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MEMORANDUM

TO: Lisa Hogan, Chairperson, Miami-Dade County Educational Facilities Authority and Members of the Board of the Miami-Dade County Educational Facilities Authority

FROM: Bryant Miller Olive P.A.

DATE: August 19, 2015

RE: Outstanding questions regarding the issuance of bonds for the benefit of the University of Miami

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QUESTIONS RAISED

You have asked Bryant Miller Olive P.A., in our capacity as Bond Counsel to the Miami-Dade County Educational Facilities Authority (the "Authority"), to answer the following questions in connection with the potential issuance by the Authority of not to exceed $764 million in bonds (the "Series 2015 Bonds") for the benefit of the University of Miami (the "University"):

1. Is the information provided by the University to the Authority regarding the University's new ambulatory care center on the University's Coral Gables Campus (the "ERP") that would be financed and/or refinanced with the proceeds of the Series 2015 Bonds sufficient such that in considering approving the issuance of the Series 2015 Bonds for this purpose the Authority would be in compliance with the provisions of its authorizing legislation?

2. If the Authority authorized the issuance of the Series 2015 Bonds, would it have any financial exposure with respect to the Series 2015 Bonds?

FACTUAL SUMMARY

Powers and Purpose of the Authority

The Authority was created pursuant to Ordinance No. 69-72, enacted by the Board of County Commissioners (the "Board") of Miami-Dade County, Florida (the "County"), on October 1, 1969. The Authority's corporate powers are derived pursuant to the Constitution and laws of the State of Florida, in particular Chapter 243, Part I, Florida Statutes (the "Act"). Pursuant to Section 243.19 of the Act, the Authority's primary purpose is to "provide a measure of assistance and an alternate method to enable institutions of higher education in [Miami-Dade County] to provide the facilities and structures which are sorely needed to accomplish the purposes of [the Act]." The main way in which the Authority has satisfied that primary purpose is through the issuance of the Authority's educational facilities revenue bonds for the benefit of accredited, nonprofit higher educational institutions like the University. Bonds like the Authority's bonds are commonly described as "conduit bonds."

Although the Authority's conduit bonds do not involve any revenues of the Authority, the County or the State of Florida (the "State"), conduit borrowers like the University benefit from conduit bonds for a number of reasons, including potentially less complex borrowing structures and lower borrowing costs as a result of the tax-free nature of tax-exempt conduit bonds.

Authority's Bonds Not an Obligation of the Authority

For those who are not active participates in the municipal bond market, conduit bonds can be confusing. It is true that the issuer of conduit bonds issues those bonds, sells the bonds to an underwriter (or bank) and then loans the proceeds from that sale to what is commonly referred to as a conduit borrower. However, in most cases, the conduit issuer has absolutely no obligation to pay principal, interest, penalties or any other cost associated with the conduit bonds. Instead, those costs are paid by the conduit borrower. The same would be true with respect to the Series 2015 Bonds and is true with respect to all of the other bonds issued by the Authority for the benefit of the University. The following disclaimer is printed on their face of each of the series of bonds issued by the Authority for the benefit of the University and is printed on the face of the form of the Series 2015 Bonds included in the Authority's Agenda Package:

> Neither the State of Florida, nor any political subdivision thereof, nor the Authority, is or shall be obligated to pay the [Bonds] or the interest thereon except from the Loan Payments received from the University and neither the faith and credit nor the taxing power of the State of Florida or any political subdivision thereof is pledged to the payment of the principal of or the interest on the [Bonds]. The issuance of the [Bonds] shall not directly or indirectly or contingently obligate the State of Florida or any political subdivision thereof to levy or to pledge any form of taxation whatever or to make any appropriation for their payment.

This disclaimer described above is commonplace in the market for conduit bonds and investors understand that the quality of their investment is based solely upon credit the University's credit quality. In the case of conduit bonds offered to the general public, this fact is explained in detail.

The Authority and the University have entered into a contract that is commonly referred to as a master bond indenture. The Authority's bonds that are issued for the benefit of the University are issued under that master bond indenture. The master bond indenture is supplemented each time the Authority issues bonds for the benefit of the Authority and then the proceeds of the bonds are loaned to the University pursuant to a related loan agreement. The master bond indenture, each supplement to it and each loan agreement make clear that the repayment of the bonds is a general obligation of the University and in no case an obligation of the Authority, the County, the State or any political subdivision of the State.

Mr. Reiter's statement to the Authority on this point was accurate.

<u>Purpose of the Series 2015 Bonds</u>

The University summarized its intentions regarding the use of the proceeds of the Series 2015 Bonds in its application and that has been reflected in the bond documents and resolutions presented to the Authority and the County Commission. If market conditions remain favorable, the University anticipates allocating approximately $475 of the proceeds of the Series 2015 Bonds to the refunding of all or a portion of the Series 2007A and Series 2008A Bonds issued by the Authority. The University anticipates allocating approximately $275 million to new projects, including approximately $200 million for the ERP.

We understand that the University provided the Authority with general information about the cost of the ERP, but no specific *pro formas* or other information regarding the ERP. As discussed above, it should be noted that if issued, the Series 2015 Bonds would be a general obligation of the University, not the Authority, the County or the State. It also bears repeating that the obligation to repay the Series 2015 Bonds would be a general obligation of the University rather than an obligation to repay based solely upon the revenues generated by the ERP. Ultimately, the University will receive credit ratings on the Series 2015 Bonds based upon the foregoing and the credit rating agencies will likely consider the effect on the University if the ERP were a financial failure. At the Authority's last meeting the University advised the Authority that it is not specifically looking to the ERP to provide sufficient revenues to pay debt service on the Series 2015 Bonds.

BRIEF ANSWERS

Is the Information Regarding the ERP Sufficient?

The information regarding the ERP provided by the University to the Authority, as described in your email, is sufficient for purposes of the Act. Section 243.27 of the Act, entitled "revenue bonds," expressly describes the issuance of revenue bonds by the Authority. Neither the Act, nor Section 243.27 thereof set forth specific requirements regarding the type and amount of information the University is required to provide to the Authority.

Financial Exposure?

As described above, neither the Authority, the County, the State nor any political subdivision would be obligated to repay the Series 2015 Bonds. The Series 2015 Bonds would only be required to be repaid from revenues derived from the University. In addition, per Section 6.3 of the proposed Loan Agreement for the Series 2015 Bonds, the University provides broad indemnity to the Authority with respect to any claims arising as a result of the issuance of the Series 2015 Bonds. The same broad indemnity is in the loan agreements for all of the other bonds issued by the Authority for the benefit of the University.