

The Legal Structure of Privatization

In the typical privatization structure, an independent 501(c)(3) foundation or affiliated foundation leases land from the university or a related foundation to construct, own and operate a student housing facility on the campus of the university or related foundation's property for the benefit of the university community. The project is financed substantially with tax-exempt bonds, which are secured solely by the revenues and assets of the project and are an obligation of the issuer, not the university. All of the surplus revenues from the project, after paying debt service and operating expenses, are paid to the university or related foundation each year as a ground lease payment. The university actively participates in the operation of the project as part of the approval process for the marketing plan and student life plan.

With the Foundation as owner of the leasehold estate, the University or Foundation receives 100% (less a small fee to the Issuer and the Bond Trustee) of all cash-flow benefits from the operation of the project. Neither the University, nor any foundation associated with the University, is required to stand behind the cash flow of the project through a pledge of any revenue. No occupancy guarantees or master lease is required. The structure is for the sole benefit of the University and its constituents and the University receives 100% of the cash returns. Project ownership typically reverts to the landowner the University or an affiliated foundation when the bonds are retired. (source: Legg Mason Wood Walker, Student Housing Project Finance Group)

Privatized Student Housing Financing in Georgia (completed as of June 30, 2004)				
COLLEGE OR UNIVERSITY	BEDS	APTS.	BONDS ISSUED	FINANCED
Georgia College & State University	1,583	464	55,875,000	3/02
Georgia College & State University	Renovation	Renovation	31,145,000	Pending
Georgia Southern University	1,110	351	38,180,000	10/02
Georgia Southern University	782	Unknown	35,900,000	5/04
Georgia State University	2,000	Unknown	150,000,000	Pending
Georgia State University	499	231	40,400,000	4/01
Gordon College	Unknown	Unknown	17,061,000	Pending
Kennesaw State University	1,058	286	60,695,000	8/01
Mercer University Phase 1	479	143	17,815,000	6/99
Mercer University Phase 2	379	196	18,685,000	1/01
Morehouse University	Unknown	Unknown	Unknown	Unknown
Savannah State University	680	Unknown	21,515,000	6/00
Southern Polytechnic State University	288	96	8,815,000	11/97
Southern Polytechnic State University	1,138	Unknown	35,690,000	11/03
University of Georgia	1,200	423	99,860,000	12/02
University of North Georgia	314	82	11,020,000	9/01
State University of West Georgia	615	178	13,205,000	6/03
State University of West Georgia	598	158	18,800,000	Pending
Valdosta State University	1,115	401	<u>35,590,000</u>	6/04
			710,246,000	