

**BOARD OF REGENTS**  
EASTERN MICHIGAN UNIVERSITY

SECTION: 19
DATE: October 30, 2012

**RECOMMENDATION**

**REFUNDING PORTIONS OF CURRENT DEBT AND NEW BORROWING**

**ACTION REQUESTED**

It is recommended that the Board of Regents approve the attached resolution authorizing the re-financing of portions of the University's current debt and new borrowing of up to \$10 million.

**STAFF SUMMARY**

In June 2009, the University issued variable rate General Revenue Bonds to refinance existing bonds. The 2009 bonds were secured by a letter of credit issued by J.P.Morgan Chase Bank (JPM).

The JPM letter of credit expires in August 2013. The University and its financial advisor began evaluating re-financing alternatives in July and at its September 18, 2012 meeting, the Board created a task force consisting of the Chair of the Finance, Audit and Investment Committee (Mike Morris), the University President (Susan Martin), and the University CFO and Treasurer to the Board (John Lumm). The Task Force was established for the purpose of investigating and recommending to the Board the refunding of the 2009 bonds as well as recommendations to fund up to \$10 million in new capital projects.

The Task Force recommends that the Board of Regents authorize the University entering into a direct placement with JPM for \$135.8 million. The direct placement with JPM is for a three year period at a variable interest rate of 74% (3 Month LIBOR plus 110 basis points) – equivalent to 1.0% at current interest rates. The funds would be utilized as follows:

- \$125.8 million to refund the existing variable rate bonds issued in 2009
- \$1.9 million to retire higher-rate callable bonds issued in 2000 and 2002
- \$8.1 million in additional borrowing to fund campus capital projects

**FISCAL IMPLICATIONS**

It is expected that total University debt service costs (interest and principal) will increase by approximately \$200,000 annually reflecting a \$450,000 increase for the new borrowing partially offset by \$250,000 savings on the re-financed debt.

**ADMINISTRATIVE RECOMMENDATION**

The proposed Board action has been reviewed and is recommended for Board approval.

University Executive Officer

Date

**RESOLUTION OF THE BOARD OF REGENTS OF  
EASTERN MICHIGAN UNIVERSITY  
AUTHORIZING THE ISSUANCE AND DELIVERY OF  
GENERAL REVENUE BONDS AND  
GENERAL REVENUE REFUNDING BONDS AND  
PROVIDING FOR OTHER MATTERS RELATING THERETO**

**WHEREAS**, the Board of Regents of Eastern Michigan University (the "Board") is a constitutional body corporate established pursuant to Article VIII, Section 6 of the Michigan Constitution of 1963, as amended, with general supervision of Eastern Michigan University (the "University") and the control and direction of all expenditures from the University's funds; and

**WHEREAS**, pursuant to Board Policy 2.3, all capital projects are subject to approval by the Board; and

**WHEREAS**, on May 12, 2009, the Board issued and delivered its \$125,795,000 aggregate principal amount of General Revenue Variable Rate Demand Refunding Bonds, Series 2009A and Series 2009B (the "2009 Bonds") to refund certain outstanding bonds of the Board; and

**WHEREAS**, the 2009 Bonds were "integrated" for federal income tax purposes with three outstanding swap or hedge agreements (collectively, the "Swaps") two of which (one LIBOR-based and one SIFMA-based) were originally executed in connection with the issuance of the bonds refunded by the 2009 Bonds and one of which was executed in connection with the issuance of the 2009 Bonds, the restructuring of one of which (the SIFMA-based) may now best serve the economic interests of the University; and

**WHEREAS**, on February 7, 2000, and March 8, 2002, the Board issued its \$9,555,000 General Revenue and Refunding Bonds, Series 2000, and \$6,860,000 General Revenue Bonds, Series 2002B, respectively, of which \$1,935,000 in aggregate principal amount is now outstanding (together with the 2009 Bonds, the "Prior Bonds"); and

**WHEREAS**, the 2009 Bonds were issued as variable rate bonds the interest rates on which change on a daily basis, secured by a letter of credit issued by JPMorgan Chase Bank, N.A. ("Chase"), which has proposed that the 2009 Bonds be refunded with new bonds that will be purchased entirely by Chase without a letter of credit (the "Chase Terms"); and

**WHEREAS**, upon the advice of its financial advisors and Bond Counsel and the recommendation of the University's Administration, the Board approves and adopts the recommendation of the Administration that the Prior Bonds should be refunded, the SIFMA-based Swap restructured as determined by an Authorized Officer and the refunding bonds purchased by Chase in accordance with the Chase Terms; and

**WHEREAS**, in order to best serve the needs of the University's student body, the Board proposes to undertake the projects described on Exhibit A hereto (the "Projects") and to finance such Projects and related costs of issuance of the bonds; and

**WHEREAS**, acceptance of the Chase Terms, the refunding of the Prior Bonds, the restructuring of the SIFMA-based Swap and the financing of the Projects as herein described are within the authority of the Board and will serve proper and appropriate public purposes.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF REGENTS OF EASTERN MICHIGAN UNIVERSITY, AS FOLLOWS:**

1. The Board hereby authorizes the issuance, execution and delivery of bonds of the Board in registered form in one or more series, to be designated (a) GENERAL REVENUE REFUNDING BONDS, SERIES 2012A to refund a portion of the Prior Bonds, and (b) GENERAL REVENUE AND REVENUE REFUNDING BONDS, SERIES 2012B to refund the balance of the Prior Bonds and finance the Projects (collectively, the "Bonds"), in accordance with the Chase Terms, as the same may be revised with the approval of, and upon such other terms as may be approved by, the President or the Chief Financial Officer of the University (each an "Authorized Officer"), including the following: additional or other series designations or descriptive terms of the Bonds; the date or dates of issuance of the Bonds; the aggregate principal amount of the Bonds not to exceed \$136,000,000 (being the amount necessary to produce proceeds sufficient, together with other available funds, to implement the refunding and pay the costs of the Projects, to pay capitalized interest, if any, and costs incidental to the issuance of the Bonds); restructuring the SIFMA-based Swap; approval of a Trust Indenture pursuant to which the Bonds will be issued, and agreements with Chase conforming to the Chase Terms; serial Bonds or term Bonds (which may be subject to redemption requirements), or both, with the first maturity not earlier than May 1, 2013, and the last maturity not later than March 1, 2049; interest at a fixed rate (not exceeding 5.50% per annum) and/or a variable rate, with the variable rate of interest not to exceed the lesser of the maximum rate permitted by law or the maximum rate, if any, to be specified in the relevant Bond documents; redemption or call for purchase prior to maturity, including the times and prices with no redemption premium to exceed 3% of the principal amount being redeemed; time for payment of interest; denominations; manner of payment of principal and interest; terms of transfer, exchange, execution and authentication; and whether issued in certificate or book entry only form.

2. The Bonds shall be limited and not general obligations of the Board payable from and secured, on a parity basis with all outstanding bonds of the Board, by a lien on the University's General Revenues (substantially as defined in the Trust Indenture relating to the Prior Bonds) or such components thereof and other funds as shall be determined by an Authorized Officer (individually and collectively, the "Security"). Except as otherwise determined by an Authorized Officer, the lien shall be on a parity basis with the liens on General Revenues securing previously issued and outstanding bonds of the Board.

Except as specified in the Bonds or related documents, no recourse shall be had for the payment of the principal amount of or interest or premium on the Bonds, or any claim based thereon against the State of Michigan, the Board or any officer or agent thereof, as individuals

either directly or indirectly, nor shall the Bonds and interest with respect thereto become a lien on or be secured by any property, real, personal or fixed of the State of Michigan or the Board, other than the Security.

Any pledge of the Security, debt service reserves and other funds shall be valid and binding from the date of the issuance and delivery of the Bonds without physical delivery or further act. The lien of said pledge shall be valid and binding against all parties (other than the holders of any other bonds, notes or debt obligations secured by a parity first lien on the Security) having a claim in tort, contract or otherwise against the Board, irrespective of whether such parties have notice of the lien.

3. The right is reserved to issue additional bonds, notes or other obligations payable from and secured on a parity basis with the Bonds from the Security, upon compliance with the terms and conditions as shall be set forth in the Bonds or related documents.

4. The Authorized Officers, jointly or severally, are hereby authorized and directed to select bond counsel, a financial advisor and the Trustee; to execute the Bonds by placing his or her facsimile signature thereon, and to deliver the Bonds in exchange for the purchase price thereof; to cause preparation of preliminary and final Official Statements with respect to the Bonds; to perform all acts and deeds and to execute and deliver all instruments and documents, for and on behalf of the Board and the University required by this resolution, or necessary, expedient and proper in connection with the issuance, sale and delivery, and ongoing administration, of the Bonds, as contemplated hereby; and to execute and deliver, for and on behalf of the Board, any required continuing disclosure undertakings with respect to the Bonds, in the form such officer deems appropriate.

6. The Vice-President and Secretary to the Board of Regents is hereby authorized to sign this resolution on behalf of the Board.

5. All resolutions or parts of resolutions or other proceedings of the Board in conflict herewith be and the same are hereby repealed insofar as such conflict exists.

I hereby certify that the attached is a true and complete copy of a resolution adopted by the Board of Regents of Eastern Michigan University at a regular meeting held on October 30, 2012.

I further certify as follows:

1. Present at the meeting were the following Board members: \_\_\_\_\_

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Absent from the meeting were the following Board members: \_\_\_\_\_

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2. The following members of the Board voted for adoption of the Resolution: \_\_\_\_\_

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The following members of the Board voted against adoption of the Resolution: \_\_\_\_\_

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RESOLUTION DECLARED ADOPTED:

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Secretary to the Board of Regents of  
Eastern Michigan University

**EXHIBIT A**

**“PROJECTS”**

The Projects include the design and all related capital and incidental costs required for the construction, expansion, and/or improvements to campus facilities, including but not limited to University academic, dining, housing and athletic facilities, including site development, parking, roads, furnishing enhancements, classroom technology, campus information technology and campus utility systems.