

BOARD OF REGENTS
EASTERN MICHIGAN UNIVERSITY

SECTION: 27
DATE: June 16, 2015

RECOMMENDATION

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

ACTION REQUESTED

It is recommended that the Board of Regents approve the attached resolution authorizing the issuance of general revenue and revenue refunding bonds and providing for other related matters.

STAFF SUMMARY

On November 30, 2012 the Board issued and delivered \$135.8 million of variable rate interest bonds in a direct placement with JPMorgan Chase (Series 2012A and Series 2012B). In addition, on May 29, 2009 the Board executed an interest rate hedge agreement with Barclays Bank PLC.

This resolution authorizes the issuance, execution and delivery of bonds to refund the Series 2012 Bonds and up to \$20 million in new capital. The bonds would be issued to Barclays Bank PLC, and would incorporate execution of a new interest rate hedge, commonly referred to as a Total Return Swap. The Bonds would have maturity dates consistent with the JPMorgan Chase bonds.

FISCAL IMPLICATIONS

The refunding portion of the issuance is expected to realize approximately \$16 million in net present value savings compared to the JPMorgan bonds. Total incremental debt service through 2049 is expected to be approximately \$6.5 million

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 A BORROWING SECURED BY GENERAL REVENUES
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, on November 30, 2012, the Board issued and delivered its \$135,795,000 aggregate principal amount of General Revenue Variable Rate Demand Revenue and Revenue Refunding Bonds, Series 2012A and Series 2012B (collectively, the "Series 2012 Bonds"), to finance a portion of certain capital projects of the Board and refund certain outstanding bonds of the Board, \$135,795,000 of which is currently outstanding and which may be refunded by the Board at a significant present value savings; and

WHEREAS, on May 29, 2009, the Board executed an interest rate hedge agreement (the "Hedge") with Barclays Bank PLC ("Barclays"), certain terms of which Barclays has agreed to amend for the benefit of the Board; 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

WHEREAS, the refunding of the Series 2012 Bonds and the implementation of the Projects are proposed to be financed with the proceeds of a loan provided by Barclays in a principal amount not to exceed \$160,000,000, secured solely by General Revenues of the University (the "Loan"); and

WHEREAS, in connection with the Loan, the execution of a new swap transaction has been proposed, commonly referred to as a "total return swap" (the "TRS"), with a notional amount approximately equal to the principal amount of the Loan; 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 Loan be accepted, the Series 2012 Bonds be refunded, the Hedge be amended and the TRS be executed as herein provided; and

WHEREAS, the refunding of the Series 2012 Bonds, the financing of the Projects, the amendment of the Hedge and the execution of the TRS 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 and approves the Loan and the execution and delivery of the documents evidencing such Loan, including a Loan Agreement and/or Indenture (collectively, the "Loan Documents"), the refunding of the Series 2012 Bonds and the financing of the Projects, upon such terms as may be approved by the President or the Chief Financial Officer of the University (each an "Authorized Officer"), including the following: the date or dates of the execution and delivery of the Loan Documents; the aggregate principal amount of the Loan not to exceed \$160,000,000 (being the amount necessary to produce proceeds sufficient, together with other available funds, to implement the refunding, pay for the Projects and pay the costs incidental to the consummation of the Loan); with the first principal payment due not earlier than August 1, 2015, and the last such payment due not later than March 1, 2049; interest at a fixed rate (with an average coupon not exceeding 5.50% per annum) or a variable rate; prepayment prior to maturity, including the times and amounts with no prepayment premium to exceed 3% of the principal amount being prepaid; time for payment of interest; manner of payment of principal and interest; and the terms and conditions of the Loan Documents.

2. The Loan shall be a limited and not a general obligation of the Board payable from and secured, on a parity basis with all outstanding indebtedness of the Board, by a lien on the University's General Revenues (substantially as defined in the Trust Indenture relating to the Series 2012 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 Loan Documents, no recourse shall be had for the payment of the principal amount of or interest or premium on the Loan, 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 Loan 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 effective date of the Loan Documents, 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 Loan from the Security, upon compliance with the terms and conditions as shall be set forth in the Loan Documents.

4. The amendment of the Hedge, and the execution and delivery of the amended Hedge, with the terms and in the form recommended by the Administration, is hereby ratified and approved; and the TRS, and the execution and delivery of the TRS, with the terms and in the form recommended by the Administration, is hereby approved.

5. The Authorized Officers, jointly or severally, are hereby authorized and directed to select bond counsel and a financial advisor; to execute the Loan Documents by placing his or her facsimile signature thereon, and to deliver the Loan Documents in exchange for the proceeds of the Loan; 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 execution and delivery, and ongoing administration, of the Loan, the amendment of the Hedge and the execution, delivery and administration of the TRS, all as contemplated hereby; and to execute and deliver, for and on behalf of the Board, any required or appropriate continuing disclosure undertakings with respect to the Loan, in the form such officer deems appropriate.

6. 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 June 16, 2015.

I further certify as follows:

1. Present at the meeting were the following Board members: _____

Absent from the meeting were the following Board members: _____

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

The following members of the Board voted against adoption of the Resolution: _____

RESOLUTION DECLARED ADOPTED:

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, equipping, furnishing, expansion and/or improvement to campus facilities, including but not limited to the acquisition and improvement of the Trinity Student Center, improvements to Rackham Hall, Wise Hall and Warner Gymnasium, various campus technology improvements and enhancements, and other necessary and appropriate capital expenditures for the benefit of the University and its students.