

May 11, 2016

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: Utah State University – Series 2016 Approving Resolution for Research Revenue Bond Issue

Issue

Utah State University requests Regents' authorization to issue federally taxable Research Revenue bonds to finance the construction of Phase II of the Space Dynamics Laboratory. This project was initially presented to Regents during the November 2015 Board meeting and was approved by the Legislature during the 2016 General Session.

Background

The Utah State Legislature authorized revenue bonds of up to \$12,000,000 to construct Phase II of the Space Dynamics Laboratory in Senate Bill 9, *Revenue Bond Amendments* during the 2016 General Session. Phase II of this project will provide an additional 37,500 square feet for the growing demand of advanced intelligence, surveillance, and reconnaissance technology research. The bonds will be issued through the Research Revenue System and will be repaid using the reimbursements received from research projects. The interest on the bonds will likely be subject to federal tax. The attached resolution authorizes the University to issue bonds of up to \$12,500,000 (with a net project amount not to exceed \$12,000,000).

The relevant parameters of the requested issue are:

- Principal amount not to exceed \$12,500,000 including costs of issuance and capitalized interest
- Interest rate not to exceed 5.5%
- Discount from par not to exceed 2%
- Final maturity not to exceed 31 years from the date of issue

Additional information about the issue may be found in the attached materials:

- A copy of the request letter from the University
- A financing summary from the financial advisor
- A draft of the Approving Resolution

Representatives from the University and their financial advisor will be in attendance at the meeting to provide additional information and answer questions from the Board.

Commissioner's Recommendation

The Commissioner recommends approval of the proposed Authorizing Resolution to issue Research Revenue System bonds for Utah State University as proposed.

David L. Buhler
Commissioner of Higher Education

DLB/KLH/RPA
Attachments

April 26, 2016

Commissioner David L. Buhler
Utah State Board of Regents
Board of Regents Building The Gateway
60 South 400 West
Salt Lake City, Utah 84101-1284

Dear Commissioner Buhler:

Utah State University requests that the Board of Regents approve issuing revenue bonds totaling up to \$12,000,000, together with other amounts necessary to pay costs of issuance, pay capitalized interest, and fund any debt service reserve requirement to finance Phase II of the Space Dynamics Laboratory building located on the Innovation Campus (see the attached Preliminary Summary Sheet). Bonds will be repaid by funds received for reimbursements from research projects. The project was previously approved by the Board of Trustees, Board of Regents, State Building Board, and the Legislature. This item will be presented to the Board of Trustees during the May 6, 2016 meeting.

We appreciate your support and ask that you present this item for Regents approval.

Sincerely,



David T. Cowley
Vice President for
Business and Finance

C: Kimberly Henrie, Associate Commissioner for Finance and Facilities
Stan Albrecht, President
Dan Christensen, Controller
Dwight Davis, Associate Vice President for Business and Finance

**Utah State University
Taxable Research Revenue Bonds, Series 2016
Preliminary Summary Sheet**

Proposed Issue: Series 2016 Taxable Research Revenue Bonds

Total Approximate Issue Size: \$12,230,000

Use of Funds: To fund the construction of Phase II of the Research Park for the Space Dynamics Laboratory; fund a reserve fund if needed; and pay associated costs of issuance.

Detail of Proposed Series 2016 Bonds:

Principal Amount: Not to exceed \$12,500,000

Interest Rate: Not to exceed 5.5%

Maturity Date: Not to exceed 31 years

Aggregate Discount: Not to exceed 2%

Underwriter's Discount: Not to exceed 2%

Bond Rating: AA from S&P

Source of Repayment: Research Revenues

Timetable Considerations: Regent approval will be sought at the May 20 meeting. The University is proceeding with plans to sell bonds soon after Regent approval is received, with the sale tentatively scheduled for the week of May 30. The University anticipates selling bonds by negotiated sale, with Piper Jaffray having been selected as the underwriter. The anticipated closing date is Wednesday, June 22.

APPROVING RESOLUTION
UTAH STATE UNIVERSITY
RESEARCH BONDS – SPACE DYNAMICS LABORATORY (PHASE II)

Ephraim, Utah

May 20, 2016

The State Board of Regents of the State of Utah (the “Board”) met in regular session (including by electronic means) at Snow College in Ephraim, Utah on May 20, 2016, commencing at 9:00 a.m. The following members were present:

Daniel W. Campbell	Chair
France A. Davis	Vice Chair
Jesslie B. Anderson	Member
Nina Barnes	Member
Bailey Bowthorpe	Student Regent
Leslie Castle*	Member
Wilford W. Clyde	Member
Marlin K. Jensen	Member
Patricia Jones	Member
Steven Lund	Member
Robert S. Marquardt	Member
Steve Moore**	Member
Jefferson Moss*	Member
Robert W. Prince	Member
Harris H. Simmons	Member
Mark R. Stoddard	Member
Teresa L. Theurer	Member
Joyce P. Valdez	Member
John H. Zenger	Member

Absent:

Also Present:

David L. Buhler	Commissioner of Higher Education
Kimberly Henrie	Associate Commissioner for Finance & Facilities
Loreen Olney	Secretary

* Non-voting member from State Board of Education

** Non-voting member from Utah College of Applied Technology

After the meeting had been duly convened and called to order by the Chair, the roll had been called with the above result, the Chair announced that one of the purposes of the meeting was the consideration of various matters with respect to the issuance and sale of the State Board of Regents of the State of Utah, Utah State University Research Revenue Bonds, Series 2016.

The following resolution was introduced in written form and after full discussion, pursuant to motion made by Regent _____ and seconded by Regent _____, was adopted by the following vote:

YEA:

NAY:

The resolution is as follows:

RESOLUTION

A RESOLUTION OF THE STATE BOARD OF REGENTS OF THE STATE OF UTAH AUTHORIZING THE ISSUANCE AND SALE OF ITS UTAH STATE UNIVERSITY RESEARCH REVENUE BONDS, SERIES 2016 IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$12,500,000; AUTHORIZING THE CIRCULATION OF A PRELIMINARY OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION OF A SUPPLEMENTAL INDENTURE OF TRUST, A BOND PURCHASE AGREEMENT, AN OFFICIAL STATEMENT AND OTHER DOCUMENTS REQUIRED IN CONNECTION THEREWITH; AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION; AND PROVIDING FOR RELATED MATTERS.

WHEREAS, the State Board of Regents of the State of Utah (the “Board”) is established and exists under and pursuant to Section 53B-1-103, Utah Code Annotated 1953, as amended; and

WHEREAS, pursuant to the provisions of Title 53B, Chapter 1, Utah Code Annotated 1953, as amended, the Board is authorized to act as the governing authority of Utah State University (the “University”) for the purpose of exercising the powers contained in Title 53B, Chapter 21, Utah Code Annotated 1953, as amended and the specific authorizations of Sections 63B-26-102(3), Utah Code Annotated 1953, as amended (collectively, the “Act”); and

WHEREAS, pursuant to the Act, the Board, for and on behalf of the University, is authorized to issue bonds payable from certain revenues of the University as may be deposited into a special fund; and

WHEREAS, pursuant to a General Indenture of Trust dated August 1, 1995 as heretofore amended and supplemented (the “General Indenture”) between the Board and Wells Fargo Bank, N.A., as trustee (the “Trustee”), the Board, acting for and on behalf of the University, has issued various series of its Utah State University Research Revenue Bonds (the “Outstanding Bonds”); and

WHEREAS, the General Indenture authorizes the issuance of Additional Bonds to be issued on a parity with the Outstanding Bonds; and

WHEREAS, in accordance with the provisions of the Act, the Board is authorized to issue revenue bonds for and on behalf of the University for the purpose of financing all or part of the costs of constructing a Space Dynamics Laboratory Phase II (the “2016 Project”); and

WHEREAS, the Board intends to issue revenue bonds for and on behalf of the University for the purpose of financing the 2016 Project and to pay costs of issuance and

fund reserves, all pursuant to the General Indenture, as further supplemented and amended by a Supplemental Indenture of Trust (the “Supplemental Indenture” and together with the General Indenture, the “Indenture”) between the Board and the Trustee, which bonds will be designated as the “State Board of Regents of the State of Utah, Utah State University Research Revenue Bonds, Series 2016” (the “Series 2016 Bonds”) in an aggregate principal amount of not to exceed \$12,500,000; and

WHEREAS, the Series 2016 Bonds shall be payable solely from the revenues and other moneys pledged therefor and shall not constitute nor give rise to a general obligation or liability of the Board, the University or the State of Utah or constitute a charge against their general credit; and

WHEREAS, there has been presented to the Board at this meeting a form of a Bond Purchase Agreement (the “Bond Purchase Agreement”) to be entered into among the Board, the University and the underwriters or purchasers for the Bonds (the “Purchaser”), a form of a Preliminary Official Statement (the “Preliminary Official Statement”) and a form of the Supplemental Indenture; and

WHEREAS, pursuant to Section 53B-21-102(3)(m) of the Act, the Board desires to grant to the Chair or Vice Chair of the Board or the Chair of the Finance and Facilities Committee of the Board the authority to approve the final interest rates, principal amounts, terms, maturities, redemption provisions and purchase price at which the Series 2016 Bonds shall be sold and any changes with respect thereto from those terms which were before the Board at the time of adoption of this Resolution; provided such terms do not exceed the parameters set forth in this Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE STATE BOARD OF REGENTS OF THE STATE OF UTAH, AS FOLLOWS:

Section 1. All terms defined in the foregoing recitals hereto shall have the same meanings when used herein.

Section 2. All action heretofore taken (not inconsistent with the provisions of this resolution) by the Board and the University and the officers of the Board and the University directed toward the issuance of the Series 2016 Bonds are hereby ratified, approved and confirmed.

Section 3. The Board hereby authorizes, approves and directs the use and distribution of the Preliminary Official Statement substantially in the form of the Preliminary Official Statement presented to the Board at this meeting in connection with the offering and sale of the Series 2016 Bonds. The Chair or Vice Chair of the Board and President and Vice President or Associate Vice President for Business and Finance of the University are hereby authorized to execute and deliver on behalf of the Board a final Official Statement (the “Official Statement”) in substantially the same form and with substantially the same content as the form of the Preliminary Official Statement presented to this meeting with any such alterations, changes or additions as may be necessary to finalize the Official Statement. The preparation, use and distribution of the Official

Statement are hereby authorized. The Board and the University may elect to directly place the Series 2016 Bonds with or without the use of an Official Statement.

Section 4. The Supplemental Indenture in substantially the form presented to this meeting is in all respects authorized, approved and confirmed. The Chair or Vice Chair and Secretary of the Board and the President and Vice President or Associate Vice President for Business and Finance of the University are hereby authorized to execute and deliver the Supplemental Indenture in substantially the same form and with substantially the same content as the form of such document presented to this meeting for and on behalf of the Board and the University with such alterations, changes or additions as may be authorized by Section 8 hereof.

Section 5. For the purpose of providing funds to be used for (i) the financing of all or part of the 2016 Project, (ii) the funding of a deposit to a debt service reserve fund and (iii) paying costs of issuance, the Board hereby authorizes the issuance of the Series 2016 Bonds in the aggregate principal amount of not to exceed \$12,500,000 (with a net project amount of not to exceed \$12,000,000). The Series 2016 Bonds shall mature on such date or dates, be subject to redemption and bear interest at the rates, as shall be approved by the Chair or Vice Chair of the Board or the Chair of the Finance, Facilities and Accountability Committee, all within the parameters set forth on Exhibit A attached hereto and incorporated herein by reference.

Section 6. The form, terms and provisions of the Series 2016 Bonds and the provisions for the signatures, authentication, payment, registration, transfer, exchange, redemption and number shall be as set forth in the General Indenture, as amended and supplemented by the Supplemental Indenture. The Chair or Vice Chair and the Secretary of the Board and the President and Vice President or Associate Vice President for Business and Finance of the University are hereby authorized to execute and seal by manual or facsimile signature the Series 2016 Bonds and to deliver the Series 2016 Bonds to the Trustee for authentication. All terms and provisions of the General Indenture, the Supplemental Indenture and the Series 2016 Bonds are hereby incorporated in this resolution. The appropriate officials of the Board and the University are hereby authorized to execute and deliver to the Trustee the written order of the Board for authentication and delivery of the Series 2016 Bonds in accordance with the provisions of the Indenture.

Section 7. The Series 2016 Bonds shall be sold with a Purchaser's discount of not to exceed 2.0% of the face amount of the Series 2016 Bonds (plus out of pocket expenses). The Bond Purchase Agreement in substantially the form presented to this meeting is hereby authorized, approved and confirmed. The Chair or Vice Chair of the Board and/or the Chair of the Finance and Facilities Committee and the President and Vice President or Associate Vice President for Business and Finance of the University are hereby authorized to execute and deliver the Bond Purchase Agreement in substantially the same form and with substantially the same content as the form of the Bond Purchase Agreement presented at this meeting for and on behalf of the Board with final terms as may be established for the Bonds within the parameters set forth herein and with such alterations, changes or additions as may be necessary or as may be authorized by Section 8 hereof. Pursuant to Section 53B-21-102(3)(m) of the Act, the Chair or Vice Chair of the

Board or the Chair of the Finance and Facilities Committee and the President and Vice President or Associate Vice President for Business and Finance of the University are hereby authorized to specify and agree as to the final principal amounts, terms, discounts, maturities, interest rates, redemption features and purchase price with respect to the Series 2016 Bonds for and on behalf of the Board and the University and any changes thereto from those terms which were before the Board at the time of adoption of this Resolution, provided such terms are within the parameters set by this Resolution, such approval to be conclusively established by the execution of the Bond Purchase Agreement and Supplemental Indenture. The Board and the University may elect to sell the Series 2016 Bonds by public sale or direct purchase and use of an official notice of bond sale or bond purchase contract. In the event that the foregoing officers determine that all or any portion of the Bonds should be privately placed, the Bond Purchase Agreement and Supplemental Indenture may be modified to conform to the agreement with such purchasers, including agreement to pay breakage fees, default rates, taxable rates and other similar provisions customary in such placements, provided that such obligations are limited to the sources provided under the Indenture.

Section 8. The appropriate officials of the Board and the University, including without limitation the Chair or Vice Chair of the Board or the Chair of the Finance and Facilities Committee and the President and Vice President or Associate Vice President for Business and Finance of the University are authorized to make any alterations, changes or additions to the General Indenture, the Supplemental Indenture, the Bond Purchase Agreement, the Series 2016 Bonds, the Preliminary Official Statement, the Official Statement or any other document herein authorized and approved which may be necessary to correct errors or omissions therein, to complete the same, to remove ambiguities therefrom, to conform the same to other provisions of said instruments, to add provisions relating to bond issuance and sureties, to the provisions of this resolution or any resolution adopted by the Board or the provisions of the laws of the State of Utah or the United States.

Section 9. The appropriate officials of the Board and the University, including without limitation the Chair, Vice Chair, the Chair of the Finance, Facilities and Accountability Committee, Commissioner of Higher Education and Secretary of the Board and the President and Vice President or Associate Vice President for Business and Finance of the University, are hereby authorized and directed to execute and deliver for and on behalf of the Board and the University any or all additional certificates, documents and other papers and to perform all other acts they may deem necessary or appropriate in order to implement and carry out the matters authorized in this Resolution and the documents authorized and approved herein.

Section 10. The appropriate officers of the Board and the University, including without limitation the Chair, Vice Chair, the Chair of the Finance, Facilities and Accountability Committee, Commissioner of Higher Education and Secretary of the Board and the President and Vice President or Associate Vice President for Business and Finance of the University are hereby authorized to take all action necessary or reasonably required by the Indenture, the Bond Purchase Agreement or the Preliminary Official Statement to

carry out, give effect to and consummate the transactions as contemplated thereby and are authorized to take all action necessary in conformity with the Act.

Section 11. Upon their issuance, the Series 2016 Bonds will constitute special limited obligations of the Board payable solely from and to the extent of the sources set forth in the Indenture. No provision of this Resolution, the Series 2016 Bonds, the Official Statement, the Indenture, the Bond Purchase Agreement or any other instrument, shall be construed as creating a general obligation of the Board or the University, or of creating a general obligation of the State of Utah or any political subdivision thereof, nor as incurring or creating a charge upon the general credit of the Board, the University, the State of Utah or any political subdivision thereof.

Section 12. After any of the Series 2016 Bonds are delivered by the Trustee to the Underwriter and upon receipt of payment therefor, this Resolution shall be and remain irrevocable until the principal of, premium, if any, and interest on the Series 2016 Bonds are deemed to have been fully discharged in accordance with the terms and provisions of the Indenture.

Section 13. If any provisions of this Resolution should be held invalid, the invalidity of such provisions shall not affect the validity of any of the other provisions of this Resolution.

Section 14. All resolutions of the Board or parts thereof inconsistent herewith, are hereby repealed to the extent only of such inconsistency. This repealer shall not be construed as reviving any bylaw, order, resolution or ordinance or part thereof.

Section 15. This Resolution shall become effective immediately upon its adoption.

PASSED AND APPROVED BY THE STATE BOARD OF REGENTS OF THE
STATE OF UTAH THIS 20TH DAY OF MAY, 2016.

STATE BOARD OF REGENTS OF
THE STATE OF UTAH

Chair

(S E A L)

ATTEST:

Secretary

STATE OF UTAH)
 : ss.
COUNTY OF SALT LAKE)

I, Loreen Olney, the undersigned, the duly qualified and acting Secretary of the State Board of Regents of the State of Utah, do hereby certify, according to the records of said State Board of Regents in my official possession, and upon my own knowledge and belief, that:

(a) in accordance with the requirements of Section 52-4-202, Utah Code Annotated 1953, as amended, public notice was given of the agenda, date, time and place of the May 20, 2016 public meeting held by the Members of the State Board of Regents by causing a Notice of Public Meeting, in the form attached hereto as Schedule 1 to be: (i) posted at the principal office of the State Board of Regents at 60 South 400 West, Salt Lake City, Utah, on _____, 2016, at least 24 hours prior to the convening of such meeting, said Notice of Public Meeting having continuously remained so posted and available for public inspection during the regular office hours of the State Board of Regents until the convening of the meeting; (ii) published on the Utah Public Notice Website (<http://pmn.utah.gov>), at least 24 hours prior to the convening of such meeting; and (iii) provided at least 24 hours prior to the convening of such meeting, to the Deseret News and The Salt Lake Tribune, newspapers of general circulation within the geographic jurisdiction of the State Board of Regents, pursuant to their subscription to the Utah Public Notice Website (<http://pmn.utah.gov>), and to each local media correspondent, newspaper, radio station or television station which has requested notification of meetings of the State Board of Regents;

(b) in accordance with the requirements of Section 52-4-202, Utah Code Annotated 1953, as amended, public notice of the 2015-2016 Annual Meeting Schedule of the State Board of Regents was given, specifying the date, time and place of the regular meetings of the State Board of Regents scheduled to be held during said years, by causing a Notice of Annual Meeting Schedule for the State Board of Regents, in the form attached hereto as Schedule 2, to be (i) posted at the principal office of the State Board of Regents at 60 South 400 West, Salt Lake City, Utah in November 2014; (ii) published on the Utah Public Notice Website (<http://pmn.utah.gov>) during the current calendar year, and (iii) provided to a newspaper of general circulation within the geographic jurisdiction of the State Board of Regents pursuant to its subscription to the Utah Public Notice Website (<http://pmn.utah.gov>); and

(c) the State Board of Regents has adopted written procedures governing the holding of electronic meetings in accordance with Section 52-4-207 Utah Code Annotated 1953, as amended (a copy of which is attached hereto as Schedule 3). In accordance with said Section and the aforementioned procedures, notice was given to each member of the State Board of Regents and to members of the public at least 24 hours before the meeting to allow members of the State Board of Regents and the public to participate in the meeting, including a description of

how they could be connected to the meeting. The State Board of Regents held the meeting (the anchor location) in the building where it normally meets and provided space and facilities at the anchor location so that interested persons and the public could attend and participate.

IN WITNESS WHEREOF, I have hereunto subscribed my official signature and impressed hereon the official seal of the State Board of Regents of the State of Utah, this 20th day of May, 2016.

Secretary

(S E A L)

SCHEDULE 1

NOTICE OF PUBLIC MEETING

(See Transcript Document No. ____)

SCHEDULE 2

Notice of Annual Meeting Schedule

(See Transcript Document No. ____)

SCHEDULE 3

ELECTRONIC MEETING POLICY

EXHIBIT A

Parameters

Principal amount not to exceed	\$12,500,000
Coupon Interest rates not to exceed	5.50%
Discount from par not to exceed (underwriter and original issue discount)	2.0%
Final Maturity not to exceed	31 years from date of issuance
May be non-callable or callable at the option of University as determined at the time of sale	