



A CALLED MEETING  
GEORGIA HIGHER EDUCATION FACILITIES AUTHORITY  
October 15, 2008

The Georgia Higher Education Facilities Authority (“Authority”) held a called board meeting on October 15, 2008 at 1:00 p.m. in the offices of the Georgia State Financing and Investment Commission, 270 Washington Street, Suite 2141, Atlanta, Georgia. Members Ben Tarbutton, III, Gary Bishop and Mary Flanders were present, while members Celeste Osborn and Dick Anderson participated in the meeting via conference call. The Authority’s Secretary and Treasurer, Diana Pope, was also present. Also in attendance were: Tommy Hills, Chief Financial Officer for the Office of the Governor; Susan Ridley, Lee McElhannon, Angela Jackson, Frank Thach and Holly Green with the Georgia State Financing and Investment Division; Linda Daniels, Marty Nance, Peter Hickey and Ron Reed with the Board of Regents; Karol Mason and Fallany Stover from Alston and Bird, LLP; Hal Gibson with Hal Gibson Companies; Mae Charles Barnes with Murray Barnes LLP; Tom Kurrie and Lisa Wannamaker with Coleman Talley LLP; Pat Russell, Todd Barnes and Bjorn Reigle with Wachovia Bank, N.A.; Art Mosley with Wells Fargo; Teresa McCartney with the Governor’s Office of Planning and Budget; and Lisa Kennedy with the Attorney General’s Office.

### Call to Order and Approval of Minutes

The meeting was called to order at approximately 1:05 p.m. by Chair Celeste Osborn. Ms. Osborn congratulated the working group on all the time and effort invested to structure the Authority's first bond issue.

Ms. Osborn asked for a motion to approve the minutes from the October 2, 2007 Authority meeting. Mr. Tarbutton moved to approve the minutes, and Gary Bishop seconded the motion. A vote was taken and the motion to approve the minutes from the October 2, 2007 Authority meeting passed unanimously.

### Election of Officers

Ms. Osborn stated that, in accordance with the Authority's bylaws, board officers serve for a one year term and may not hold the same office for more than two consecutive terms. Ms. Osborn has served as the chair of the Authority for two consecutive terms, and therefore must relinquish the office. Ms. Osborn moved to nominate Mr. Tarbutton to serve as the Authority's chair. The motion was seconded by Gary Bishop. A vote was taken and the motion passed unanimously. Ms. Osborn made a motion to nominate Dick Anderson as the Authority's vice chair. The motion was seconded by Mr. Tarbutton. A vote was taken and the motion passed unanimously. Ms. Osborn stated that in accordance with the bylaws, the Authority's Secretary and Treasurer is not a board member, and therefore Diana Pope may continue to serve as the Authority's Secretary and Treasurer since the two year term of office limitation does not apply. Ms. Osborn then asked Mr. Tarbutton to lead the meeting in his new role as Chair of the Authority.

Approval of Projects for the Authority Bond Issue and Approval of Bond Resolution

Mr. Tarbutton asked the Board of Regents' staff to present to the Authority the projects requested to be financed in the Authority's first bond issue. Linda Daniels, Vice Chancellor of Facilities for the Board of Regents, wanted to thank the working group for all of their hard work to structure the Authority's first bond issue and welcomed Mary Flanders to the board as the Technical College System of Georgia's representative. Ms. Daniels stated that she looked forward to working with the Technical College System of Georgia to finance its projects through the issuance of Authority revenue bonds. Marty Nance then directed the Authority's attention to Tab III B in the board books to examine the pro formas associated with the Board of Regents' projects to be financed in the Authority's bond issue. Mr. Nance informed the Authority board members that each campus seeking financing had to go through an application process in order to determine whether or not the project revenue stream would support the payment of the debt service on the bonds. Staff members from both the Board of Regents and the Georgia State Financing and Investment Commission's Finance and Investment Division reviewed the project applications and performed the due diligence necessary to determine that the projects being presented to the Authority are suitable for financing. Mr. Nance then provided the following brief explanation of the projects to be financed in the bond issue: (1) a parking garage on the campus of Dalton State College supported by a revenue stream of a mandatory parking fee; (2) a student center on the campus of Darton College supported by a revenue stream of a mandatory student fee; (3) the renovation of the stadium at Ft. Valley State and the construction of a student center to be supported by a revenue stream of a mandatory student fee and auxiliary revenues; (4) a parking deck on

the campus of Gainesville College to be supported by a mandatory parking fee; (5) a bookstore and theater at the campus of Georgia College and State University to be supported by auxiliary revenues; (6) a housing facility at the campus of Georgia State University to be supported by a revenue stream of rental payments; and (7) a parking garage on the campus of Southern Polytechnic State University to be supported by a revenue stream of mandatory parking fees. Ms. Ridley stated that the next steps for these proposed projects are for the Authority to approve the pricing parameters for the bond issue. Following Authority approval, Wachovia Bank, N.A. expects to price the bonds on November 11 and 12. Mr. Nance and Susan Ridley then went through the presentation included in Tab IIIC of the board members' books which included a comprehensive review of the projects, the financing structure and associated timeline, and detailed options on whether or not the Authority should seek credit insurance. Ms. Ridley explained that while it is Georgia State Financing and Investment Commission ("GSFIC") policy that state authority financings must receive a rating no lower than one letter grade below the State's AAA credit rating (which equates to a AA rating), that, due to current market conditions, it may not be in the Authority's best interest to secure credit insurance in order to obtain an AAA rating. Ms. Ridley asked Pat Russell with Wachovia Bank, N.A. to further explain to the Authority board members as to whether or not obtaining credit insurance would be the best financing option. Mr. Russell explained that while it would be possible for the Authority to obtain an AAA rating by securing a credit insurance policy through Assured Guaranty, the rating agencies recently placed Assured Guaranty on negative watch. Mr. Russell also explained that, due to current market conditions, credit insurance policies do not currently provide the additional trading value

that they once did, and therefore, one option for the Authority to consider would be to issue the bonds with no credit insurance. While this option could potentially avoid the risk associated with the current credit insurance market, the Authority would be required to seek a waiver of the GSFIC policy mentioned by Ms. Ridley, as an uninsured bond issue would more than likely receive a rating in the single A category by the rating agencies. Mr. Russell explained that a second option would be to take all necessary preparatory steps to purchase a credit insurance policy with Assured Guaranty, but wait until pricing to determine whether or not the potential added value of a bond insurance policy is worth the risk of a possible modification to Assured Guaranty's credit rating. Mr. Russell further explained that a third option available to the Authority would be to attempt to obtain insurance from Berkshire Hathaway. Mr. Russell explained that this is a more costly option and that it is uncertain whether or not Berkshire Hathaway would be willing to insure the Authority's bond issue. Mr. Russell advised that it probably makes the most sense to obtain a commitment for a bond insurance policy from Assured Guaranty and then re-examine the various options when the bonds are priced on November 11 and 12. Mr. Russell quickly summarized current market conditions by explaining that while interest rates have increased, there is still movement in the municipal markets, and that even though the markets have tightened, the Authority should still have some options available to it when the bonds are priced. Mr. Tarbutton asked Mr. Hills whether or not he was comfortable with the possibility of the Authority proceeding with an uninsured bond issue, and further stated that entities associated with the Board of Regents' public private ventures program have previously issued uninsured bonds with an A rating, and that these bond issues were still priced satisfactorily. Mr.

Hills agreed with Mr. Tarbutton that an A rating would be sufficient in this instance. Mr. Anderson asked Mr. Hills about whether or not a coverage ratio of 1:1 would be satisfactory to the rating agencies. Mr. Hills replied that a 1:1 coverage ratio is typical for a bond issue backed by a rental agreement, and further stated that the fact that each project has an individual fee structure does add predictability to the cash flow.

Ms. Karol Mason was then asked to review the bond documents with the Authority board members. Ms. Mason directed the Authority members to Tab III D of their board books in order to examine the Authority's bond resolution and accompanying documents which approves the issuance of Authority revenue bonds and approves the trust indenture with Wells Fargo, N.A., the Trustee. The following documents are attached as exhibits to the bond resolution and are included in the board members' books: (1) form of trust indenture with Wells Fargo; (2) the form of loan agreement with the USG Real Estate Foundation, LLC to pay the debt service on the bonds; (3) the form of Series 2008 promissory notes between the Authority and Wells Fargo for each project; (4) the form of security deeds for each project between the USG Real Estate Foundation, LLC and the Authority; and (5) the form of assignment of contract documents between the USG Real Estate Foundation, LLC, Wells Fargo and the Authority. Ms. Mason explained that the Authority is being asked to approve the bond resolution with a maximum interest rate not to exceed 7.0% and that the highest annual debt service payment shall not exceed \$8,000,000 per year. Ms. Mason stated that she will begin the court validation process for the bonds once the Authority and the GSFIC approves the bond resolution and associated documents.

Ms. Osborn then made a motion to approve the form of documents, including the pricing parameters of a maximum interest rate not to exceed 7.0% and the highest annual debt service payments not to exceed \$8,000,000 per year. Ms. Flanders seconded the motion. A vote was taken, and the motion passed unanimously.

Resolution Approving TEFRA Hearing Officer

Mr. Tarbutton asked Ms. Lisa Kennedy of the Attorney General's Office to present the resolution approving the TEFRA hearing officer. Ms. Kennedy explained that TEFRA (the Tax Equity and Fiscal Responsibility Act) requires state and local governments to publish notice of upcoming bond issues and provide the public with an opportunity to attend a hearing before the bonds can be issued. The resolution being presented for Authority approval would appoint Ms. Kennedy as the hearing officer on the Authority's behalf to conduct the public hearing required by TEFRA. Ms. Ridley would serve as the hearing officer if Ms. Kennedy were unable to perform this duty. Mr. Bishop made a motion to approve Ms. Kennedy and Ms. Ridley as the Authority's hearing officers for purposes of fulfilling the public hearing requirements of TEFRA. The motion was seconded by Ms. Osborn. A vote was taken and the motion passed unanimously.

Resolution Approving Assessing a Fee on Authority Financings

Mr. Tarbutton asked Ms. Pope to discuss the resolution approving assessing a fee on Authority financings. Ms. Pope explained that it is necessary for the Authority to charge a fee in order to compensate the Authority for the costs associated with financings. The resolution would approve assessing a fee of .015 basis points on each Authority financing, which equates to \$15,000 on the upcoming \$100,000,000 Authority

bond issue. Ms. Flanders made a motion to approve the resolution assessing a fee on Authority financings. Ms. Osborn seconded the motion. A vote was taken and the motion passed unanimously.

Resolutions Approving Budget and Authority Audit

Ms. Pope presented a resolution adopting the Authority's budget for the 2009 fiscal year, attached hereto and incorporated herein as Exhibit I. Ms. Pope explained that the Authority's revenues of \$539,072 originate from the \$500,000 transfer of funds from the now dissolved Georgia Education Authority (University), which was invested in a Georgia Fund One account and has since been earning interest. The application fees of .015 basis points on each Authority bond issue will also generate Authority revenue. Authority expenses are estimated at \$30,000 and include staff costs, the expenses associated with the annual audit and board member's per diem and travel costs. Ms. Osborn made a motion to approve the Authority's annual budget for the 2009 fiscal year. Ms. Flanders seconded the motion. A vote was taken and the motion passed unanimously.

Ms. Pope presented the resolution approving the Authority audit for the 2008 fiscal year prepared by Mauldin & Jenkins. Ms. Pope stated that there was not much Authority activity during the 2008 fiscal year other than the \$500,000 investment from the former Georgia Education Authority (University) and the nominal fees associated with the Authority's bank account. Ms. Osborn made a motion to approve the Authority audit of the 2008 fiscal year. Ms. Flanders seconded the motion. A vote was taken and the motion passed unanimously.



## ADJOURNMENT

Mr. Tarbutton concluded the meeting by stating that the next Authority meeting would be conducted via conference call on November 14. The purpose of this meeting will be to approve the pricing on the 2008 Authority bonds.

Mr. Nance mentioned to the Authority board members that the Board of Regents is currently working on putting together the project list for the next Authority bond issue, which he hopes could be in the late spring or early summer of 2009. Mr. Tarbutton mentioned to Ms. Flanders that the Board of Regents would be happy to assist the Technical College System of Georgia with including some of its projects in the next Authority bond issue. Ms. Flanders stated that the Technical College System of Georgia has its challenges with financing self-liquidating projects since the student fees associated with the projects could be cost prohibitive to the students. Ms. Flanders expressed her appreciation to Mr. Tarbutton for his offer of assistance.

Mr. Tarbutton then asked if there was any other Authority business that needed to be discussed. No additional discussion was necessary, and the meeting was adjourned at approximately 1:45 p.m.

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Ben Tarbutton, III  
Chair

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Diana Pope  
Secretary and Treasurer