

Capital Markets Finance Newsletter

THE WAIT IS OVER, WE'RE BACK!

August 2012, Issue #5

Private Use Survey

UCOP regularly administers surveys to the campuses that have long-term financed projects with tax-exempt bonds to ensure the University is in compliance with IRS regulations for permitted use of tax-exempt bond proceeds.

The University has a responsibility to track and manage bond proceeds used for capital projects financed with tax-exempt bonds to ensure the University is in compliance with IRS guidelines. Graduating from physical questionnaires in prior years, CMF has now successfully transitioned to an online version for ease of use. The online format allows questions for particular projects to be answered by those individuals who have more specific knowledge of a particular project (e.g. privately sponsored research, lease agreements, management contracts). Each project questionnaire, once completed, is submitted to the campus reviewer who will review then submit to CMF.

How-To guidelines have been circulated to each campus reviewer. Capital Markets Finance looks to receive all online questionnaires by September 14th. If you have any questions, please contact Allen Yin (allen.yin@ucop.edu).

Who: You

What: Private Use Questionnaire

Where: <https://ermosp.ucop.edu/privateuse/login.html>

When: Due by September 14, 2012

To find out additional information on private use information, please contact Tim Loving (timothy.loving@ucop.edu) for access to view our instructional video at <https://university.learnlive.com/ucop>.

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A Year of UC Bond Issues (July 2011 – July 2012)

\$1,200,000,000 General Revenue Bonds 2011 Series Y, Z, AA
\$399,715,000 General Revenue Bonds 2011 Series AB, AC
\$860,000,000 General Revenue Bonds 2012 Series AD
\$999,695,000 Limited Project Revenue Bonds Series 2012 G, H

*"Behind every technological
breakthrough there lies a dream.
Behind every new product there lies
a dream. Dreams create realities
through hard work."*

- Rolf Jensen



UC's Bondholder Information Website

In June 2012, Capital Markets Finance launched its Bondholder Information website

(<http://www.ucop.edu/bondholder-information>). A bondholder website is an extremely valuable tool in the University's communications to investors of its bonds. The initial phase of the University's investor website focuses on providing investors with information such as a basic overview of the University's major borrowing programs/credits, the University's current debt profile (i.e. debt outstanding and annual debt service by program), the University's current ratings by program, audited financial statements for the University and its medical centers, and links to the Treasurer's Office.

"There seems to be some perverse human characteristic that likes to make easy things difficult."
- Warren Buffet



Timely Filing of IRS Declarations

In compliance with Section 1.150-2 of the Treasury Regulations, the IRS requires The University of California to file a "declaration of official intent to reimburse Advances for Capital Expenditures from the Proceeds of Indebtedness" (the Declaration Form) for all externally financed capital projects for which campus funds are used for capital expenses with the expectation they will be reimbursed from tax exempt financing issued at a later date. This includes capital improvement projects as well as capital purchases (including building and/or equipment acquisition). These regulations were put in place to prevent issuers from taking advantage of their tax exempt status to issue debt on projects that had already,

in essence, been paid for with cash resources. If campus funds are advanced for new capital expenditures with the intention that those expenditures be later reimbursed, it is imperative that the campus officially declares such intent on a timely basis to comply with reimbursement regulations. The IRS Regulations state that an official intent to reimburse must be declared (approved, signed and filed) no later than 60 days after the first expenditure of funds expected to be reimbursed. Once the IRS Declaration is approved, the window for seeking reimbursement is the later date of: (a) 18 months after the invoice is paid, or, (b) 18 months after the project is placed in service, but not exceeding 3

years after invoice payment date. Each invoice is tested against this parameter. If no Declaration Form is approved and signed, or if a campus fails to seek reimbursement within the timeframe provided, the funds advanced by the campus will become potentially ineligible for reimbursement from tax-exempt debt. The campus will, then, have the responsibility of permanently funding the advance from cash resources, or if available, pursue taxable financing for that portion that does not qualify. The Declaration Form must be signed and dated, and list the projects in the accompanying Schedule A form. A copy of the signed and dated Declaration and Schedule A must be provided to Capital Markets Finance.

