an action by investors for damages or an enforcement action by the Securities and Exchange Commission (“SEC”) or other entities.

Statements made “in connection with the purchase or sale of securities” include not only offering documents prepared for the purpose of selling securities in primary offerings, but also continuing disclosure documents filed with the Electronic Municipal Market Access System (“EMMA”) of the Municipal Securities Rulemaking Board (“MSRB”). They also could include other statements that are “reasonably expected to reach investors and the trading markets,” e.g., those made on websites, in press releases, and even in reported speeches, even if the statements are not intended for investors. Under this standard, the University may make frequent statements “in connection with the purchase and sale of securities,” given the growing and now substantial amount of information that it releases to the public in the information age.

These Disclosure Practices have been developed with the University’s Bond Counsel, Pullman and Comely, LLC as appointed by the Office of the State Attorney General (“State Attorney General’s Office”) and the Office of the State Treasurer (“State Treasurer’s Office”), and in consultation with the State Treasurer’s Office.

C. The University’s Disclosure

Official Statements

Each time the University issues general obligation bonds, special obligation bonds or other obligations which are to be sold to the public (collectively the “Obligations”) a preliminary and a final official statement (collectively, the “OS”) is prepared. The OS contains transaction-specific

descriptions of the Obligations being issued and details of the offering, as well as information concerning the UConn 2000 program and financial and operating data about the University that is relevant to an investor's decision to purchase the Obligations. In addition, if the Obligations are secured by the State of Connecticut's (the "State") debt service commitment or Special Capital Reserve Fund, the State's full disclosure including financial and other information about the State relevant to an investor's decision to purchase the Obligations also is included in the OS. These Disclosure Practices are not intended to address the State's disclosure which is guided by the State's own disclosure practices developed by the State Treasurer's Office (the "State Practices").

Continuing Disclosure

To comply with continuing disclosure contracts and the bond indentures entered into by the University in connection with the issuance of its Obligations (the "Disclosure Agreements"), the University is obligated to file an annual report (which includes audited financial statements and updates to certain operating data contained in its OS) (the "Annual Report") and notices of certain events should they occur and are material to an investor's decision to purchase the Obligations ("Event Notices" and together with Annual Report, the "Continuing Disclosure"). The University is responsible for Continuing Disclosure as it relates to the University whereas the State Treasurer's Office is responsible for the annual and continuing disclosure requirements of the State. Pursuant to the Disclosure Agreements, the University submits the Continuing Disclosure to U.S. Bank Trust Company, National Association, as Trustee and dissemination agent which then files the Continuing Disclosure with EMMA.

Public Statements

The University's websites, press releases, responses to the inquiry of investors or other formal statements of the President or other high ranking officials which reasonably can be expected to be accessible to or relied upon by investors (collectively "Public Statements") are subject to the federal securities laws. The University must exercise reasonable care to avoid material misstatements or omissions in preparing Public Statements and it may not knowingly or recklessly include material misstatements or misleading statements in Public Statements while any of its Obligations are outstanding.

D. Legal Standard

Securities laws require accurate and complete disclosure of material facts. Specifically, under Section 17(a) of the Securities Act of 1933 (the "Securities Act"), it is unlawful for any *person* in the offer or sale of any securities through means of communication in interstate commerce to obtain money or property by means of any untrue statement of a material fact or to omit a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") contains additional anti-fraud provisions. It provides the authority for Rule 10b-5, which makes it unlawful for any *person* in connection with the purchase or sale of any security to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

For purposes of the Securities Act and the Exchange Act in the context of bond offerings by the University, “person” would refer to the University. This includes officials acting on behalf of the University.

An omitted fact is “material” if there is a substantial likelihood that, under all the circumstances, the omitted fact would have assumed actual significance in the deliberations of the reasonable investor. There must be substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the “total mix” of information made available. The focus of materiality is on the importance of the information to investors making investment decisions. Recent municipal finance industry examples of information that might be material include: financial statements; unfunded pension or other post-employment benefit liabilities, anticipated loss of significant revenue sources, anticipated or pending litigation in which there is a potential adverse judgment. No definitive listing of material information can be made, as the identification of material information will vary depending on facts and circumstances. See Exhibit A for examples of incomplete and inaccurate disclosures.

Takeaways from the Law

- a. Knowledge of a material fact need not be in the form of a formal report.
- b. Knowledge by a University official / employee can be attributed to the entire University.
- c. University and / or University officials and employees can face liability.
- d. The SEC has demonstrated a willingness to bring enforcement action against issuers predicated only on negligent conduct.
- e. Negligence based enforcement actions address violations that in the view of the SEC, arise because a material misstatement or misleading omission occurred as a result of the issuer’s failure to exercise reasonable care.
- f. Liability may be in the form of injunctive or other equitable remedies, monetary damages or criminal penalties.
- g. Following a complete and thorough disclosure and due diligence process will help to mitigate or avoid liability.

SECTION 2. PROCESS

A. Official Statements

In the case of bond offerings, the University’s Bylaws designate primary responsibility for compliance rests with the Chief Financial Officer (the “CFO”) or the successor in function. In order for the CFO to perform their duties, they must rely on their staff and other departments within the University.

To document this reliance and the process of developing appropriate disclosure, the CFO relies on the Certificate of Accuracy of various departments within the University, a form of which is set forth in Exhibit B. Since the Certificate of Accuracy is dated the date of the closing on the Obligations (the “Closing Date”).

Working Group

The working group will be responsible for the preparation of the OS (the “Working Group”). The Working Group is composed of internal members (the “Internal Members”) and external members (the “External Members”).

External Members include, but are not limited to, persons from the State Treasurer’s Office, the State Attorney General’s Office, the State Auditors of Public Accounts, and the University of Connecticut Foundation Incorporated, Bond Counsel and the UConn 2000 financial advisors.

Internal Members will be responsible for the University disclosure and information and overall preparation of the OS and generally include the following officers and employees or their successors in function of the University, including UCH:

1. President’s Office (as required)
2. Chief Financial Officer and the officers and employees reporting to them, as required, including financial, administrative and other areas as designated by the CFO.
3. Provost and Executive Vice President for Academic Affairs
4. Vice President for Research
5. Vice President for Enrollment Management and Planning
6. General Counsel of the University and the officers and employees reporting to them who are responsible, as required, including the legal functions for UConn Health.
7. UConn Health Chief Executive Officer & Executive Vice President for Health Affairs and the officers and employees reporting to them, as required, including financial, administrative and other areas.
8. Other areas of the University and UConn Health designated by the CFO.

Practice

The preparation of the OS generally includes the following steps:

- Primary responsibility for disclosure related to a bond offering rests with the CFO. The CFO has delegated supervision of the practice to the Office of Treasury Services (“OTS”).
- OTS and the State Treasurer’s Office convene to plan the process and timeline for preparing the OS and discuss any revisions to these Disclosure Practices that may be necessary.
- The State Treasurer’s Office is responsible for providing the State disclosure information in the OS.
- Each member of the Working Group identifies one person to lead and coordinate the member’s collection, review, and provision of information for the OS.
- OTS, or its designee, distributes copies of these Disclosure Practices and sections of the OS which need update or revision to the Working Group.
- Each member of the Working Group carefully reviews their designated section of the draft OS and provides revisions, and any additional new information.

- As part of their review, each member of the Working Group should disclose whether it has any knowledge of pending or approved legislation, known or threatened litigation, proposed and actual actions of the federal and state government, strategic and policy considerations, and any other material issues affecting the University. Any of such matters that the Working Group member believes might be material should be reported to OTS and reviewed by OTS, the State Treasurer's Office and Bond Counsel.
- OTS, the State Treasurer's Office, and Bond Counsel review all revisions and any new information provided by the Working Group, and incorporates in the OS as appropriate.
- Bond Counsel, in consultation with OTS and the State Treasurer's office, should conduct a review of all new legislation passed since the last OS which modifies the UConn 2000 Act and incorporate relevant revisions of such new legislation in the OS.
- OTS reviews various source documents, including: University audits; State budget proposals, if available; University budget proposals, if available; UConn and UConn Health Financial Statements; and various other documents.
- Underwriter and underwriter's counsel conduct due diligence meeting(s) with OTS, the State Treasurer's Office, Working Group, Bond Counsel, and others appropriate to include.
- OTS, the State Treasurer's Office, and Bond Counsel revise the OS after the due diligence meeting(s), as appropriate.
- Prior to the posting of the preliminary OS, the State Auditors of Public Accounts provide written permission for the University to use their Independent Auditors Report for the most recent year available in the OS.
- Each member of the Working Group notifies OTS, until the Closing Date, if any circumstances have occurred which would make the information in the OS inaccurate or incorrect in any material way.
- Final determinations regarding the inclusion of materials in the OS are made together by OTS, the State Treasurer's Office and Bond Counsel.
- OTS, or its designee, secures a Certificates of Accuracy from each member of the Working Group, documenting their review of the information contained in the OS.
- Each Certificate of Accuracy shall (a) provide that the signatory (i) has received a copy of the OS, has reviewed and is familiar with the information contained in the subset of information they are responsible for, and to the best of their knowledge and belief, such statements do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements, in the light of the circumstances under which they are made in the OS, not misleading and (ii) will use best efforts to notify the CFO, OTS, the State Treasurer's Office and Bond Counsel of any material fact which ought to be disclosed in the OS in order that the statements, in light of the circumstances under

which they are made, are not misleading, and (b) include any other matters determined in the discretion of Bond Counsel, all of which may be subject to appropriate qualifications.

B. Continuing Disclosure

To comply with its Continuing Disclosure obligations the University is required to file: (1) an Annual Report; and (2) certain Event Notices.

Annual Report

The Annual Report consists of the University's and UConn Health's audited financial statements and an update of certain operating data which has been disclosed in the OS. The Annual Report is transmitted to the Trustee for filing on EMMA. The Annual Report is generally transmitted to the Trustee in mid-December in order for the University to comply with its annual reporting requirements pursuant to its Disclosure Agreements.

Practice

- Primary responsibility for the University's Continuing Disclosure obligations rests with the CFO. The CFO has delegated supervision of the practice to OTS.
- OTS maintains a list of financial information and operating data required to include in the Annual Report. OTS performs such responsibilities in consultation with and on the advice of Bond Counsel.
- Annually, OTS establishes a timeline to comply with the year's Continuing Disclosure obligations. OTS performs such responsibilities in consultation with and on the advice of Bond Counsel.
- OTS, or its designee, distributes sections of the Annual Report to each University department having responsibility for the financial information or operating data specific to the department. Each department responds to OTS, or its designee, within the established timeline.
- OTS and Bond Counsel review and consider information provided by departments for inclusion in the Annual Report.
- Drafts are revised, circulated, and reviewed, as appropriate, to confirm all necessary revisions are made correctly.
- OTS transmits the Annual Report to the Trustee, in advance of the year's deadline, for filing on EMMA.

Event Notices

Pursuant to its Disclosure Agreements, the University is required to file notice of certain events with the Trustee for posting on EMMA, if material, within ten business days of the occurrence of the event. The current list of events which are required to be filed are set forth in Exhibit C.

Practice

- Primary responsibility for the University's Continuing Disclosure obligations rests with the CFO. The CFO has delegated the supervision of the practice to OTS.
- OTS, upon consultation with Bond Counsel, maintains a list of events which the University is required to provide notice to EMMA pursuant to the Disclosure Agreements.
- OTS monitors University activity for such events. OTS assesses the materiality of any reported event, with the assistance of Bond Counsel.
- OTS (a) identifies the University departments who are most likely to obtain firsthand knowledge of the occurrence of such events; and (b) requests in writing that they notify OTS immediately after learning of any such event and repeats such request in a quarterly reminder.
- If notice of the event must be filed on EMMA, OTS shall file the Event Notice with the Trustee for filing on EMMA.

SECTION 3. TRAINING

- OTS, or its designee, distributes these Disclosure Practices to the Working Group with a request to contact OTS with any questions or concerns.
- Each member of the Working Group contacts OTS and/or Bond Counsel with any questions about these Disclosure Practices or the University's disclosure more generally, and OTS and Bond Counsel make themselves available to answer such questions.

SECTION 4. GENERAL PRINCIPLES AND BEST PRACTICES

- Raise potential disclosure items.
- Emphasize clear and concise disclosure.
- Raise any issue with the OTS, the State Treasurer's Office and Bond Counsel at any time.
- Make recommendations for improving the disclosure practices and regularly solicit and consider such recommendations made by others.
- Do not view the process of revising and updating the University's disclosure as a mechanical insertion of more current numbers. While often there is not a need for major changes in the form and content of the University's disclosure at the time of each update, everyone involved in the process should consider the need for revisions in the form and content of the sections for which they are responsible at the time of each update.
- Review disclosure carefully before signing your Certificate of Accuracy.

- Provide updates to OTS, the State Treasurer’s Office and Bond Counsel.
- Provide any other reports or information which would aid in causing disclosures to be materially accurate and not misleading.

SECTION 5. MISCELLANEOUS

- These Disclosure Practices are reviewed periodically by OTS consulting with Bond Counsel. In addition, University departments are encouraged to make recommendations for changes to these Disclosure Practices to facilitate better compliance with the law, better information to investors, or efficiency in the practices.
- These Disclosure Practices are intended for the internal use of the University only and are not intended to establish any duties in favor of or rights of any person other than the University.
- The officers and employees charged by these Disclosure Practices with performing or refraining from any action may depart from these Disclosure Practices when they and the CFO in consultation with Bond Counsel in good faith determine that such departure is in the best interests of the University and consistent with the duties of the University under federal and state securities laws.
- These Disclosure Practices were prepared using information and text prepared by the National Association of Bond Lawyers (“NABL”), including the NABL Annotated Form Policy and Procedures (August 2015), An Update: Crafting Disclosure Practices (January 2021), and the State of Connecticut including the Description of Disclosure Practices Followed (January, 2022 as modified).

Exhibit A

EXAMPLES OF INCOMPLETE AND INACCURATE DISCLOSURES

1. San Diego, California

- **Material omissions concerning forecast of significant growing pension obligations.**

Failed to disclose (1) growing unfunded liability of pension plan from \$284 million in 2002 to estimated \$2 billion at beginning of fiscal 2009 and (2) growing projected annual pension contribution from \$40 million in fiscal 2002 to projected \$446 million in fiscal 2009, which resulted in ratings downgrade when this information was disclosed.

- **SEC charges five former San Diego Officials with securities fraud (April 7, 2008)**

City officials (i) knew that the City's unfunded liability for its pension plan was projected to dramatically increase, (ii) knew that the estimated annual pension contribution would grow from \$51 million in 2002 to \$248 million in 2009 and (iii) disclosed net pension obligation as of the end of fiscal year 2001, but failed to disclose at the time of 2003 bond offerings that the City had already calculated the net pension obligation for 2003.

Knowledge was obtained from, among others, (i) actuarial valuations, (ii) Blue Ribbon Committee report, (iii) preliminary pension analysis prepared by financial advisor and (iv) their role as trustees to the retirement system through which they were privy to various information (applicable to two of the five officials charged).

Various officials had substantial knowledge of the City's pension and retiree health care obligations and still certified that the offering documents did not contain any false or misleading statements.

2. City of Harrisburg, Pennsylvania

- **Failure to comply with disclosure obligations; first-time focus on material misstatements and omissions in financial information and public statements by elected officials outside of disclosure documents.**

In connection with a May 2013 cease-and-desist order, the SEC found that the City of Harrisburg (1) failed to comply with its disclosure obligations pursuant to several Continuing Disclosure Certificates, and (2) made material misrepresentations and omissions in financial information and public statements. In its annual financial report for 2007, the City failed to disclose its liability for the repayment of debt which it had guaranteed. In its 2008 report, the City failed to disclose the impact of increased guarantor debts on the City's ability to meet its debt service obligations and omitted the fact that the City's deteriorating finances had resulted in a downgrade of the City's bond rating for general obligation bonds.

From 2009 to 2011, the City failed entirely to submit required information and notices in violation of its disclosure obligations.

In addition to omissions and misstatements in the City's annual reports, the SEC also found that the City failed to accurately represent its financial condition in public documents and statements made by elected officials, including its 2009 Budget and Transmittal Letter, State of the City Address, and Mid-Year Fiscal Report. In those instances, the City omitted material information, including outstanding financial obligations amounting to \$260 million, regarding the City's deteriorating finances and credit.

The SEC acknowledged that investors would be forced to rely on such statements only because the City failed to provide complete and up to date disclosure documents.

3. Town of Ramapo, New York

- **U.S. Department of Justice brought criminal charges against the town supervisor and assistant town attorney, including wire fraud and conspiracy in connection with the sale of municipal bonds.**

Authorities claim that bond investors lost millions of dollars because the defendants concealed the Town's deteriorating finances, caused in part by the cost of building a minor league baseball stadium by fabricating Town financial documents that overstated the Town's revenues. The town supervisor is alleged to have purposely misled a credit rating agency about the Town's general fund balance.

4. California Statewide Community Development Authority

- **SEC charges two California charter school officials with misleading investors in bond offering**

In April 2020 the SEC filed charge against two school officials claiming, amongst other things, the officials were aware their organization was experiencing serious cash flow problems that negatively affected its ability to make debt service payments on the bonds, was delinquent on payments owed to vendors, had incurred additional debt in the form of a private term loan that was overdue by nearly one year, and had drawn a bank line of credit to its limit just prior to the bond sale. However, the offering document allegedly failed to disclose that the organization was in serious financial distress at the time the bonds were sold and contained misleading financial projections.

Exhibit B

FORM OF CERTIFICATE OF ACCURACY

CERTIFICATE AS TO
CERTAIN INFORMATION
CONTAINED IN THE OFFICIAL STATEMENT

This certificate is executed in connection with certain information in the preliminary official statement and final official statement for the University of Connecticut (the “Official Statement”).

This information to which this certificate relates is contained in the portions of the Official Statement listed in *Attachment A* (the “*Statements*”).

We, _____, _____ and _____, _____, HEREBY CERTIFY, as follows: (1) we have received a copy of the Official Statement; (2) we have reviewed and are familiar with the information in the *Statements*; and (3) to the best of our knowledge and belief, the *Statements* do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the *Statements*, in the light of the circumstances under which they are made in the Official Statement, not misleading.

In making the certifications contained herein, we are aware that the Chief Financial Officer and the firm of Pullman & Comley, LLC, Bond Counsel to the University, will rely upon such certifications in executing and delivering certificates and advice letters, respectively, as to the accuracy and completeness of the Official Statement in connection with the sale and delivery of Bonds.

We will use our best efforts to notify the _____ and _____ if we become aware in the future of any material fact which ought to be disclosed in the Statements in order that the Statements, in light of the circumstances under which they are made in the Official Statement, are not misleading in any material respect.

IN WITNESS WHEREOF, we have executed this certificate as of this ___ day of

ATTACHMENT A

This Attachment to the Certificate of the _____ lists the portions of the Official Statement referred to in the attached certificate as “*Statements*”:

Exhibit C

Events Requiring Disclosure *Rule 15c2-12 Disclosures*

In a timely manner, not exceeding of 10 business days after the occurrence of the event, notice of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, IRS notices or events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tenderoffers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) Merger, consolidation, or acquisition, if material, and appointment of a successor or additional trustee, or the change of name of a trustee, if material;
- (14) Notices of failures to provide annual financial information on or before the date specified in a written agreement;
- (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority right, or other similar terms of a financial obligation* of the obligated person, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation* of the obligated person, any of which reflect financial difficulties.

*For purposes of events (15) and (16) above, the term "financial obligation" is defined as a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term financial obligation does not include municipal securities for which a final official statement has been filed with the MSRB pursuant to SEC Rule 15c2-12.