Approved by the Regents
June 19, 2014

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Subject: Sale of Commercial Paper by the University

Action Requested: Authorization to Replace the Present Commercial Paper Program with a New Program to Sell Up to $180 million of Commercial Paper

Background and Summary:

The eighteen-month time period for the funding of projects under the existing commercial paper program, Series I, issued on May 5, 2011, expired in November 2012. The existing commercial paper program needs to be replaced by a new program to allow additional short-term funding of capital projects financed by tax-exempt debt and refunding of outstanding debt. The new Series J for tax exempt purposes will refund the outstanding Series I ($34.8 million) and provide new financing for projects over the next 2 years. The Series E ($6.3 million) for taxable financing requires an extension of the present final maturity of the commercial paper. The current total outstanding commercial paper is $41.1 million for both series as of May 31, 2014. With additional funding of $138.9 million, the total size of Series E and Series J of the commercial paper will not exceed $180 million.

Potential projects to be financed include Williams L. Clements Library infrastructure improvements and addition, Stephen M. Ross School of Business renovation and addition, West Quadrangle and Michigan Union-Cambridge House renovation, academic buildings, athletics, housing, hospital, ITS, parking, recreational sports, and utilities projects. The total increase in the commercial paper outstanding will not exceed $138.9 million to reach $180 million.

The security for the commercial paper program will be a pledge of General Revenues. The liquidity for the program will be provided by investments of the University, the structure of the commercial paper program, or a liquidity facility offered by a bank. The total length of the program for Series E, and Series J will be limited to thirty years from the date of issuance for Series J. The tax-exempt series may consist of one or two series to facilitate the liquidity of the commercial paper. Each commercial paper note shall mature not later than 270 days.

Ultimately some of the commercial paper program would need to be refinanced with either fixed or variable rate debt. A permanent refinancing plan of the commercial paper program would be submitted to the Regents for approval.

We recommend the Regents authorize:

- The attached Resolution for the issuance of up to $180 million of commercial paper supported by a pledge of General Revenues.
- The increase in the commercial paper outstanding up to $180 million.

- The Executive Vice President and Chief Financial Officer, Associate Vice President for Finance or Treasurer to:
  - Execute all the documentation for the establishment and issuance of the Series J, extension of Series E, and the rollover of the outstanding Series I into the proposed Series J program.
  - Negotiate a liquidity facility, if appropriate.

Respectfully submitted,

Timothy P. Slottow
Executive Vice President
and Chief Financial Officer

June 2014

attachment

RESOLUTION OF THE REGENTS OF THE UNIVERSITY OF MICHIGAN
AUTHORIZING THE ISSUANCE AND DELIVERY OF
COMMERCIAL PAPER NOTES, SERIES J, AND
PROVIDING FOR OTHER MATTERS RELATING THERETO

WHEREAS, the Regents of the University of Michigan (the "Issuer") is a constitutional body corporate established pursuant to Article VIII, Section 5 of the Michigan Constitution of 1963, as amended, with the general supervision of The University of Michigan (the "University") and the control and direction of all expenditures from the University's funds; and

WHEREAS, the Issuer has determined it is necessary and desirable to provide for the temporary or permanent financing of capital projects of the University, currently under way or to be undertaken, through the issuance of Regents of the University of Michigan Commercial Paper Notes, Series J (the "Series J Notes") and the continuation of the issuance of the previously authorized Regents of the University of Michigan Commercial Paper Notes, Series E (Taxable) (the "Series E Notes," and collectively with the Series J Notes, the "Notes") in an aggregate principal amount such that the Notes outstanding from time to time shall not exceed $180,000,000; and

WHEREAS, the Issuer has determined it is necessary and appropriate to refund, through the issuance of the Series J Notes, the outstanding balance of the Issuer's Commercial Paper Notes, Series I (the "Prior Notes"), and that it may be economic and appropriate to refund certain other outstanding debt obligations of the Issuer from the proceeds of the Notes (such outstanding debt obligations, if any, to be refunded to be selected by an Authorized Officer (as hereinafter defined) and being herein called the "Bonds to be Refunded"); and

WHEREAS, the Issuer has approved certain capital projects to be financed and refinanced in whole or in part through the issuance of the Notes, and may approve additional projects to be so financed (all such projects, together with the projects financed or refinanced with the proceeds of the Prior Notes, being herein called the "Projects"); and

WHEREAS, in order to provide for the issuance of the Series J Notes, it will be necessary for the Executive Vice President and Chief Financial Officer, the Associate Vice President for Finance and the Treasurer (each an "Authorized Officer") or any one of them individually, to execute and deliver one or more Commercial Paper Issuance Certificates (collectively, the "Issuance Certificate"), one or more Commercial Paper Issuing and Paying Agent Agreements (collectively, the "Paying Agent Agreement") with a bank or banks to be selected by an Authorized Officer, one or more Dealer Agreements (each a "Dealer Agreement") with a dealer or dealers (each a "Dealer") to be designated by an Authorized Officer, and, if deemed appropriate by an Authorized Officer, an agreement or agreements relating to a liquidity facility; and

WHEREAS, the Series J Notes are to be limited and not general obligations of the Issuer, payable from and secured by a pledge of General Revenues (as shall be defined in the Issuance Certificate in a manner generally consistent with the definition thereof set forth in the Trust Agreement pursuant to which the Issuer's General Revenue Bonds, Series 2014A and General

Revenue Bonds, Series 2014B (Taxable) were issued) and moneys from time to time on deposit in the Note Payment Fund to be created pursuant to the Issuance Certificate, and shall be additionally payable from Available Investments (as shall be defined in the Issuance Certificate); and

WHEREAS, it is necessary for the Issuer to delegate to each of the Authorized Officers the power to designate certain Authorized Representatives and Authorized Persons (each as shall be defined in the Issuance Certificate or Paying Agent Agreement) to undertake certain actions with respect to the issuance of the Series J Notes; and

WHEREAS, the Series J Notes are to finally mature on or before the date thirty years after the date of issuance of the first Series J Notes hereunder, and in general are intended (to the extent not previously retired) to be replaced by permanent General Revenue financing on or prior to such final maturity date; and

WHEREAS, in order to increase the aggregate principal amount of the Series E Notes that may be outstanding and to extend the final maturity date of the Series E Notes, it is necessary to amend the resolution of the Issuer entitled "Resolution of the Regents of the University of Michigan Authorizing the Issuance and Delivery of Commercial Paper Notes, Series D and Series E and Providing for Other Matters Relating Thereto," adopted on January 16, 2003 and amended by resolutions of the Issuer adopted on June 17, 2004, April 21, 2006, May 15, 2008 and March 17, 2011 (as amended, the "2003 Resolution"); and

WHEREAS, in the exercise of its constitutional duties, and in order to prudently control and direct expenditures from the University's funds, the Issuer determines it is necessary and desirable to increase the authorized principal amount of the Series E Notes and extend the final maturity date of the Series E Notes as provided herein, and to authorize the issuance of the Series J Notes to provide funds to finance and refinance all or part of the costs of the Projects, to refund the Prior Notes and the Bonds to be Refunded, if any, and to pay certain costs incurred in connection with the issuance and sale of the Series J Notes and the refunding; and

WHEREAS, in order to be able to market and remarket the Notes, it is necessary for the Issuer to authorize an Authorized Officer to prepare, execute and deliver, on behalf of the Issuer, one or more Offering Memoranda (collectively, and as supplemented from time to time, the "Offering Memorandum") to be circulated and used in connection with the marketing, sale and delivery of the Notes, and to take, together with other appropriate officers, agents and representatives of the Issuer or the University, additional actions necessary to accomplish the sale and delivery of the Notes, the administration of the commercial paper program of which the Notes are a part, and the purposes hereof, all within the limitations set forth herein; and

WHEREAS, the financing and refinancing of the Projects, and the refunding of the Prior Notes and the Bonds to be Refunded, if any, will serve proper and appropriate public purposes; and

WHEREAS, the Issuer has full power under its constitutional authority for supervision of the University, and control and direction of expenditures from the University's funds, to increase the authorized principal amount of the Series E Notes and extend the final maturity date of the Series E Notes as provided herein, to authorize and acquire the Projects, to refund the Prior Notes and the Bonds to be Refunded, if any, to finance and refinance by the issuance of the Notes the costs of the Projects, the costs of the refunding and the costs related to the issuance of the Notes and the refunding, and to pledge the General Revenues of the University for payment of the Series J Notes and to covenant to pay the Series J Notes from Available Investments.

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

1. The Issuer hereby authorizes the issuance, execution and delivery of the Series J Notes of the Issuer, in one or more series and in multiple issuances on various dates, to be designated REGENTS OF THE UNIVERSITY OF MICHIGAN COMMERCIAL PAPER NOTES, SERIES J, with additional or alternative series designations, as shall be determined appropriate by an Authorized Officer, in the aggregate principal amount outstanding from time to time as shall be designated by any one of the Authorized Officers, but, together with the Series E Notes, not in excess of $180,000,000 outstanding from time to time, to be dated as of a date of issuance of each Series J Note, or otherwise as shall be determined by an Authorized Officer, for the purposes of (a) financing and refinancing all or part of the costs of the Projects, (b) refunding the Prior Notes, (c) refunding the Bonds to be Refunded, if any, as shall be determined by an Authorized Officer, and (d) paying all or part of the costs incidental to the issuance of the Series J Notes and the refunding. The Projects as a whole are hereby determined by the Issuer to constitute a single governmental purpose of the Issuer. The Series J Notes may be issued as traditional commercial paper notes or extendable commercial paper notes, or a combination thereof, as shall be determined by an Authorized Officer in accordance with the terms of the Issuance Certificate and the Paying Agent Agreement. Each Series J Note issued as a traditional commercial paper note shall mature not later than 270 days after its date of issuance, to be determined as shall be provided in the Issuance Certificate and the Paying Agent Agreement. Each Series J Note issued as an extendable commercial paper note shall have an original maturity date to be determined as shall be provided in the Issuance Certificate and the Paying Agent Agreement, but in no event shall the original maturity date exceed the maximum original maturity date for extendable commercial paper notes as shall be established by an Authorized Officer and specified in the Issuance Certificate. In the event that any Series J Note issued as an extendable commercial paper note is not remarketed on its original maturity date, the original maturity date may be extended to a final maturity date not later than 270 date after the date of its original issuance, as shall be provided in the Issuance Certificate. Series J Notes issued as traditional commercial paper notes shall not be subject to redemption prior to maturity. Series J Notes issued as extendable commercial paper notes may be subject to redemption prior to maturity at the times and prices and in the manner as shall be established by an Authorized Officer and specified in the Issuance Certificate. All Series J Notes must mature on or before the date thirty (30) years after the date of issuance of the first Series J Notes hereunder. Interest on each Series J Note shall be payable at such times as shall be specified by an Authorized Officer, at the rate or rates of interest, not in excess of 12% per annum, to be determined as shall be provided in the Issuance Certificate and the Paying Agent Agreement. The Series J Notes shall be issued in fully registered form in the denominations, shall be subject to transfer and exchange, and shall be executed and authenticated, all as shall be provided in the Issuance Certificate. The

Series J Notes shall be sold at par through the Dealer or Dealers selected by an Authorized Officer, as provided in the Dealer Agreement(s).

2. The Series J Notes shall be limited and not general obligations of the Issuer payable from and equally and ratably secured by a lien on General Revenues on a parity basis with the lien securing the Issuer's outstanding General Revenue Bonds in several series, and other obligations secured by a parity lien on General Revenues, now or hereafter outstanding, and by a lien on moneys from time to time on deposit in the Note Payment Fund created pursuant to the Issuance Certificate, as provided therein. The Series J Notes shall also be payable from Available Investments, as shall be defined and provided in the Issuance Certificate.

In support of its obligation to repay the Notes and, if deemed appropriate by an Authorized Officer, in support of the Issuer's obligations with respect to other bonds, notes or similar instruments subject to tender at the option of the holder, the Issuer may, if deemed appropriate by an Authorized Officer, enter into one or more letters of credit, lines of credit, note purchase agreements or other liquidity facilities (collectively, the "Liquidity Facility"). Any reimbursement obligation (including interest) for draws under the Liquidity Facility shall be a limited and not general obligation of the Issuer, payable from General Revenues, and may be secured by a pledge of General Revenues on a parity or subordinate basis to the lien on General Revenues securing the Notes. The Authorized Officers are, or any one of them is, authorized to negotiate, execute and deliver, for and on behalf of the Issuer, such agreement or agreements (collectively, the "Liquidity Agreement") as an Authorized Officer may deem appropriate to acquire the Liquidity Facility and to provide for the repayment of draws thereunder, as provided herein.

No recourse shall be had for the payment of the principal amount of or interest on the Series J Notes, or under the Liquidity Agreement, or any claim based thereon against the State of Michigan, or, except as provided in the Issuance Certificate and the Liquidity Agreement, the Issuer, or against any officer or agent of the Issuer or of the University, as individuals, either directly or indirectly, nor shall the Series J Notes and interest with respect thereto or the obligations under the Liquidity Agreement become a lien on or be secured by any property, real, personal or mixed of the State of Michigan, the Issuer, or the University, other than the General Revenues and the moneys from time to time on deposit in the Note Payment Fund created by the Issuance Certificate.

3. The right is reserved to issue additional bonds, notes or other obligations payable from General Revenues and secured by a lien on General Revenues on a parity or subordinated basis with the lien thereon securing the Series J Notes and other General Revenue bonds, notes and obligations.

4. The Authorized Officers are, or any one of them is, hereby authorized and directed to select a bank or banks to be Issuing and Paying Agent, and one or more Dealers, and any one of the Authorized Officers is authorized and directed, in the name of the Issuer and as its corporate act and deed, to negotiate, execute and deliver the Issuance Certificate, the Paying Agent Agreement and one or more Dealer Agreements, consistent with the terms of this

Resolution, as the Authorized Officers executing the same shall approve, which approval shall be conclusively evidenced by the execution of the respective documents.

5. The Authorized Officers are, or any one of them is, hereby authorized and directed to designate employees or agents of the University to act as Authorized Representatives with respect to the issuance of the Series J Notes, and to designate Authorized Persons, who may be employees or agents of the University or employees or agents of the Dealer, to take certain actions with respect to the issuance of the Series J Notes, all as shall be provided in the Issuance Certificate, the Paying Agent Agreement, or any Dealer Agreement.

6. The Executive Vice President and Chief Financial Officer, or in the event of his unavailability, the President, is hereby authorized, empowered and directed, in the name and on behalf of the Issuer, and as its corporate act and deed, to execute the Series J Notes by manual or facsimile signature and to deliver the Series J Notes to the purchaser in exchange for the purchase price thereof, as shall be provided in the Issuance Certificate and the Paying Agent Agreement. The Series J Notes may be issued in the form of one or more Master Notes, as shall be provided in the Paying Agent Agreement.

7. The Authorized Officers are, or any one of them is, hereby authorized to cause to be prepared and circulated the Offering Memorandum with respect to the Notes, and to update, or cause to be updated the Offering Memorandum, through supplements or otherwise, as an Authorized Officer shall deem appropriate, or as may be required by law. Any Dealer is authorized to circulate and use, in accordance with applicable law, the Offering Memorandum, as the same may have been updated or supplemented from time to time, in the offering, sale and delivery of the Notes.

8. The Authorized Officers are, or any one of them is, hereby authorized to select the portions, if any, of the Issuer's outstanding debt obligations referred to in the preambles hereto as the "Bonds to be Refunded" and to provide for the call for redemption of such Bonds to be Refunded, to provide for the final payment date or dates of the Prior Notes, and to take any and all actions necessary and appropriate to provide for the payment when due of all amounts with respect to the Prior Notes and the Bonds to be Refunded from the proceeds of the Series J Notes, the Series E Notes or other available funds of the University. All of the Prior Notes not refunded with the proceeds of the Series J Notes shall be retired from other available funds of the University not later than August 29, 2014.

9. In order to provide for the continuation of the issuance of the previously authorized Series E Notes, Section 1 of the 2003 Resolution is hereby amended to provide that the Series E Notes may be issued in the aggregate principal amount outstanding from time to time as shall be designated by any one of the Authorized Officers, but, together with the Series J Notes, not in excess of $180,000,000 outstanding from time to time, and shall have a final maturity date of not later than thirty (30) years from the date of issuance of the first Series J Notes hereunder. The Authorized Officers are, or any one of them is, hereby authorized and directed, in the name of the Issuer and as its corporate act and deed, to negotiate, execute and deliver amendments to, or to amend and restate, the Issuance Certificate pursuant to which the Series E Notes are issued, and the related Paying Agent Agreement and Dealer Agreement, to

provide that the Series E Notes may be issued in aggregate principal amounts and with a final maturity date consistent with the terms of this Paragraph 9, as the Authorized Officer executing the same shall approve, which approval shall be conclusively evidenced by the execution of the respective documents.

10. The President, the Authorized Officers, the Secretary or Assistant Secretary, the Vice President and General Counsel and any associate general counsel, and any other appropriate officer of the University are each hereby authorized to perform all acts and deeds and to execute and deliver all instruments and documents for and on behalf of the Issuer or the University required by this Resolution or the documents authorized hereby, or necessary, expedient and proper in connection with the issuance, sale and delivery of the Notes and the administration of the financing program represented by the Notes, all as contemplated hereby or in connection with subsequent elections, approvals or determinations under the Issuance Certificate or other documents. Any reference to any specified officer of the Issuer or the University in this Resolution shall include any interim or acting officer occupying such position or having been assigned all or a portion of the functions of such position.

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