2012-0040-1270711-A

Board of Governors of the
Colorado State University System ("Board")
Meeting Date: December 7, 2011
Action Item

MATTER FOR ACTION:

Appointment of the President of Colorado State University-Pueblo

RECOMMENDED ACTION:

Pursuant to C.R.S. §23-30-116, 2011 (Board to Choose Presidents); it is hereby MOVED that the Board of Governors of the Colorado State University System approve the appointment of Dr. Lesley Di Mare to the position of President of Colorado State University-Pueblo effective December 1, 2011. On and after the effective date she shall have all authority associated with and previously delegated to the position of the Office of President.

EXPLANATION:

Presented by Joe Zimlich, Chair of the Board of Governors of the Colorado State University System.

✓
Approved Denied

Ed Haselden/Board Secretary
12/7/11
Date

2012-0041-120711-A

Board of Governors of the
Colorado State University System
Meeting Date: December 7, 2011
Action Item

Approved

Stretch Goal: Expand Fundraising and Marketing
Strategic Initiative: #31 Yearly Giving

MATTERS FOR ACTION:

CSU: Approval of the Acceptance of Gifts and Naming Opportunity

RECOMMENDED ACTION:

MOVED, that the Board of Governors approve the acceptance of gifts and the naming in recognition of gifts relating to the gymnasium and community room in the Early Childhood Center within the College of Applied Human Sciences.

EXPLANATION:

Presented by Tony Frank, President, and Brett Anderson, Vice President for Advancement.

The University allows the naming of specified facilities under its policy outlining the specific qualifications and procedures. The procedures require approval by the President of the University. Once the naming opportunity has been endorsed by the President, the President submits it to the Board of Governors for final approval.

To maintain confidentiality, the donors of the gifts and the specific naming opportunities are not identified at this time. A brief description of the gifts and the naming opportunities has been distributed to the Board members during the executive session.

The announcement of the gifts and the naming will be made by the appropriate unit.

✓ Approved | Denied

Board Secretary

12/7/11
Date

The Board of Governors of the
Colorado State University System
Meeting Date: December 7, 2011
Action Item

2012-0042-120711-A

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Approved

Stretch Goal or Strategic Initiative: None.

MATTERS FOR ACTION:

The Board of Governors of the Colorado State University System (Board): Approve the project between Colorado State University, the Colorado State University Research Foundation and INTO University Partnerships Limited to establish and operate an international student enterprise.

RECOMMENDED ACTION:

MOVED, that the Board of Governors of the Colorado State University System hereby approves the project between Colorado State University, the Colorado State University Research Foundation and INTO University Partnerships Limited, and its affiliates, to establish and operate an international student enterprise at the Colorado State University campus, and the Board determines that this collaboration serves a valid public purpose for the benefit of Colorado State University, its faculty, staff, and students.

FURTHER MOVED, that the President of Colorado State University is hereby authorized to sign implementing contracts and other documents necessary and appropriate to consummate the transaction with modifications made in consultation with the Office of the General Counsel.

EXPLANATION:

Presented by Dr. Tony Frank, President, Colorado State University; and Dr. Rick Miranda, Provost and Executive Vice President, Colorado State University

Colorado State University has signed a non-binding Memorandum of Understanding with INTO University Partnerships Limited to discuss a possible collaboration, potentially involving the Colorado State University Research Foundation, for the establishment and operation of an international student enterprise. The project would utilize facilities on the Colorado State University campus to deliver a portfolio of market-leading academic preparatory programs and English language training programs and providing preparation for, and potential articulation to, Colorado State University.

The project involves the creation of a new company created under the laws of the State of Colorado, and formed with the approval of the parties. The Colorado State University Research Foundation, or a subsidiary, would be an equal member of this company with INTO University Partnerships Limited. This new company would manage the operations of the academic preparatory programs that provide for matriculation to Colorado State University. Colorado State University would develop and deliver those programs, and would also control academic and admissions standards. Colorado State University would be reimbursed for instruction, housing and other student support services. INTO University Partnerships Limited, or an affiliate, would provide management services and international marketing and recruitment services for these programs.

✓
Approved Denied

Board Secretary

12/7/11
Date

The Board of Governors of the
Colorado State University System
Meeting Date: December 7, 2011
Action Item

2012-0043-120711-A

Approved

Stretch Goal or Strategic Initiative: None.

MATTERS FOR ACTION:

The Board of Governors of the Colorado State University System (Board): Supporting Phase I of the renovation of Moby Arena at Colorado State University.

RECOMMENDED ACTION:

MOVED, that the Board of Governors of the Colorado State University System hereby supports Phase I of the renovation to Moby Arena at Colorado State University, which is estimated to cost $4.5 million, and the Board further supports the use of funds from loan repayments by Colorado State University-Global Campus, enrollment growth above budget for fiscal year 2011-2012, or from private donations to support the cost of this renovation.

EXPLANATION:

Presented by Dr. Tony Frank, President, Colorado State University; and Amy L. Parsons, Vice President for University Operations, Colorado State University

Moby Arena opened in 1966. Since that time, there have been renovations to the locker rooms and the training and equipment rooms. In 2001, a new hardwood playing surface was installed. To further improve this athletic venue for students, fans, players and the community, a modest renovation to Moby Arena is needed. This renovation is planned in two phases. Phase I costs are estimated at $4.5 million, and would include updates to the concourses, as well as the addition of a multiuse space for various events and meetings on the south side of Moby Arena. Funding for the Phase I renovation would come from recent loan repayments by Colorado State University-Global Campus, enrollment growth above budget for fiscal year 2011-2012, or from private donations.

Phase I would create a unique location to host events before and during games. At other times, the new multiuse space could be configured for events and meetings, similar to areas in the Lory Student Center. Following completion of Phase I, the primarily donor funded Phase II renovations are estimated at less than $11 million.

✓ Approved   Denied

Board Secretary

12/7/11
Date

The Board of Governors of the
Colorado State University System
Meeting Date: December 7, 2011
Action Item

2012-0044-120711-A

Stretch Goal or Strategic Initiative: None.

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Approved

MATTERS FOR ACTION:

The Board of Governors of the Colorado State University System (Board): Approval of modifications to the CSUS/CSURF Municipal Leasing Program for the acquisition of equipment by the Board for the benefit of Colorado State University, Colorado State University – Pueblo, and Colorado State University – Global Campus.

RECOMMENDED ACTION:

MOVED, that the Board of Governors hereby approves a modification to the CSUS/CSURF Municipal Lease/Purchase Program for the benefit of Colorado State University, Colorado State University – Pueblo and Colorado State University – Global Campus, to permit the acquisition of equipment valued at $50,000 or more on an annual appropriation basis for a term equal to the useful life of the equipment but no more than ten (10) 1-year periods.

FURTHER MOVED, that in order to provide for the acquisition of such equipment to meet the needs of the institutions, the President or authorized delegate of Colorado State University, Colorado State University-Pueblo and Colorado State University – Global Campus is authorized to sign Municipal Lease/Purchase Agreements in substantially the form of the agreement on file with the Secretary of the Board, with such changes as shall be approved by the Office of the General Counsel, as well as any other documents necessary and appropriate to consummate such transactions.

EXPLANATION:

Presented by Dr. Tony Frank, President, Colorado State University; Amy Parsons, Vice President for University Operations, Colorado State University, and Kathleen Henry, President and CEO, CSURF.

By resolution dated May 3, 1995, the Board (then the State Board of Agriculture) approved a resolution re-establishing a Municipal Lease/Purchase Program for the purpose of providing a lease/purchase mechanism for the Board to acquire much needed equipment for use in departments and programs at its constituent institutions. Under that Municipal Lease/Purchase Program, the Colorado State University Research Foundation acquires, on behalf of the Board, the equipment as requested by a particular department or program by leasing it from an outside financing company. The Board, through the institutions, makes lease payments directly to the financing company. When the lease is retired, if the equipment amount has been fully paid, the financing company conveys title in the equipment to the Board. CSURF has been providing quarterly activity reports on the Municipal leases since the program's inception, and such reporting will continue.

The May 1995 Resolution references use of the Municipal Lease/Purchase Program for equipment valued at $100,000 or more. The Board has also approved, on an annual basis, a Line of Credit Program for CSURF, on behalf of the Board, to acquire equipment valued at less than $50,000. This leaves a possible void for the acquisition of equipment valued between $50,000 and $99,999. This resolution clarifies any ambiguity by expressly authorizing the acquisition of equipment valued at $50,000 or more through the Municipal Lease/Purchase Program.

Similarly, the May 1995 Resolution references the term of municipal leases as no more than a total of five (5) 1-year periods. This limited payback term has proved to be difficult for some departments to meet when the desired equipment is expensive. Clarifying any ambiguity and expressly permitting longer maximum terms for financing will provide much needed flexibility for the institutions.

✓ Approved   Denied

Board Secretary

12/7/11
Date

Colorado State University System
Board of Governor's Meeting – December 7, 2011
Action Item
Stretch Goal or Strategic Initiative: None

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Approved

MATTERS FOR ACTION:

Approval of the "Plan of Financing" for System Enterprise Revenue Bonds, Series 2012A.

RECOMMENDED ACTION:

MOVED, that the Board of Governors hereby approves the Plan of Financing for the Colorado State University System Enterprise Revenue Bonds, Series 2012A.

EXPLANATION:

Presented by Richard Schweigert, Chief Financial Officer, Colorado State University System

PLAN OF FINANCING-SYSTEM ENTERPRISE REVENUE BONDS SERIES 2012A

Introduction

This proposed Plan of Financing will provide construction funding for four capital construction projects located on the Fort Collins campus, and funds to refinance a short term loan made for the purchase of the Walking Stick Apartment complex on the Pueblo campus. The plan contemplates issuing tax exempt System Enterprise Revenue Bonds, Series 2012A ("the Series 2012A Bonds"), the fifth such issuance by the System under the single enterprise designation which was originally adopted by the Board at its October 7, 2006 meeting. The Series 2012A Bonds will deliver $131,900,000 of bond proceeds for the following projects:

Lory Student Center Revitalization	Fort Collins	$60,000,000
Academic Village North	Fort Collins	57,000,000
Animal Sciences Building Expansion	Fort Collins	7,500,000

Engineering II	Fort Collins	4,000,000
Walking Stick Apartment Refinancing	Pueblo	3,400,000
Total 2012A project proceeds		$131,900,000

Project Descriptions

Each of these projects was discussed, and approved, at the Board's October 4, 2011 Finance Committee meeting. Project descriptions are provided below.

Lory Student Center Revitalization:
The Lory Student Center (LSC) revitalization project will completely renovate 160,000 gsf of the existing Lory Student Center (the original building, completed in 1962) and add approximately 40,000 gsf of new space. The project cost is estimated at $65,000,000, of which $60,000,000 will be bond financed and $5,000,000 will come from LSC reserves. In April 2011, students approved an increase of $70 in the Lory Student Center Fee to pay for the project. The fee increase will not go into effect until the project is completed, which is expected to be in the fall semester of 2014 (fy2015). The bonds for this project will be structured with a 30 year maturity starting in fy2015. Debt service payments on the bonds prior to fy2015 will be structured as capitalized interest.

LSC currently has bonds outstanding from the Series 2003A, Series 2007B and Series 2010C bond issues. The Series 2003A and 2007B bonds will both mature in fy2017. After that time, the funds used for debt service payments on these bonds are planned to be used for the new Series 2012A Bonds debt service payments. This Plan of Finance calls for wrapping the Series 2012A Bonds' debt service around the prior Series 2003A and 2007B debt service. The Series 2012A Bonds will be structured with interest-only payments from fy2015-17, until the prior outstanding debt matures, at which time the new bonds will begin amortizing. This approach provides an efficient cash flow model and also allowed LSC to effectively minimize the amount of the student fee that was requested for backing the project.

A separate project in the student center, the LSC Theatre renovation project, which was financed with System Enterprise Revenue Bonds, Series 2010C, is already in progress and will be completed by the fall semester of 2012. This project will provide swing space for certain programs and events as the current revitalization project work progresses.

The Series 2012A Bond project will achieve three primary goals:

(1) Improve building infrastructure and systems.
(2) Organize and highlight student diversity programs and services.
(3) Provide additional space.

Academic Village North

The Academic Village North housing project will deconstruct the existing Lory Apartments and construct a facility to accommodate 600 students on the site, along with additional community and academic support spaces, to support the documented demand for on-campus housing of both first year students and retention of undergraduates. The existing Durrell Dining Center Commons will be renovated to accommodate the increased student population.

The Lory Apartments were built in 1948 and contain 72 units that are primarily occupied by graduate students. The site is significantly underutilized from a site density standpoint and is not being used for undergraduate housing. Durrell Dining Center was constructed in 1968 and has not had any significant renovation. It will be brought up to the standards of the other campus dining facilities with a wide range of food venues and an extended hours grab-n-go café.

The project will use the academic village concept, based on the success of the Academic Village South. The design will focus around an internal pedestrian spine to link the existing and new users together in a unified main street concept centered on a new Village Square. A minimum of 600 new beds and well disbursed student services and amenities will activate this site and be developed in context of ongoing Corbett Hall revitalization strategies. Included in the scope is approximately 15,000 gsf of academic program space to encourage living/learning opportunities throughout the site. Comprehensive site improvements are anticipated including 100 on-site surface parking stalls and a range of plazas, courtyards, lawns and exterior programmed spaces. Exterior building envelopes will use a material palette from the Academic Village South to bring architectural cohesiveness to campus housing.

The current cost estimate is approximately $57,000,000. The construction timeline anticipates that the project will be completed in time for the fall semester 2014. Capitalized interest will be included to make the debt service payments during the construction period.

However, due to the strength of the Housing and Dining Services operating condition, they are able to begin making debt service payments prior to completion of the project. One semi-annual interest payment prior to the opening of the Academic Village North will be made with Housing and Dining operating funds, thereby allowing us to reduce the amount of capitalized interest, and thus the total amount of borrowed funds needed for this project, by approximately $1,500,000.

Animal Sciences Building Expansion
The Animal Sciences Building houses classrooms scheduled both by the University and the Department of Animal Sciences, meat processing, microbiology and nutrition research laboratories, and administrative outreach offices for the Department of Animal Sciences in the College of Agricultural Sciences. The building expansion project includes extensive renovations and two additions to the building. Renovations to the 41,558 gsf building, originally constructed in 1959, will include complete renovation of the plumbing, mechanical, electrical and telecommunication systems, installation of an air conditioning system and modern audio-visual systems in the renovated teaching laboratories and classrooms. The poured-in-place concrete posts and beams will permit considerable spatial reconfigurations to meet current programmatic needs.

The two additions, totaling 11,636 gsf, will be on the north and south sides of the building. The south addition will have a 170 seat auditorium, second story collaboration space off the proposed department library, new accessible restrooms, and an elevator. The south addition will become the more public entrance to the building.

The total budget for this project is estimated at $19,500,000. Bond financing will provide $7,500,000. The College of Agricultural Sciences anticipates raising the remaining $12,000,000 in donations. The Series 2012A Bond project will be developed with bond proceeds being used primarily for interior renovations. Further project work, including the two building additions, will be the focus of the additional donor funds.

Capitalized interest will be used to make the debt service payments during the construction period for this project. Upon project completion, debt service and operating and maintenance costs will be paid from the university's Education and General Fund.

Engineering II
The Engineering II building received a portion of its construction funding in the System's Enterprise Revenue Bond Issue, Series 2010A-C. The additional $4,000,000 of funding being requested in the Series 2012A bonds will complete some of the building's interior spaces that are currently funded and constructed to a "core-and-shell" level. This additional funding will bring this space up to an occupant-usable state. The funds will be used to complete work on interior mechanical, plumbing, electrical, walls, finishes, furniture and equipment for student research laboratory, office and support space.

Walking Stick Apartment Refinancing
In the summer of 2011, Colorado State University-Pueblo finalized the purchase of the University Village at Walking Stick apartment complex. The complex was built in 1998 and has been owned and managed by a private entity. It is located on campus in close proximity to the three new residence halls which were funded with proceeds from the System's Series 2009A bonds.

The addition of the Walking Stick apartment complex to the existing campus housing inventory provides a unique housing opportunity for those students who are exempt from the on-campus living requirement. This housing choice will offer an array of amenities and conveniences of "off campus living" with the benefits of living in the heart of the campus.

The complex consists of six individual buildings and a main office/laundry building. The buildings dedicated to housing include thirty eight units with a total of 152 beds in townhouse style buildings. Each unit has two levels and offers four bedrooms, two full bathrooms with kitchen, living room and a study lounge. The grounds are landscaped and include parking for 150 vehicles. Kitchen facilities give students the opportunity to continue to buy a meal plan through campus dining service or to cook on their own. The townhomes are energy efficient with energy saving appliances and features throughout. Available amenities include high speed internet access, a common area house phone, premium cable television access, individually controlled heating and air conditioning.

The purchase was financed with a short term (18 month) loan. Proceeds from the Series 2012A Bonds will be used to pay off the short term loan and to provide long term financing for the acquisition. Since the complex is currently occupied for the 2011-12 academic year and generating rental revenue, no capitalized interest will be included in the Series 2012A Bonds for this project. Debt service and operating costs will be paid from rental revenues.

<u>Project approvals and cash flow sufficiency</u>

The size and scope of the proposed projects dictate that a bond financing is the appropriate funding mechanism. Such financing has been contemplated in Program Plan documents presented to, and approved by, the Board at its October 2011 meeting. Approvals from CCHE, the State's Capital Development Committee and the Joint Budget Committee are all expected to be in place by the time of the December Board meeting. Design costs and construction funding will be provided by the bond issue. Subsequent operation and maintenance expenses and debt service will come from campus operations as outlined in the project descriptions above.

Our internal financial control process dictates that each project must prove the ability to pay its own way in order to be included in a System bond issue…i.e. that the cash flow projections from the individual revenue stream backing the project are sufficient to pay for the ongoing operating and maintenance expenses of the project, fund a repair and replacement reserve and service its own debt, without relying on other pledged revenue streams. At the very minimum, projects are required to provide a 100% debt service coverage. The campuses are, however, encouraged to achieve at least 125% debt service coverage in their project pro-formas. Given the assumptions built into each project pro-forma, our analysis indicated that that all projects were able to achieve the 125% goal. Project pro-formas for these projects were also formally presented to the Board at the October 2011 Board meeting. System staff worked with the campuses in the development and review of these financial projections in order to ensure cash flow sufficiency. With the knowledge that each of these projects can, in fact, be self-supporting, we recommend including them in the Series 2012A bond issue.

Debt capacity

A debt capacity presentation was also made to the Board's Finance Committee at its October 4, 2011 meeting. That presentation indicated that the System had a current debt capacity of $275,000,000 to $350,000,000 of additional bonds. The total par amount of the Series 2012A Bonds will be approximately $135,000,000 (comprised of $131,900,000 million of project proceeds, capitalized interest, plus other issuance related costs – see SOURCES AND USES in the Structuring details-summary section below). The Series 2012A bonds are well within the current estimated debt capacity limit.

Bond Financing Team

The bond financing team for the Series 2012A Bonds will consist of:

Underwriting Team:	
Senior Manager	RBC-Royal Bank of Canada (Jon Moellenberg and J.J. Ament)
Co-manager	Morgan Stanley (Chuck Cook)
Financial Advisor:	North Slope Capital Advisors (Stephanie Chichester)

Bond Counsel:	Kutak Rock, LLP (Fred Marienthal)
Paying Agent:	Wells Fargo Bank

Internal staff from the General Counsel's Office, the System CFO's Office, CSU-Pueblo and CSU will also be involved.

<u>*Current bond market*</u>
Tax-exempt interest rates are approximately 20 basis points higher than when the System was last in the market in the summer of 2010, however long rates still remain below 5%. The market has been characterized by declining rates over the course of 2011, and more so by continuing volatility due to uneven domestic economic growth and the European debt crisis. These conditions have driven investors to the safety of Treasuries, thereby driving Treasury rates markedly lower. Investors have been more cautious of public entities selling tax exempt general obligation or revenue backed bonds, and accordingly rates on these bonds have not seen the drop in rates that Treasuries have. In spite of this, tax-exempt yields remain extremely attractive, having recently dropped to levels unseen since the 1960s, with top-rated 10-year municipal bonds dipping below two percent earlier this fall.

A major market headline for November, 2011 was made by Alabama's most-populous county, Jefferson County, when it filed the largest-ever U.S. municipal bankruptcy on November 9th after state lawmakers and creditors failed to reach an agreement to refinance $3.14 billion of sewer-system bonds. In spite of the severity of this event, the market accepted the bankruptcy announcement as an isolated incident, and cash inflows to the municipal market continue to be strong.

Provided that market volatility does not present any major obstacles during the next few months, the timing of the Series 2012A Bonds should, once again, present the System with a very favorable environment for a fixed rate bond sale in February or March of 2012. An upward spike in interest rates during the next several months could negatively impact the project cash flows and potentially deem one or more of the projects uneconomic.

As suggested by our advisors, if market volatility dictates during the time period between the December and February Board meetings, it is requested that the System CFO be provided with authorization to consider a form of interest rate lock to ensure affordable interest rates for the Series 2012A Bonds.

Maturity
All of the projects will be structured with a 30 year maturity, except for the Lory Student Center Revitalization project.

The Lory Student Center Revitalization project will be structured with a thirty year maturity schedule beginning when the newly approved student fee begins, in the fall of 2014. The thirty year schedule will run concurrently with the thirty year collection period approved for the fee. Debt service prior to the fall of 2014 (i.e. in fy2013 and fy2014) will be paid with capitalized interest. Total maturity of the bonds for this project only, will be 32 years.

Capitalized Interest
As per the Board's Debt Management Policy, "The use of capitalized interest will only be considered for projects whose identified funding stream will not be able to immediately generate sufficient revenues to repay debt. In those instances, interest will not be capitalized for a period in excess of the construction period plus three months." Capitalized interest has been included for three of the construction projects. Details are shown below:

Project	Funding Source	Construction period plus 3 months	Cap. Interest included
Lory Student Center Revitalization	Student Fees	39 months	24 months
Academic Village North	Housing Revs	39 months	18 months
Animal Sciences Building	E&G	27 months	18 months

Bond insurance
The monoline bond insurance industry has only one major insurer: Assured Guaranty Municipal Corp. (AGM). AGM guarantees U.S. municipal bonds and international infrastructure financings. It was named Financial Security Assurance Inc. (FSA) before becoming an Assured Guaranty company in July 2009. Assured Guaranty's long-term credit ratings are Aa3 and AA+ from Moody's and Standard and Poor's respectively, both with a negative outlook. Assured Guaranty offers the System no interest rate advantage over the State of Colorado's free Intercept Program, rated Aa2 and AA- by Moody's and Standard and Poor's respectively.

State Intercept
To further strengthen the offering we will utilize the Colorado State Intercept Program. During the 2008 Session, the General Assembly passed

Senate Bill 08-245, referred to as the "State Intercept Program," which is codified at CRS Section 23-5-139. This program allows the State of Colorado to enter into agreements that would require the State Treasurer to pay principal of and interest on revenue and refunding bonds issued by state institutions of higher education if the institution defaults on a payment. This agreement essentially acts similar to bond insurance.

Under this program, if the CSU System would fail to make a scheduled debt service payment on any outstanding Series 2012A Bonds, our Paying Agent will immediately notify the State Treasurer's Office who will then attempt to contact the CSU System and rectify the matter. Ultimately, if the payment problem is not rectified, the State Treasurer's Office would then step in and make the debt service payment for the CSU System from immediately available State funds. If the State Treasurer makes any such payments, it is directed to recover the amount of such payments by withholding amounts from the institution's Fee for Service contract with the Department of Higher Education and from any other "state support" for the institution and unpledged tuition collected by the institution.

The State Intercept program has been utilized twice by the CSU System, for the 2009A bonds and the 2010A-C bonds. Issuers who choose to utilize the State Intercept Program to back their bond sale will effectively receive the program's expected Aa2 (double A quality) rating in the bond marketplace versus their own stand alone "unenhanced" rating. This results in interest cost savings to the issuer due to the higher quality of the improved rating. This support is viewed very favorably by the ratings agencies and potential investors. By utilizing the State Intercept Program on our upcoming financing, the CSU System expects to realize a full one step increase in rating from our current underlying rating of Aa3 to the State Intercept Program rating of Aa2 when we market our bonds.

Pledged revenues

Since the bonds will be sold as System Enterprise Revenue Bonds, the revenue pledge backing the bonds will include a variety of revenues from both Fort Collins and Pueblo campuses. The Series 2012A bonds will not be judged by potential investors on the merits of the individual bond projects themselves. Rather the investors will look to the broader revenue pledge as the security behind these bonds. As in all past System Enterprise Revenue Bond issues, pledged revenues will include:

- auxiliary revenues,
- student fees,
- indirect cost recoveries on research contracts,

- revenues from rents and charges for the use of research facilities,
- student facilities construction fees and
- 10% of tuition.

Due to this broad pledge we will not be required to establish a reserve fund and we will only be required to establish a net-revenue-to-debt service coverage ratio of 1.0. Our actual debt service coverage ratio calculated for our previous System bond issue, the 2010A-C System bonds, showed this ratio to be 2.7. We anticipate that this ratio will decline somewhat with the issuance of the Series 2012A Bonds, but should remain very favorable in the range of 2.2 - 2.4 (actual fy2011 financial data have not been fully incorporated into this calculation yet).

Ratings
As per the Board's Debt Management Policy, we define debt capacity as the additional amount of debt we may issue without placing our current bond ratings in jeopardy. Our current updated debt capacity analysis, presented to the Board's Finance Committee at its October 4, 2011 meeting, incorporated tools and methodology used by the rating agencies in determining our bond rating. Our analysis indicated that issuing additional new debt up to approximately $200,000,000 would not likely impact the System's bond ratings. Issuing in excess of $200,000,000 would likely require us to begin to more actively defend our current ratings.

We anticipate that issuing the Series 2012A bonds, in the approximate amount of $135,000,000 million, will very likely result in the rating agencies confirming our current underlying ratings; Aa3 from Moodys and A+ from S&P.

Structuring details-Summary
We currently propose financing the new construction projects with the following characteristics:

Maturity:	30 years (LSC project 32 years)
Rate:	Fixed rate
Debt Service:	Level debt service for each project
Capitalized Interest Fund:	Yes, for three projects

Debt Service Reserve Fund:	None required
Pledged Revenues:	System Enterprise pledged revenues
Ratings:	Anticipate that existing ratings will be confirmed: Aa3 underlying rating -Moodys A+ underlying rating - S&P
Bond Insurance:	None anticipated Will utilize State Intercept Program backing in lieu of insurance

SOURCES OF BOND PROCEEDS:

Par amount of bonds:	$134,945,000
Net Premium	9,148,321
TOTAL SOURCES	$144,093,321

USES OF BOND PROCEEDS:

CSU - Lory Student Center Revitalization	$60,000,000
CSU - Academic Village North	57,000,000
CSU – Animal Science Building Expansion	7,500,000
CSU – Engineering II	4,000,000
CSUP – Walking Stick Apt Refinancing	3,400,000
Capitalized Interest Funds for CSU-LSC	6,519,139
Capitalized Interest Funds for CSU-Housing	4,360,211
Capitalized Interest for CSU-Animal Science	574,469
Underwriter's discount ($3.95 per bond)	533,033
Costs of Issuance	200,000

Additional proceeds	6,469
TOTAL USES	$144,093,321

Preliminary amortization schedules have been prepared for each project and are included as Attachment 1. Also included, as Attachment 2, is summary information on the total annual system-wide debt service prior to and after the Series 2012A bond issue. These are only preliminary schedules since interest rates, issuance costs and some aspects of the bond structure may vary at the time of the sale.

Refunding opportunities

As with any new bond financing, as we plan to take on additional debt, our practice is to concurrently analyze outstanding debt for the possibility of refunding opportunities. As stated in the Board's Debt Management Policy "The System will consider refinancing outstanding debt only when savings for the refinancing, measured on a net present value basis, are positive, or when the refinancing accomplishes other strategic objectives including budgetary relief or eliminating future risks".

There are currently eleven bond issues outstanding in the System's debt portfolio. Balances as of December 1, 2011 are as follows:

Issue	Principal	Interest	Total
2003A (CSU)	5,935,000	935,325	6,870,325
2003B (CSU)	18,155,000	12,195,863	30,350,863
2005B (CSU)	42,775,000	27,312,278	70,087,278
2007A (CSUS)	160,665,000	154,299,125	314,964,125
2007B (CSUS)	19,460,000	3,646,263	23,106,263
2007C (CSUS)	15,120,000	5,887,118	21,007,118
2008A (CSUS)	82,125,000	64,763,443	146,888,443
2009A (CSUS)	56,090,000	53,488,413	109,578,413
2010A (CSUS)	25,330,000	6,471,325	31,801,325
2010B (CSUS)	40,335,000	36,908,522	77,243,522
2010C (CSUS)	33,250,000	51,324,899	84,574,899
Total ($)	499,240,000	417,232,574	916,472,574

Excluding the 2007C bonds and the 2010B and C bonds, which are taxable, all of the above issues generally have interest rates ranging from 3.50% to 5.00%, so on the surface it would appear that there may be refunding opportunities in the current low interest rate environment. Our bond issues, however, have been structured with ten year optional redemption features (i.e. the bonds are not callable until ten years after the issuance date). Including this call feature enhances the marketability of our bonds at the sales date, is generally a feature required by most potential investors and provides us with the most favorable interest rates at the time of sale. Refunding these bonds prior to a call date, known as an advanced refunding, is however slightly more difficult.

To refund a bond issue prior to the call date requires that we purchase a portfolio of securities that are placed in an escrowed account with a trustee, which, along with the interest earnings on the securities themselves, are used to pay the future debt service on the refunded bonds. In this current market, the cost of purchasing the refunding securities and creating the escrow account is generally more costly than the savings we could realize from any such advanced refunding. Therefore, at this time, current market conditions do not provide for any such refunding opportunities. No refunding is included in the proposed Series 2012A financing.

If market conditions change prior to the Board's February meeting and a refunding opportunity arises, we will present any such new refunding opportunity at that February meeting and request formal approval for inclusion in the upcoming bond issue.

CONCLUSION AND TIMELINE

Approval of this Plan of Financing will permit the administration to formally engage the members of the bond financing team and earnestly begin the work necessary to prepare for a bond sale as described above in February or March of 2012, pending market conditions.

We will come before the Board again at its regularly scheduled meeting in February 2012 to request approval of the Fifth Supplemental Bond Resolution which will provide the parameters and the legal guidelines for conducting the bond sale. The offering circular (known as the Preliminary Official Statement) and certain other legal documents will also be available for the Board's review at that time, prior to the actual sale. The sale will not be conducted until the Board has provided formal approval of the Fifth Supplemental Bond Resolution.

Preliminary Timeline:

December 2011 Board of Governors Meeting:

- Present Plan of Financing.

February 2012 Board of Governors Meeting:

- Present any proposed changes to the Plan of Financing.
- Present refunding opportunities or restructuring opportunities, if any.
- Present Fifth Supplemental Resolution. (defining the parameters within which a bond sale may be conducted)
- Make Preliminary Official Statement (POS) available to the Board for review.
- Present additional legal documents necessary to complete the financing.

Late February or early March

- Conduct bond sale.

Mid-March

- Close transaction and receive proceeds.

✓ Approved

Denied

Ed Haselden, Secretary

12/7/11

Date

The Board of Governors of the
Colorado State University System
Meeting Date: December 7, 2011
Action Item

Approved

Stretch Goal or Strategic Initiative: None.

MATTERS FOR ACTION:

The Board of Governors of the Colorado State University System (Board): Approve the indemnification of PricewaterhouseCoopers in its research agreement with Colorado State University.

RECOMMENDED ACTION:

MOVED, that the Board of Governors of the Colorado State University System, under the authority granted by C.R.S. § 23-5-106 and in accordance with its indemnification policy, hereby approves the indemnification of PricewaterhouseCoopers in its agreement with Colorado State University for climate research in Mongolia, as the Board has determined that this contract serves a valid public purpose and that any risks to Colorado State University are sufficiently limited and outweighed by the benefits of this contract.

FURTHER MOVED, that the President of Colorado State University or approved delegate is hereby authorized to sign the PricewaterhouseCoopers research agreement with modifications made in consultation with General Counsel.

EXPLANATION:

Presented by Bill Farland, Vice President for Research, Colorado State University; Michael Nosler, General Counsel; Jason Johnson, Deputy General Counsel

On August 10, 2011, the Board approved its indemnification policy. Under that policy, neither the Colorado State University System nor any of its institutions shall contract to indemnify or hold harmless any contractor, except as approved by the indemnification policy or without subsequent express approval of the Board. The indemnification policy allows the institutions to indemnify a contractor if the contract meets the criteria for an approved contract and only if certain procedural safeguards are followed.

Colorado State University has an opportunity to provide research services to PricewaterhouseCoopers Services Limited (PwCS). Specifically, PwCS has presented Colorado State University with a Single Project Services Acquisition Agreement pursuant to which Colorado State University researchers would collect information in Mongolia on climate compatible development in arid lands and prepare a report on the results of this research for PwCS. In consideration of this work, Colorado State University would receive £200,000, approximately $300,000. PwCS is requiring Colorado State University to indemnify PwCS under the circumstances set forth in Section 9, which is attached hereto. PwCS is unwilling or unable to agree to any modifications of the liability provisions of Section 9. PwCS is itself contractually bound to identical indemnification obligations and is passing these obligations through to Colorado State University as its subcontractor. Further, English Law prohibits the limitation of liability for certain types of claims.

The Board of Governors of the
Colorado State University System
Meeting Date: December 7, 2011
Action Item

____
Approved

The proposed research agreement with PwCS does not meet the criteria for an approved contract under the Board's indemnification policy. Accordingly, Colorado State University could only enter into this agreement with the Board's express approval, and upon a finding by the Board that the research that would be conducted under the proposed agreement with PwCS would serve a valid purpose and any risks to Colorado State University are sufficiently limited and outweighed by the benefits of this contract. The climate research that Colorado State University would perform under the agreement with PwCS serves a valid public purpose.

✓ Approved   _______ Denied

[signature]
Board Secretary

12/7/11
Date

ATTACHMENT to Board Resolution dated December 7, 2011
Insurance and Liability Section of Proposed Agreement with PricewaterhouseCoopers

9. Insurance

9.1 The Supplier will at its own expense provide and maintain in respect of the provision of the Services both a policy of professional indemnity insurance sufficient to cover the Supplier's potential liability to PwCS, any other PwC Entity and Client and a policy of public liability insurance, in both cases with an insurer acceptable to PwCS and with minimum levels of cover as contained in paragraph 7 of the Statement of Work.

9.2 The Supplier will indemnify, defend and hold harmless PwCS and any other PwC Entity from and against any loss or damage (including consequential loss) suffered by PwCS and/or any other PwC Entity as a result of any claims arising from or in connection with the Supplier's breach of its obligations under this Agreement or the Supplier's negligence, and in respect of the Supplier's breach of the undertaking contained in Section 5.4.

9.3 The Supplier will indemnify, defend and hold harmless PwCS, any other PwC Entity and Client from and against any and all claims, demands, costs, settlements, liabilities, losses, damages and expenses (including, without limitation, legal expenses) arising from or in connection with any third party allegation that the Services and/or Deliverables provided, if any, or work performed, by the Supplier under this Agreement infringes such third party's patent, copyright or any other intellectual property right. PwCS shall at its sole option, assume control of the defence and settlement of any such claim. Should PwCS's, any other PwC Entity's or Client's use of such Services, Deliverables or work be determined to have infringed, or if, in PwCS's judgement, such use is likely to be infringing, the Supplier will either: (i) procure for PwCS, the other PwC Entities and Client the right to continue using such Services, Deliverables or work or (ii) replace or modify them to make their use non-infringing while yielding equivalent functionality. If neither of the above options is completed in a time-scale that PwCS finds commercially reasonable, then PwCS shall be entitled to terminate this Agreement and to claim damages from the Supplier in respect of any loss suffered by PwCS as a result. The limitations on liability set out in Section 9.5 shall not apply to the indemnities set out in Sections 9.2 and 9.3.

9.4 Each of the parties will accept liability without limit for (i) death or personal injury caused by its or its Affiliates' negligence or the negligence of its personnel acting in the course of their employment; (ii) any fraudulent pre-contractual misrepresentations made by it on which the other can be shown to have relied; and (iii) any other liability which by law cannot be excluded.

9.5 Subject to Section 9.4, and except the Supplier's total liability for all claims connected with the Services or this Agreement will be limited to the following sums:

(a) In the event that the fees payable to the Supplier under this Agreement (excluding any taxes) are less than £100,000, the Supplier's total liability will not exceed £100,000;

(b) In the event that the fees payable to the Supplier under this Agreement (excluding any taxes) are between £100,000 and £500,000, the Supplier's total liability will not exceed £250,000 or the total of the fees payable, whichever is the greater; and

(c) In the event that the fees payable to the Supplier under this Agreement (excluding any taxes) are more than £500,000, the Supplier's total liability will not exceed £1,000,000 or the total of the fees payable, whichever is the greater.

Board of Governors of the
Colorado State University System
Meeting Date: December 6-7, 2011
Consent Item

2012-0045A-120711-C

Approved

Stretch Goal: N/A Strategic Initiative: N/A

MATTERS FOR ACTION:

EQUIPMENT LEASING-COLORADO STATE UNIVERSITY SYSTEM/COLORADO STATE UNIVERSITY RESEARCH FOUNDATION LINE OF CREDIT PROGRAM
Approval of resolution for Colorado State University Research Foundation to Undertake Certain borrowing and Equipment Lease/Purchase Transactions on Behalf of the Board of Governors of the Colorado State University System to Acquire Equipment at Colorado State University, Colorado State University – Pueblo and Colorado State University – Global Campus.

RECOMMENDED ACTION:

Approval of the attached resolution.

EXPLANATION:

Submitted by: Dr. Anthony A. Frank, President

For several years Colorado State University Research Foundation has held a Line of Credit (with a tax-exempt interest rate) with First National Bank of Fort Collins, for the purpose of providing a lease/purchase mechanism for the Board of Governor's to acquire much needed equipment for use in departments/programs at Colorado State University and Colorado State University – Pueblo and, beginning in December, 2011, CSU-Global Campus Colorado State University Research Foundation acquires the equipment (valued at $50,000 or less) (specified by a particular department or program) and leases it to the Board of Governors on an annual appropriation basis for a term of not more than five (5) 1-year periods. The Board of Governors makes lease payments to Colorado State University Research Foundation which Colorado State University Research Foundation then uses to repay First National Bank. When the lease is retired, and the equipment amount has been fully paid, Colorado State University Research Foundation conveys title on the equipment to the Board of Governors. The Board of Governors has been provided a quarterly activity report on the Colorado State University Research Foundation leases since the program's inception. Such reporting will continue in the future.

Approval to continue the lease/purchase arrangements through the line of credit must be obtained from the Board of Governors yearly. The total amount of the line of credit permitted to be outstanding at any time is $1,000,000. Amounts previously drawn under the Line and currently outstanding total approximately $215,537. Therefore, moneys available under the Line for calendar year 2012 are approximately $784,463. Colorado State University Research Foundation will consult with the respective representatives of each Institution to discuss needs and allocations of available amounts.

The total amount financed through the Leasing Program in thousands of dollars by year is as

Approved

follows:

YEAR	TOTAL AMOUNT
1976-77	$ 188
1977-78	198
1978-79	321
1979-80	75
1980-81	144
1981-82	342
1982-83	193
1983-84	161
1984-85	400
1985-86	200
1986-87	149
1987-88	38
1988-89	242
1989-90	300
1991	210
1992	566
1993	16
1994	584
1995	321
1996	215
1997	112
1998	97
1999	17
2000	0
2001	71
2002	196
2003	95
2004	171
2005	260
2006	87
2007	119
2008	50
2009	67
2010	125
2011	108

Mr. Dave Scott of Hogan & Hartson will be providing the tax exempt opinion on the 2012 Line of Credit. In order to comply with the applicable federal tax requirements for an "on behalf of" financing in support of the tax exempt opinion, the attached resolution must be approved by the Board of Governors. The attached resolution and accompanying documents referenced in the resolution have been reviewed by the Board of Governors General Counsel.

Board of Governors of the
Colorado State University System
Meeting Date: December 6-7, 2011
Consent Item

2012-0045B-120711-C

STATE OF COLORADO)
) ss.
COUNTY OF LARIMER)

The Board of Governors of the Colorado State University System (the "Board") of the State of Colorado met in regular open session, pursuant to due notice and call, in Fort Collins, Colorado, on December 6-7, 2011.

The following members of the Board were present constituting a quorum:

Chairman: Joseph C. Zimlich

Voting Members:
Don Elliman
~~Dennis E. Flores~~
Ed Haselden
~~Dorothy Horrell~~
Scott C. Johnson
Mary Lou Makepeace
Patrick McConathy
Penfield W. Tate III

Non-Voting Members:
Eric Berlinberg
Carole Makela
Isaiah McGregory
Kristina Proctor

Absent:

Also present:

Secretary: Ed Haselden

Thereupon the following proceedings, among others, were had and taken.

Member Mary Lou Makepeace introduced and moved the adoption of the following resolution:

Board of Governors of the
Colorado State University System
Meeting Date: December 6-7, 2011
Consent Item

✓ Approved   Denied

Board Secretary

12/7/11
Date

Approved

A RESOLUTION, FOR PURPOSES OF COMPLYING WITH REVENUE RULING 63-20, APPROVING THE PURPOSES AND ACTIVITIES OF THE COLORADO STATE UNIVERSITY RESEARCH FOUNDATION AND APPROVING CERTAIN BORROWING TRANSACTIONS BY SAID FOUNDATION ON BEHALF OF THE BOARD OF GOVERNORS OF THE COLORADO STATE UNIVERSITY SYSTEM FOR THE PURPOSE OF ACQUIRING EQUIPMENT TO BE USED BY AND FOR COLORADO STATE UNIVERSITY, COLORADO STATE UNIVERSITY - PUEBLO AND COLORADO STATE UNIVERSITY – GLOBAL CAMPUS (THE "INSTITUTIONS"); AUTHORIZING CERTAIN REPRESENTATIVES OF THE INSTITUTIONS TO EXECUTE AND DELIVER LEASE AGREEMENTS RELATING TO SUCH EQUIPMENT; AND AUTHORIZING, APPROVING AND PROVIDING FOR OTHER DETAILS RELATING TO THE FOREGOING.

WHEREAS, the Board of Governors of the Colorado State University System (the "Board") of the State of Colorado (the "State") is the body corporate under the Constitution and laws of the State, and pursuant to said Constitution and Article 30 of Title 23, Colorado Revised Statutes, as amended, the Board has the power to take, hold and sell personal property and to contract and be contracted with and cause to be done all things necessary to carry out the provisions of such statutes; and

WHEREAS, the Board has general control and supervision of Colorado State University ("CSU"), in Fort Collins, Colorado, Colorado State University – Pueblo ("CSU-Pueblo") in Pueblo, Colorado and Colorado State University – Global Campus ("CSU-Global") in Greenwood Village, Colorado (together, CSU, CSU-Pueblo and CSU-Global are herein referred to as the "Institutions"); and

WHEREAS, the Colorado State University Research Foundation (the "Foundation") is a non-profit corporation organized for charitable, educational and scientific purposes, including among other purposes, entering into agreements relating to the physical plants of the Institutions and for that purpose lending its credit and evidencing the same by such obligations or forms of indebtedness as may be approved by the Foundation's Board of Trustees (the "Trustees"); and

WHEREAS, The Trustees have authorized, or, prior to the making of any draw thereunder, will authorize, the Foundation to enter into a line of credit agreement with First National Bank of Fort Collins, N.A., Fort Collins, Colorado (the "Bank") to obtain a line of credit (the "Line of Credit") in order for the Foundation to finance the acquisition of equipment to be used by and for the Institutions; and

WHEREAS, there have been filed with the Secretary of the Board:

(i) The articles of incorporation and bylaws of the Foundation;

(ii) Proposed forms of "Business Loan Agreement: Line of Credit" and "Revolving Loan Committal Agreement" (collectively, the "Line of Credit Agreements") between the Foundation and the Bank;

(iii) A proposed form of security agreement (the "Security Agreement") between the Foundation and the Bank;

(iv) A proposed form of Promissory Note (together with any extension or renewals thereof, the "Note") from the Foundation to the Bank; and

(v) A proposed form of lease agreement ("Lease Agreement") between the Board as lessee and the Foundation as lessor.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF GOVERNORS OF THE COLORADO STATE UNIVERSITY SYSTEM OF THE STATE OF COLORADO:

Section 1. The Board hereby approves the purposes and activities of the Foundation.

Section 2. For purposes of satisfying the requirements of Revenue Ruling 63-20, 1963-1 C.B. 24, the Board hereby approves the Line of Credit Agreements, the Security Agreement and the Note, in substantially the forms filed with the Secretary, and the Board hereby approves the execution and delivery by the Foundation of the Line of Credit Agreements, the Security Agreement and the Note and the issuance by the Foundation, on behalf of the Board, of the Note (provided, however, that the Board shall have no obligation to make any payment on the Note, which shall be solely the obligation of the Foundation, and the Board shall be obligated only to the extent provided under Lease Agreements entered into by the Board as provided in Section 3 hereof). The Foundation may make draws on the Line of Credit and thereby incur obligations to make payments on the Note from time to time, within one calendar year following the adoption of this resolution by the Board, but only for purposes of acquiring tangible personal property consisting of scientific, administrative support and research equipment to be used by and for the Institutions (the "Equipment"), and only with the written approval of the President or authorized delegate of CSU for Lease Agreements relating to CSU, the President or authorized delegate of CSU-Pueblo for Lease Agreements relating to CSU-Pueblo and the President or authorized delegate of CSU-Global Campus for Lease Agreements relating to CSU-Global Campus (together, referred to herein as the "Representatives" or, individually, a "Representative"), which written approval may be made by the execution of the corresponding Lease Agreement or in such other manner as the respective Representative may deem appropriate. Subject to the foregoing provision, the Note is hereby approved in a total principal amount not to exceed <u>$1,000,000</u> outstanding at any time (the unused loan commitment being increased by repayments on the Note as provided therein), bearing interest at a rate determined in accordance with the provisions of the Note and the Line of Credit Agreements but in no event to exceed eighteen percent (18%) per annum, and maturing on the calendar anniversary of the date on which it is executed and delivered by the Foundation (but no later than December 31, 2012).

Section 3. Requests for Equipment to be financed through the Line of Credit shall be submitted to the respective Representative of the Institution requesting the Equipment. Upon approval of any such request, such Representative is authorized and directed to cause a Lease Agreement to be entered into for such Equipment on behalf of the respective Institution. Upon execution and delivery of such Lease Agreement to the Foundation, the Foundation shall draw on the Line of Credit for the amount necessary to acquire such Equipment, which moneys shall be used to acquire such Equipment as soon as practicable; and the Board shall pay to the Foundation, from legally available moneys of the Board (but not from moneys drawn under the Line of Credit) an amount equal to the greater of $800 or 4% of the amount so drawn, as compensation for the Foundation's administrative expenses and services in connection with the Line of Credit. Payments under a Lease Agreement shall be made from the Board to the Foundation either quarterly or semiannually, as negotiated between the Representative of the Institution on behalf of which the Lease Agreement has been entered and the Foundation, over a term to be negotiated between such Representative and the Foundation, but not exceeding the useful life of the Equipment (as determined by such Representative), and in no event to exceed five (5) years (subject, however, to the provisions of Section 7 of the Lease Agreement), and in such amounts as to provide for repayment of the principal amount drawn under the Line of Credit for such equipment, plus interest at rates to be determined as follows:

(a) The initial rate of interest for Lease Agreements to be entered into during calendar year 2012, which rate shall be effective for each such Lease Agreement from the date of delivery thereof through December 31, 2012, shall be 4.75% per annum (subject to increase as provided in paragraphs (b), (c) and (d) below).

(b) During the month of December in 2012 and in each subsequent year while any Lease Agreements are in effect, the Foundation shall, based upon information furnished to it by the Bank and such other information as the Foundation may deem relevant, estimate the Average Rate of interest expected to accrue on the Note, in accordance with the current or anticipated terms of the Line of Credit Agreements, during the following calendar year. The Foundation shall notify the Board of such estimated average rate of interest on the Note, and the rate of interest for Lease Agreements to be effective during the following calendar year shall be such estimated average rate of interest on the Note plus .5% per annum (the .5% increment being added to provide for the possibility that interest on the Note will be higher than estimated).

(c) Notwithstanding the provisions of (b) above, the increment which is to be added to the estimated average interest on the Note to determine the rate of interest on Lease Agreements may be higher than .5% per annum to the extent that the Foundation certifies to the Board that such higher increment is necessary to make up, over the course of the following calendar year or such longer period as the Foundation may agree to, any excess of interest actually paid by the Foundation on the Note over the total interest received by the Foundation on the Lease Agreements; provided, however, that the higher increment certified to the Board shall not exceed 1.5% per annum.

(d) In the event that the rate of interest on the Note is increased as the result of a determination that such interest has lost its exclusion from gross income for federal income tax purposes under the Code (as defined in Section 7 hereof), or is treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (except with respect to corporations, as such interest is required to be taken into account in determining "adjusted current earnings" for the purpose of computing the alternative minimum tax imposed on such corporations), the rate of interest on the Lease Agreements shall immediately be further increased to the average rate of interest expected to accrue on the Note for the remainder of such calendar year on such "taxable" basis, as estimated by the Foundation in substantially the same manner as provided in paragraph (a) above, plus the increment in effect immediately prior to such increase as determined pursuant to paragraphs (b) and (c) above, plus any additional increment necessary to make up, over the course of the remaining calendar year or such longer period as the Foundation may agree to, any retroactive additional interest owed or paid by the Foundation to the Bank pursuant to the Note as a result of such determination.

(e) Notwithstanding any other provision hereof, the rate of interest on the Lease Agreement shall not exceed eighteen percent (18%) per annum.

Notwithstanding any other provision thereof, all payment obligations of the Board under any Lease Agreement shall be subject to renewal and appropriation or availability of funds as provided in Sections 7 and 10 of the Lease Agreement. The Lease Agreements shall be in substantially the form filed with the Secretary, and the appropriate officers of the Board, the Institutions and the State are hereby authorized to execute and deliver such Lease Agreements as may be approved by the Representatives or any one thereof. Any other obligations issued by the Foundation either to make improvements to the Equipment or to pay principal or interest on the Note will be discharged no later than the latest maturity date of the Note (including renewals).

Section 4. The Board shall have the exclusive beneficial possession and use of any Equipment financed through the Line of Credit (except to the extent that the Bank may enforce its security interest in the Equipment in the event of a default by the Foundation under the Line of Credit Agreements, the Security Agreement, or the Note, and subject to the Bank's right to inspect the Equipment at any reasonable time as provided in the Line of Credit Agreements). When all payments due under a Lease Agreement have been made by the Board, or when payments on the Note allocable to the draw on the Line of Credit for the related Equipment have otherwise been made, full and unencumbered legal title to such Equipment shall be conveyed by the Foundation to the Board, without demand or further action on the part of the Board, and the Board shall then accept such title to any Equipment (including any additions thereto). This Section 4 shall operate independently of the Lease Agreements and notwithstanding any failure to enter validly into any Lease Agreement. Prior to making any draw under the Line of Credit, the Foundation shall furnish to the respective Representative an instrument of grant from the Foundation to the Board confirming the provisions of this Section 4.

Section 5. All proceeds of the Line of Credit, and investment income thereon (if any), shall be used to provide tangible personal property for use by the Board. If any excess proceeds of the Line of Credit or investment income thereon, if any, remain after full payment of the costs of acquiring the related Equipment, such excess proceeds shall be applied to make payments or prepayments on the Note as soon as practicable, and the schedule of rental payments under the corresponding Lease Agreement shall be adjusted accordingly. Prior to making any draw under the Line of Credit, the Foundation shall furnish to the respective Representative a certification confirming the provisions of this Section 5.

Section 6. The proceeds of any fire or other casualty insurance policies received in connection with damage to or destruction of any Equipment financed through the Line of Credit, including any additions thereto, will, subject to any claims of the Bank, at the direction of the respective Representative, either (a) be used to repair or replace the Equipment, regardless of whether the insurance proceeds are sufficient for such repair or replacement, or (b) be remitted to the Board.

Section 7. The Board acknowledges that one of the purposes of this resolution is to establish that interest paid by the Foundation on the Note is not included in gross income under present federal income tax laws pursuant to the Code (as defined below), subject to certain exceptions, conditions and limitations as further set forth below, thereby resulting in more favorable interest rates on the Note and more favorable payment terms to the Board under the Lease Agreements. Accordingly, the Board hereby covenants for the benefit of the Bank and its successor and assigns that it will not (i) make any use of the proceeds of the Line of Credit or any other funds of the Foundation; (ii) make any use of the Equipment; or (iii) take (or omit to take) any action with respect to the Note, the proceeds of the Line of Credit, any other funds of the Foundation, or the equipment, or otherwise, if such use, action or omission would, under the Code, cause the interest on the Note to be included in gross income for federal income tax purposes or be treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, trusts, estates and corporations (except, with respect to corporations as defined for federal alternative minimum tax purposes, as such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on such corporations). The Board further covenants, represents and warrants that the procedures set forth in a Federal Tax Exemption certificate hereby authorized to be signed by an officer of the Board or Representative of the Institution implementing the above covenant shall be complied with to the extent necessary to maintain the above-described exclusions from gross income and alternative minimum taxable income or to avoid the application of any penalties under the Code (except to the extent noted in the foregoing provisions of this Section). The foregoing covenants shall remain in full force and effect notwithstanding the payment in full or defeasance of the Note until the date on which all obligations of the Board in fulfilling the above covenants under the Code and Colorado law have been met. References to the "Code" in the foregoing covenant and in Section 3(d) hereof shall mean the Internal Revenue Code of 1986, as amended, and all regulations and rulings promulgated or proposed thereunder or (to the extent the same remain applicable) under any predecessor thereto. Notwithstanding any other provision hereof, this Section 7 shall be in all respects subject to the Board's right to decline to renew any Lease Agreement as provided in Sections 7 and 10 of the Lease Agreement. Prior to making any draw under the Line of Credit, the Foundation shall have received from the respective Representative a certification confirming the provisions of this Section 7.

Section 8. Appropriate officers of the Board, the Institutions, the State and the Foundation are hereby authorized and directed to execute such documents and instruments and generally to take such actions as may be necessary or appropriate to effectuate the transactions contemplated by this resolution. The officers of the Board, the Institutions and the Foundation with the advice of counsel executing the Line of Credit Agreements and the Lease Agreements hereby approved may make such necessary or appropriate variations, omissions and insertions in such documents as may be required or appropriate under the circumstances, so long as such variations, omissions and insertions are not inconsistent with this resolution. In the event of any inconsistency between this resolution and any document or instrument hereby approved, the provision of this resolution shall be controlling.

Section 9. If any section, paragraph, clause or provision of this resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this resolution.

Section 10. All bylaws, orders and resolutions, or parts thereof, inconsistent with this resolution or with any of the documents hereby approved, are hereby repealed only to the extent of such inconsistency. This repealer shall not be construed as reviving any bylaw, order or resolution, or part thereof, heretofore repealed.

Section 11. This resolution shall be in full force and effect immediately upon its passage and adoption.

PASSED, ADOPTED AND APPROVED this December 7, 2011.

(SEAL)

THE BOARD OF GOVERNORS
OF THE COLORADO STATE
UNIVERSITY SYSTEM

Chairman

ATTEST:

Secretary

The motion was duly seconded by Member Patrick McConathy and put to a vote, the members of the Board as follows:

Those voting YES:

Voting Members:

Don Elliman
Ed Haselden
Scott Johnson
Mary Lou Makepeace
Patrick McConathy
Penfield Tate
Joseph Zimlich

Those voting NO:

Thereupon the Chairman declared the motion carried and the resolution adopted, and the Secretary was directed to enter the foregoing proceedings and resolution upon the minutes of the Board.

After consideration of other unrelated matters, the meeting was adjourned.

(SEAL)

THE BOARD OF GOVERNORS
OF THE COLORADO STATE
UNIVERSITY SYSTEM

Chairman

ATTEST:

Secretary

STATE OF COLORADO)
) ss.
COUNTY OF LARIMER)

I, Ed Haselden, Secretary of the Board of Governors of the Colorado State University System of the State of Colorado, do hereby certify that the foregoing pages numbered 1 through 8, inclusive, constitute a true, correct and complete copy of the resolution and proceedings set forth therein; that such resolution was adopted and such proceedings occurred at a regular meeting of the Board held in Fort Collins, Colorado on December 6-7, 2011 as recorded in the regular official records of proceedings of the Board, kept in my office; that said proceedings were duly had and taken; and that said meeting was duly held in compliance with Section 24-6-402 of the Colorado Revised Statutes, as amended, and the persons therein named were present and voted at said meeting, all as therein shown.

WITNESS, my hand and the seal of the Board this December 7, 2011.

Secretary
Board of Governors of the
Colorado State University System

(SEAL)

CERTIFICATION OF CONSENT AGENDA ITEMS

The undersigned Secretary of the Board of Governors for the Colorado State University System hereby certifies:

That with a unanimous affirmative vote of the voting members of the Board of Governors at a duly held meeting thereof on December 7, 2011, the consent agenda items listed below were referred for consideration of approval and were adopted:

Approval of October 2011 Committee and Board Meetings Minutes:

- October 4, 2011, Evaluation Committee Meeting Minutes
- October 4, 2011, Finance Committee Meeting Minutes
- October 4, 2011, Real Estate/Facilities Committee Meeting Minutes
- October 4, 2011, Audit Committee Meeting Minutes
- October 4, 2011, Student Affairs Committee Meeting
- October 5, 2011, Board of Governors Regular Meeting Minutes

Referred by the Evaluation Committee at the October 4, 2011, meeting:

- Revised Board of Governors Appointee Evaluation Policy and Procedures
- Revised Board of Governors Presidential Evaluation Policy and Procedures

Referred by Dr. Anthony Frank, President, CSU-Fort Collins:

- CSUS/CSURF Equipment Lease/Purchase Line of Credit (2 Parts: 1-Approval to Continue Lease/Purchase Arrangement and 2-Line of Credit Agreement with First National Bank of Fort Collins) *(2012-0045A-120711-C and 2012-0045A-120711-C)*
- Nondelegable Personnel Actions

Referred by the Academic Affairs Committee at the December 6, 2011, meeting:

- Sabbatical Leave Recommendations – CSU-Fort Collins *(2012-0025-120711-C)*
- Academic Faculty and Administrative Professional Manual Revisions: Preface – CSU-Fort Collins *(2012-0026-120711-C)*
- Approval of Peer Group – CSU-Fort Collins *(2012-0027-120711-C)*
- Approval of Conferral of Degrees – Fall Semester 2011 – CSU-Fort Collins *(2012-0028-120711-C)*
- Emeritus Rank Designations – CSU-Fort Collins *(2012-0029-120711-C)*
- Approval of Peer Group – CSU-Pueblo *(2012-0030-120711-C)*
- New Degree Program: Master of Science in Engineering (~~M.A.S.~~ MSE) – Department of Engineering, College of Education, Engineering and Professional Studies – CSU-Pueblo *(2012-0031-120711-C)*

- New Degree Program: Doctor of Nursing Practice (DNP) – Department of Nursing– CSU-Pueblo *(2012-0032-120711-C)*
- Sabbatical Leave Requests – CSU-Pueblo *(2012-0033-120711-C)*
- Review of Mission Statement – CSU-Pueblo *(2012-0035-120711-C)*
- Approval of Conferral of Degrees – Fall Semester 2011– CSU-Pueblo *(2012-0036-120711-C)*
- Posthumous Degree Policy – CSU-Pueblo *(2012-0039-120711-C)*
- Approval of Comparison Group – CSU-Global *(2012-0037-120711-C)*
- Approval of Conferral of Degrees – Fall Semester 2011– CSU-Global *(2012-0038-120711-C)*

The consent agenda items together with a record of the votes for the resolutions have been recorded and will be entered into the full minutes of the duly held December 7, 2011, meeting of the Board of Governors.

Secretary

12/7/11

Date