



April 29, 2015

TO: Members of the Board of Trustees
FROM: Scott A. Jordan 
Executive Vice President for Administration and Chief Financial Officer

Richard F. Orr 
Vice President and General Counsel

RE: Financing the Acquisition of the Nathan Hale Inn

RECOMMENDATION:

That the BOT approve the two attached resolutions (Exhibits **C** and **D**) to authorize the financing of the acquisition of the Nathan Hale Inn (“NHI”).

The authorization consists of two pieces: The first resolution will authorize the purchase of the NHI and add the purchase to the capital budget in the amount of \$8,500,000. This sum includes the purchase price and transaction costs.

The second resolution will authorize the University to effectively assume the existing financing on the NHI in the form of a note issued by Webster Bank. That note will fund \$5,500,000 of the purchase price. The remainder of the purchase price will be paid from bond proceeds borrowed to finance Residential Life Facilities. The Webster note has a prepayment penalty. Once that prepayment penalty expires at the end of 2016, the Webster note will be paid off. The refinancing of the note also will be from bond proceeds borrowed to finance Residential Life Facilities.

BACKGROUND:

During its meeting of December 10, 2014, the Board of Trustees authorized the University Administration to enter into a Purchase & Sale Agreement to acquire the NHI (Exhibit **A**). The Purchase & Sale Agreement was executed on March 30, 2015, at a purchase price of \$8,372,333. The Administration expects to close on this transaction by early July, 2015.

During its meeting on December 10, 2014 the Board of Trustees also amended the UCONN 2000 Residential Life Facilities project definition (Exhibit B). This amended definition gives the University the ability to purchase a residential life facility under the authority of UCONN 2000. At the time of the Purchase & Sale Agreement approval in December 2014, the Administration noted that it would seek Board approval for any necessary University expenditures to finance the transaction. The financing plan for this transaction has two components: (1) the purchase of the NHI, in an amount not to exceed \$8,500,000, would be accomplished by drawing down UCONN 2000 Residential Life Facilities funds, but only applying \$3,000,000 at the time of purchase; and (2) the University will assume a promissory note from the owner payable to Webster Bank in an amount not to exceed \$5,500,000.

The existing promissory note is secured by a mortgage. The Administration seeks authorization for the University to assume the debt associated with the note, as amended and restated, without a mortgage. In other words, the University will effectively be borrowing \$5,500,000 of the \$8,500,000 purchase price from Webster Bank. The balance of the purchase price will be paid from UCONN Residential Life Facilities funds. The Webster note has a substantial prepayment penalty if it is paid before December 2016. Once the prepayment penalty date has passed, the University will use the UCONN 2000 Residential Life Facilities funds to satisfy the Webster note. The net effect will be that the majority of the entire purchase price will be paid through UCONN 2000 Residential Life Facilities funds.

Acquisition of NHI through UCONN 2000 Funds (Resolution attached at Exhibit C)

The purpose of this request is to fund the acquisition of the NHI, in accordance with the previous approval of the execution of the Purchase and Sale Agreement.

The Administration seeks authorization from the Board of Trustees to utilize up to \$8,500,000 of UCONN 2000 Residential Life Facilities funds for the purchase price to acquire the NHI. As noted above, approximately \$3,000,000 will be applied to the purchase price now. The remaining \$5,500,000 will be used to refinance the Webster note.

The Webster Note (Resolution attached at Exhibit D)

This resolution is required by the State Treasurer.

The Administration recommends that the Board of Trustees approve an amended and restated promissory note entitled to the benefit, protection and security of the University of Connecticut 2000 Act, Sections 10a-109a to 10a-109y inclusive of the General Statutes of Connecticut, as amended (the "Act") in the maximum principal amount of \$5,500,000 plus any amounts for the costs of issuance (the "Note") made to the order of Webster Bank, National Association (the "Bank") to partially finance certain Residential Life Facilities, a project identified in Section 10a-109e of the Act and approved as a project of UCONN 2000 (the "Project"). The Project will include the purchase of the building and improvements known as the Nathan Hale Inn and

Conference Center, located on the University campus in Storrs, Connecticut from Campus Associates Limited Partnership.

The Note shall be dated and shall have a term not longer than two years from its dated date, shall carry such interest rate or rates payable at least semiannually as, the Treasurer of the State (the "Treasurer") in conjunction with the President or Executive Vice President for Administration and Chief Financial Officer of the University (the "Authorized Officers") shall determine is in the best interests of the State and University.

The principal, interest and other payment obligations of the University under the Note shall be a general obligation of the University and the full faith and credit of the University will be pledged to such payments.

Next Steps

These approvals will be the last approval sought for the acquisition of the NHI. With the adoption of these resolutions, the Administration will have the authority to close the purchase. In addition, the Administration continues to negotiate a management agreement with Interstate Hotels & Resorts, Inc. (see Exhibit A, pages 2 and 4), and will seek Board approval of that management agreement prior to closing.

Future Funding

At a later date, after acquisition, the University expects to spend UCONN 2000 Residential Life Facilities funding for necessary renovations to the NHI to enable it to remain in its current mixed use configuration.

At the time the Board approved entering into the Purchase & Sale Agreement, the estimated cost of necessary renovations was approximately \$648,000 (Exhibit A, p. 4). That estimate will be further refined during the due diligence period and through design.

A request for approval for that funding will follow the typical project budget process, and is not part of this pre-acquisition request.

Exhibits

- A. December 10, 2014 Board Memorandum in Support of Request to Approve the Acquisition of the Nathan Hale Inn
- B. December 10, 2014 Board Resolution Amending the Definition of Residential Life Facilities
- C. Resolution Related to the Assumption of the Webster Bank Promissory Note Supporting the Acquisition of the Nathan Hale Inn
- D. Resolution authorizing UCONN 2000 funds for Acquisition of the Nathan Hale Inn

EXHIBIT A


**December 10, 2014 BOT Memorandum in Support of Request to Approve the Acquisition
of the Nathan Hale Inn**



December 10, 2014

TO: Members of the Board of Trustees

FROM: John M. Biancamano 
Interim Executive Vice President for Administration and Chief Financial Officer

Richard F. Orr, Esq. 
General Counsel

RE: Acquisition of Nathan Hale Inn

RECOMMENDATION:

That the Board of Trustees approves the Administration to enter into a Purchase & Sale Agreement to acquire the Nathan Hale Inn.

OVERVIEW:

The University of Connecticut (“UConn”) currently owns the land under the Nathan Hale Inn (“NHI”), but not the building or other improvements.

In late September 2014, the owners of the NHI received an offer from a private hotel company to purchase the NHI for \$8,372,333. Included in the lease of the land for the construction of the NHI, UConn has a Right of First Refusal (“ROFR”) to purchase the NHI for the same price and on the same material terms as a private buyer. On November 24, 2014, UConn exercised that ROFR and began negotiating a Purchase & Sale Agreement (“P&S”) with the seller.

The intent of the purchase is to acquire 98 dorm rooms (to accommodate approximately 280 students); however, in the short term UConn will need to manage a mixed-use hotel of 48 rooms and 50 dorm rooms.

UConn’s acquisition will be a cost-effective way of meeting some of UConn’s short- and long-term student housing needs. UConn will retain the existing hotel manager to minimize the financial and other risks associated with operating a hotel during the transition period. The intent is to convert the NHI into a full UConn dormitory.

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The purchase of the NHI allows UConn to control the use of the property in the future without needing to negotiate with a private owner.

Exercising the ROFR did not irrevocably commit UConn to purchasing the NHI. As explained more fully below, exercising the ROFR was a prerequisite to negotiating a P&S with the seller. Entering into the P&S only occurs if the Board accepts this recommendation. UConn will not actually acquire the property pursuant to the P&S until all contingencies have been addressed to UConn's satisfaction.

At the time this memorandum was prepared for the Board's December 10, 2014 meeting, negotiations were still in progress. If needed, additional or updated information will be provided in advance of, or at, that meeting.

BACKGROUND:

Existing Contractual Relationship and the ROFR

Two primary agreements govern the relationship between UConn and Campus Associates Limited Partnership d/b/a/ Nathan Hale Inn and Conference Center (the "Seller"). The first is a Ground Lease that terminates in 2050. Under the Ground Lease, UConn has a ROFR when presented with a bona fide purchase offer to buy the NHI. Separately, the Ground Lease provides that UConn is prevented from developing or "promoting" development of a hotel on or within 15 miles of campus. That restriction continues to 2050.

Article 34 of the Ground Lease grants UConn a ROFR, which must be exercised no later than 60 days after the receipt of a "Sale Notice" from the Seller. The Sale Notice was received by UConn on Monday, September 27, 2014. It included a P&S with FM Storrs Hospitality, Inc. (the "Private Buyer") containing a purchase price of \$8,372,333. UConn's 60 days to exercise the ROFR expired on Friday, November 28, 2014 (the day after Thanksgiving), so UConn exercised the ROFR on Monday November 24, 2014 by sending the Seller a required "Acceptance Notice."

Under the Ground Lease, UConn must agree that it will "purchase the Leasehold Estate on the terms and conditions set forth in the Offer." Since the Sale Notice included an executed P&S with the Private Buyer, UConn's Acceptance Notice noted that UConn's P&S would have to reflect UConn's status as a State agency, while retaining the price and fundamental terms of the Private Buyer's transaction.

The second agreement is a Joint Use Agreement that governs, among other items, booking of function rooms for UConn events held at the NHI. This agreement also terminates in 2050.

Current Operational Framework

The Seller is a partnership of individual investors. The NHI is operated, for the Seller, by a hotel management company, Interstate Hotels & Resorts, Inc. ("Interstate"). UConn – with the

permission of the Seller – has been negotiating an agreement with Interstate to ensure the terms on which Interstate will remain as manager in the short term, until such time as the building is used exclusively as a dormitory. At this time, the Administration does not see any obstacles to concluding an acceptable management agreement.

UConn's Student Housing Need

UConn guarantees on-campus housing to newly admitted freshmen, returning undergraduate residents who meet all deadlines, undergraduates returning from an off-campus program, and students changing campuses. To assist UConn in meeting these housing needs, the Board of Trustees, last year, approved UConn to enter into a Room Reservation Agreement (“RRA”) with the Seller under which UConn has reserved 50 rooms in the NHI for the current (2014-2015) academic year with an option for two additional years. Each hotel room houses three students or a resident advisor and a roommate.

UConn has exercised its option for 2015-2016 and expects to do so for 2016-2017; the cost for the 2015-2016 academic year will be \$1,085,250.

UConn currently has no agreement to use the NHI for students after the spring of 2017.

The need for additional student housing is described fully in the material prepared by Dr. Michael Gilbert, Vice President for Student Affairs, attached as Exhibit A. As set forth there, the need to continue to rely on the NHI to house students continues well beyond the 2016-2017 expiration of the RRA.

Demand for on-campus housing has surpassed the designed capacity (11,116 beds) of UConn's residential facilities in each of the past 13 years. The Department of Residential Life has accommodated this strong demand by converting some single and double rooms to house additional students. These efforts have created approximately 900 additional spaces, and increased the total of available on-campus beds for assignment to 12,000. As demand has grown in the past five years, Residential Life has also converted spaces originally designed as floor lounge and study spaces to accommodate an additional 400 – 700 students annually, as reflected in the 12,711 on campus residents in August 2014. Accordingly, as the chart appearing in Exhibit A describes, existing student housing is currently well over 100% of designed capacity.

Further detail on occupancy percentages, projected enrollment growth, and the suitability of the NHI for undergraduate student housing is found in Exhibit A. As shown there, the need for these beds for student housing will continue into the foreseeable future.

Operational Considerations

If UConn were to acquire the NHI, the expectation is that UConn would operate it as it is now: a mixed use hotel and dormitory. UConn will be able to adjust the relative proportion as between dorm rooms and hotel rooms to meet UConn's needs without requiring consent of a private

owner. Absent the acquisition, there is no assurance of being able to use the NHI for student housing after spring 2017 or the cost to do so.

A critical aspect of this model is management of the hotel. As explained above, at the time this memorandum was prepared, UConn was in negotiations with the incumbent management company, Interstate, to continue as the management company.

The Administration recognizes that an independent management company must have owner oversight. UConn will identify a senior administrator to be accountable for performance by the management company and for the operation of the hotel.

Financial Viability

Determining the financial viability of acquisition and operation is a multivariate complex task. There are two aspects to this analysis: acquisition costs and operational costs.

Acquisition Cost

Under the ROFR, UConn cannot renegotiate the purchase price established between the Seller and the Private Buyer. That price is \$8,372,333. Based on the information available, there is no indication that the Private Buyer's offer is other than an arms-length transaction. The purchase price and deal structure appear to have been negotiated between a willing buyer and willing seller.

Although the ROFR requires UConn to purchase the property at the same price and on same material terms as the Private Buyer, UConn obtained an appraisal of the value of the leasehold interest with the assumption that the RRA is in place for 10 years. That value is \$8.7 million.

Fletcher Thompson performed a building conditions assessment. The total potential cost for replacement of all identified short- and long-term items was \$3.3 million. The estimated cost of items need at time of turnover-- such as code compliance improvements, deferred maintenance, and furniture and fixtures -- is \$648,000.

Accordingly, in addition to the purchase price of \$8,372,333, there are immediate costs of approximately \$648,000, for a total acquisition cost of approximately \$9.1 million. This cost is very favorable when compared to the cost of new construction. A rough estimate of the cost of dormitory new construction is approximately \$100,000 per bed. This estimate is based on UConn's recent experience in the market including the new STEM dormitory. The NHI has a capacity of approximately 280 beds, so the cost of new construction of equivalent capacity would be roughly \$28,000,000.

Operational Cost

A detailed five-year pro forma income statement for UConn's ownership is presented in Exhibit B. That five-year financial projection indicates both a positive operating profit and positive cash flow.

The NHI has operated at a loss for Calendar Year ("CY") 12 and 13 and is budgeted to lose \$204,000 in CY 14. Upon UConn's acquisition in CY 15, this situation improves to profitability in CY 15 and beyond. There are several reasons for this improvement.

- The full impact of the RRA occurs in CY 15 because that is the first year where there are two semesters of dormitory revenue. That continues in subsequent years.
- Almost \$300,000 in fees paid by the Seller to the general partner and for legal fees do not continue.
- Approximately \$34,000 per year in ground rent paid to UConn does not continue.
- After the existing debt is extinguished in December 2016, the annual interest expense of \$418,000 is no longer required.

The result is a projected profit of \$293,000 in CY 2015, increasing in the out years.

Transactional Issues

UConn would purchase from the Seller the leasehold interest and the building, including its furnishings and equipment, from the Seller.

As noted above, although UConn will negotiate its own P&S, UConn must accept the price and fundamental terms in the P&S between the Private Buyer and the Seller. As presented in that P&S, the transaction contemplates either: the assumption of the existing leasehold mortgage; or prepayment of an existing leasehold mortgage with a prepayment penalty that is currently \$688,000.

UConn has been exploring an alternative financing structure with the existing mortgage holder, Webster Bank, and the Office of the State Treasurer. At the time this memorandum was prepared, the negotiations with Webster and discussions with the Treasurer's office were ongoing but the Administration does not see insurmountable hurdles to being able to finance the entire transaction through Webster or the State, or some combination, on financially reasonable terms. Webster has provided preliminary approval to release the mortgage lien on the NHI. This was a critical issue to the assumption of the existing promissory note by UConn.

More detailed information will be provided before or at the December 10, 2014 Board meeting. The Administration is working to define the precise nature of the financial structure by that meeting to secure BOT approval. In the event the financing is not finalized by December 10, then, at a later time when the financial structure has been finalized, the Administration will seek Board approval for any necessary UConn expenditures to finance the transaction.

Moreover, as noted above, the P&S that the Board is being asked to approve will not irrevocably commit UConn to purchase. UConn can walk away in its discretion if satisfactory financing cannot be obtained or for other reasons.

Other Hotels in Storrs

Under the current Ground Lease, UConn cannot promote a competing hotel on campus or within 15 miles, nor can UConn build a hotel of its own until 2050. If UConn acquires the NHI, those restrictions would be extinguished and UConn could choose to build its own hotel, promote a new hotel through some collaboration with a private party or simply sit back and see what the market produces.

Those possibilities have not been fully explored, nor will they be within the time available. Acquiring the NHI will give UConn control over that facility for use as a hotel or dorm in such proportion that meets UConn's needs.

EXHIBIT A
Housing Needs Analysis

NEED FOR ADDITIONAL ON-CAMPUS HOUSING

A. On-Campus Housing Capacity/Occupancy

The University of Connecticut guarantees on-campus housing to newly admitted freshmen, returning undergraduate residents who meet all deadlines, undergraduates returning from an off-campus program, and campus change students.

Demand for on-campus housing has surpassed the designed capacity (11,116 beds) of the University's residential facilities in each of the past 13 years. The Department of Residential Life has accommodated this strong demand by converting some single and double rooms to house additional students. These efforts have created approximately 900 additional spaces, and increased the total of available on-campus beds for assignment to 12,000. As demand has grown in the past five years, Residential Life has also converted spaces originally designed as floor lounge and study spaces to accommodate an additional 400 – 700 students annually, as reflected in the 12,711 on campus residents in August 2014.

The chart below documents total on-campus housing assignments and occupancy percentages, against system design capacity (11,116), and the modified capacity (12,000) at the start of each academic year since 2010.

Year	August Demand	Percentage Housed to Modified Capacity 12,000	Percentage Housed to Design Capacity 11,116
2014-2015	12,711	106%	114%
2013-2014	12,668	106%	114%
2012-2013	12,469	104%	112%
2011-2012	12,716	106%	114%
2010-2011	12,546	105%	113%

B. Projected Enrollment Growth

In January 2014, the University embarked on a master planning process to define a 20-year vision for the campus and further the goals of Next Generation Connecticut, which includes growing undergraduate student enrollment on the Storrs campus. UConn's Master Plan anticipates incremental enrollment growth in the range of 1,000 – 5,000 students, over the next 10+ years.

Two new residence halls are currently in the planning and design phases for the Storrs campus. The first residence hall will be a new Science, Technology, Engineering and Math (STEM) Living Learning Community and will have approximately 725 beds. The current target completion date for the project is

fall semester 2016. The second facility, an Honors Residence Hall, will provide housing for first-year Honors students and have approximately 650 beds. It is expected that UConn's undergraduate student enrollment will increase incrementally, in 2016 and 2017, and apace with on and off-campus housing growth.

If enrollment growth precedes or surpasses University targets, the current 149 Nathan Hale Inn beds will continue to be critical in meeting student demand. If enrollment growth lags, Residential Life will adjust policy to accommodate more upper-division transfer students and more graduate students – neither of which is currently guaranteed housing - to ensure strong occupancy.

C. Nathan Hale Inn's (NHI) Suitability For Undergraduate Student Housing

The NHI is located in a distinctly residential neighborhood with close proximity to several dining halls, Storrs Center and the academic core of campus. Students assigned to the NHI have expressed satisfaction with their experience. The residential floor design supports social interaction and community development, and students enjoy special amenities including more private bathrooms, a pool and fitness center. One measure of their satisfaction with the NHI is 41 the 48 students assigned to that facility in 2013 – 2014 continue to live on campus, with 20 returning to the NHI this year.

If the University acquires the NHI the residential floors will not require significant structural changes to accommodate students. The public areas on the first floor of the facility will provide ample study, recreation, and social space. In addition, the potential 200+ NHI bed spaces will lessen the total count of new beds that may be required if Next Generation Connecticut enrollment goals are actualized.

EXHIBIT B

December 10, 2014 BOT Resolution Amending the Definition of Residential Life Facilities

UCONN

UNIVERSITY OF CONNECTICUT

December 10, 2014

TO: Members of the Board of Trustees

FROM: John M. Biancamano
Interim Executive Vice President for Administration and Chief Financial Officer

RE: Residential Life Facilities Project Definition

RECOMMENDATION:

That the Board of Trustees approve the attached resolution clarifying that the project entitled, Residential Life Facilities, may include a facility or facilities suited to residential life purposes, which facility or facilities may be newly constructed or purchased and renovated to accomplish said purpose, and hereby finds and determines that such project definition and scope is consistent with the intent and purpose of the original project.

BACKGROUND:

As a result of several factors, including the success of the UCONN 2000 Infrastructure Improvement Program and subsequent enrollment growth, the University has experienced an increased demand for additional student housing units. In order to address this immediate need for residential life facilities, several planning options were discussed including the possible purchase of an existing building suited for a residential life facility and the possible use of UCONN 2000 Phase III funding.

Accordingly, we request that the Board approve the resolution clarifying that the Residential Life Facilities project may include a facility or facilities suited to residential life purposes, which facility or facilities may be newly constructed or purchased and renovated to accomplish said purpose and that the Board find and determine that such project definition and scope is consistent with the intent and purpose of the original project.

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RESOLUTION REGARDING

THE RESIDENTIAL LIFE FACILITIES PROJECT SCOPE

WHEREAS, Section 10a-109d(a)(10) of the UConn 2000 Act (the "Act") provides, in pertinent part, that the University may borrow money and issue securities to finance projects as long as such project or projects are included in subsection a of Section 10a-109e of the Act; and

WHEREAS, Section 10a-109e(d) of the Act provides, in pertinent part, that wherever appropriate or necessary, the University may revise, delete and add a particular project or projects subject to certain conditions described in such section; and

WHEREAS, the Board of Trustees wants to clarify the scope of the project listed as Residential Life Facilities and included in Section 10a-109e(a).

NOW THEREFORE, BE IT RESOLVED, that

1. The project entitled Residential Life Facilities may include a facility or facilities suited to residential life purposes, which facility or facilities may be newly constructed, renovations to existing dormitories or purchased and renovated to accomplish said purpose.
2. The Board of Trustees hereby finds and determines that such project definition and scope is consistent with the intent and purpose of the original project and that the clarification of such scope is the result of a change in University planning.

EXHIBIT C

Resolution Authorizing UCONN 2000 funds for the Acquisition of the Nathan Hale Inn

BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE UNIVERSITY AS FOLLOWS:

Section 1. That funds from the Residential Life Facilities line item under the University of Connecticut 2000 Act, Sections 10a-109a to 10a-109y inclusive of the General Statutes of Connecticut, as amended (the "Act"), in an amount not to exceed eight million, five hundred thousand dollars (\$8,500,000.00), shall be used to purchase the Nathan Hale Inn and Conference Center.

EXHIBIT D

Resolution Related to the Assumption of the Webster Bank Promissory Note Supporting the Acquisition of the Nathan Hale Inn

WHEREAS, The University of Connecticut 2000 Act, Sections 10a-109a to 10a-109y inclusive of the General Statutes of Connecticut, as amended (the “Act”), declares the purpose of the Act is to promote the welfare and prosperity of the people of the State and the continuation and improvement of their educational opportunities by approving a special capital improvement program for the University of Connecticut (the “University”) and enabling the University to borrow money and enter into financing transactions in its own name, on behalf of the State, to expand the authority of the University to construct projects and to assure State support for the financing of the acquisition, construction, reconstruction, improvement and equipping of facilities, structures and related systems for the benefit of the educational and economic development needs of the State and the University, all to the public benefit and good, and the exercise of the powers, to the extent and in the manner provided in the Act, which the Act declared to be for a public purpose and to be the exercise of an essential governmental function; and

WHEREAS, the University is empowered by Section 10a-109d of the Act pursuant to a resolution adopted by a majority of its Board of Trustees to borrow money and issue securities to finance the acquisition, construction, reconstruction, improvement or equipping of any one project, or more than one, or any combination of projects and to provide for the security and payment of those securities; and

WHEREAS, the term “securities” is defined in the Act to include bonds, notes and other evidences of indebtedness and such securities issued by the University shall be general obligations of the University payable out of any revenues or other funds or moneys of the University; and

WHEREAS, Section 10a-109f of the Act provides that the Board of Trustees of the University shall submit to the Governor each resolution for the issuance of securities approved pursuant to Section 10a-109f of the Act. The Governor may, not later than thirty days after such submission, disapprove such resolution by notifying the Board of Trustees in writing of his disapproval and the reasons for it. If the Governor does not act within such thirty-day period, the resolution is deemed approved; and

WHEREAS, the project identified in Section 10a-109e(a) of the Act as Residential Life Facilities may include a facility or facilities suited to residential life purposes, which facility or facilities may be newly constructed, renovations to existing dormitories or purchased and renovated to accomplish said purpose; and

WHEREAS, the University desires to purchase the Nathan Hale Inn and Conference Center (the “Inn”) and to partially finance such purchase, by assuming the existing indebtedness of the seller of the Inn to Webster Bank, National Association (the “Bank”); and

WHEREAS, a portion of the Inn currently houses students of the University and it is the intent of the University to convert the remaining portion of the Inn to serve as a dormitory for students of the University.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE UNIVERSITY AS FOLLOWS:

Section 1. An amended and restated promissory note entitled to the benefit, protection and security of the Act in the maximum principal amount of \$5,500,000 plus any amounts for the costs of issuance made to the order of the Bank (the "Note") is hereby authorized to partially finance certain Residential Life Facilities, a project identified in Section 10a-109e of the Act and approved as a project of UConn 2000 (the "Project"). The Project will include the purchase of the buildings and improvements known as the Nathan Hale Inn and Conference Center, located on the University campus in Storrs, Connecticut from Campus Associates Limited Partnership.

Section 2. The principal, interest and other payment obligations of the University under the Note shall be a general obligation of the University and the full faith and credit of the University is hereby pledged to such payments. The Note shall be payable out of any revenues or other assets, receipts, funds or moneys of the University available therefor and may be additionally secured by a pledge of revenues to be derived from the operation of the Project, subject only to any agreements with the holders of any other securities pledging any particular assets, revenues, receipts, funds or moneys.

Section 3. The Note shall be dated and shall have a term not longer than two years from its dated date, shall carry such interest rate or rates payable at least semiannually as, the Treasurer of the State (the "Treasurer") in conjunction with the President or Executive Vice President for Administration and Chief Financial Officer of the University (the "Authorized Officers") shall determine is in the best interests of the State and University.

Section 4. The determination of the principal amount of the Note, Note term, principal and interest payment dates and amounts, interest rate, terms, form and other details of the Note is hereby delegated to be determined by certificates of the Authorized Officers and the Treasurer in accordance with the Act, such principal amount, Note term, principal and interest payment dates and amounts, interest rate, terms, form and other details to be conclusively evidenced by the execution and delivery of the Note.

Section 5. The terms, time and manner of the sale of the Note including whether such sale is by competitive bid, negotiation or private placement, and any other conditions of the issuance and sale of the Note shall be determined by the Treasurer pursuant to a certificate of determination which shall be filed with the University and the Secretary of the State Bond Commission on or before the date of delivery of the Note or any participations or interests therein setting forth the details and particulars of the Note determined by her in accordance herewith. The Treasurer is further authorized, pursuant to the Act and pursuant to certain provisions of the General Statutes of the State of Connecticut, as amended, the authority to enter

into agreements in consultation with an Authorized Officer with respect to the issuance and sale of the Note, or any participations or any interests therein, including financial advisory agreements, purchase agreements and investment agreements.

Section 6. The Note shall be executed and attested to by the manual signatures of the Authorized Officers and authenticated if necessary, in accordance with the provisions of the Act and the Connecticut General Statutes.

Section 7. The Treasurer and the Authorized Officers of the University and each of them, are hereby authorized to perform all acts which are necessary or appropriate in connection with the execution and delivery of the Note, or any participations or interests therein, provided that the proceeds from the Note are used for the Project.

Section 8. The Treasurer and the Authorized Officers, and each of them, hereby is authorized to provide for the security and payment of the Note and for the rights of the holders of the Note, or any participations or interests therein, to secure such obligations, pledge security and execute such security agreements, reimbursement agreements, instruments, opinions, certificates, affidavits and other documents and to do or cause to be done any and all other acts and things necessary, advisable or proper for carrying out this resolution, the terms, obligations and/or security of the Note and the implementation of the Project. The interest payable on the Note will be includable in the gross income of the owners thereof and it is therefore hereby determined that the Note and the Project that will be financed with the Note are in the public interest.

Section 9. An Authorized Officer shall cause this resolution of the Board of Trustees approving the Note to be submitted to the Governor together with a summary report of the estimated total completion costs of the Project for his approval in accordance with Section 10a-109f.