ANSWERS TO QUESTIONS RECEIVED IN RESPONSE TO THE GEORGIA HIGHER EDUCATION FACILITIES AUTHORITY ("GHEFA") RFP
September 10, 2007

Similar questions have been grouped together and summary answers, where applicable, are provided below.

Questions:

1. Specifically, how is the security for the proposed revenue bonds different from the security for currently outstanding revenue bonds secured by BOR rental agreements?

2. How is the intergovernmental contract being structured, in order to avoid violating Article VII, Section IV, Paragraph IV of the Georgia Constitution, known as the "certain contracts prohibited" clause?

Answer:

The security for the proposed revenue bonds differs from the security pledged for currently outstanding revenue bonds secured by Board of Regents ("BOR") rental agreements due to the fact that current BOR rental agreements are annually renewable agreements. We anticipate that GHEFA will execute one agreement with the BOR and a separate agreement with the Department of Technical and Adult Education ("DTAE") with a contract term at least as long as that of the bonds issued.

To clarify the introductory section of the RFP, the structure for the security of the bonds is still being determined. GHEFA welcomes responses to the RFP which provide a suggested finance mechanism which is not in violation of either state law or the state constitution, including the contracts prohibited clause of Article VII, Section IV, Paragraph IV of the Constitution of the State of Georgia.

Questions:

3. When the projects are described as "self-liquidating," does this imply the revenues generated from the projects themselves will be able to pay the bonds or will there be one or more external funds pledged or appropriated to help subsidize the debt service on the bonds? And if there are external fees, what would these include? Tuition, etc?

4. Are all of the projects revenue-generating? If so, what coverage would be required? And if one or some are not, would they be subsidized by the revenue of the other projects? If a school and/or project defaults, would there be any sort of State intercept or appropriation?

5. Please provide further detail regarding the proposed source(s) of security for bonds ("Section 20-16-4(12) of the Official Code of Georgia Annotated) issued under the Authority's pooled bond program. Specifically, please clarify the following:

   a. If proceeds from one series of bonds are to be used for facilities at more than one unit (campus), are the revenues generated by each of the financed projects pledged to the repayment of the bonds?

b. Will the lease payments to the Authority be a general obligation of all units in the System?

6. What are the projected start dates for the intergovernmental agreements?

Answer: The GHEFA statute provides as follows:

> "Revenue bonds issued by the authority shall be paid solely from the property (including, but not limited to, real property, fixtures, personal property, revenues, or other funds) pledged, mortgaged, conveyed, assigned, hypothecated, or otherwise encumbered to secure or to pay such bonds. No revenue bonds shall be issued by the authority under this chapter unless its members adopt a resolution finding that the project or combination of projects for which such bonds are to be issued will be self-liquidating. O.C.G.A. 20-16-5 (a). "

No external fees, including but not limited to, tuition, will be pledged as security for the bonds. We anticipate one agreement to be entered into with the BOR and one agreement to be entered into with the DTAE which will govern all projects financed within a given issue. The term of the agreement will be at least as long as the term of the bonds.

As stated above, the GHEFA statute requires each project, or combination of projects, to be self-liquidating. There will not be a pledge of either the BOR or DTAE's credit. In addition, there will be no state appropriations allocated to support the GHEFA debt.

GHEFA will request that the selected underwriter make recommendations as to what debt service coverage requirements may be necessary.

7. Will the Intergovernmental Agreement cover construction risk?

Answer:
This answer is dependent upon the revenue source of the project. If the revenue stream is one that is currently being collected or has been approved by the BOR or DTAE for collection prior to, or simultaneously with, the issuance of the debt (such as student activity fees), then there will be no construction risk. BOR or DTAE will begin remitting the project revenue payments upon the issuance of such debt.

If, however, the revenue stream is dependent upon completion of the project before payments can be collected (such as in a student housing project), then the BOR or DTAE will begin making contract payments only after the completion of the project. In this case, we would expect to capitalize interest during the construction period.

8. Are you able to provide details on the projects subsidized by the proposed financing? How many of them are they and what size does each represent of the $100 million?

Answer:
While a proposed draft project list was presented to the Board of Regents at its last meeting for information purposes only, no projects have been voted upon to be financed through GHEFA at this time.

9. What is the anticipated timing for the bond issue?

Answer: GHEFA's goal is to close the first bond issue by the end of the first quarter of calendar year 2008.

10. What are the projected construction schedules for each of the projects?

Answer:
GHEFA anticipates that the BOR will be hiring a program manager who will collaborate with the institutions and the selected underwriter to assist in the development of, among other things, construction schedules.

11. The RFP indicates that the cover letter, appendices and Item F (regulatory issues) are excluded from the page limitation, but it doesn't specify what should be in the appendices. We assume the requested deal lists, as well as any cash flow or debt service schedules we might prepare would be presented in the appendices. Please confirm.

Answer:
The appendices will not be considered in the page limitation. The appendices may include the requested deal lists as well as any cash flow or debt service schedules.