

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Approved by the Regents
May 15, 2008

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 \$150 million of Commercial Paper

Background and Summary:

The eighteen-month time period for the funding of projects under the existing commercial paper program, Series G, issued on June 7, 2006, expired in December 2007. 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. The new Series H for tax exempt purposes would refund the outstanding Series G (\$65.5 million), provide new financing for projects over the next 2 years, and refund portions of existing callable fixed rate bonds. The Series E (\$6.8 million) for taxable financing requires an extension of the present final maturity of the commercial paper. The current total outstanding commercial paper is \$72.3 million for both series. With additional funding of \$77.7 million, the total size of Series E and Series H of the commercial paper will not exceed \$150 million.

The projects to be financed may include the housing projects for the residential life initiative, Indoor Practice Facility for Intercollegiate Football, Michigan Stadium renovation and expansion, Museum of Art addition and renovation, ITCS/ITCom, parking, and utilities projects. As noted above, the tax-exempt series may also refinance some University bonds backed by Hospital Gross Revenues. The total increase in the commercial paper outstanding would not exceed \$77.7 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 or a liquidity facility offered by a bank. The total length of the program will be limited to three years from the date of issuance. Any financing of capital projects by the commercial paper would be approved by the Board.

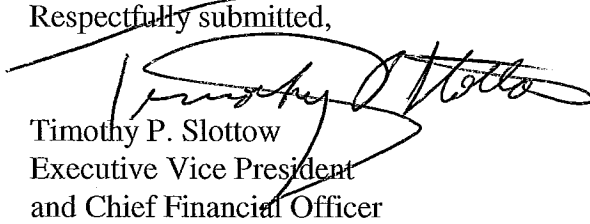
Ultimately some of the commercial paper program would need to be refinanced with either fixed or variable rate debt. A permanent refinancing plan of the commercial paper program would be submitted to the Regents for approval.

We recommend the Regents authorize:

- The attached Resolution for the issuance of up to \$150 million of commercial paper supported by a pledge of General Revenues.
- The increase of up to \$77.7 million in the commercial paper outstanding.

- 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 H and extension of Series E commercial paper and the rollover of the outstanding Series G into the proposed Series H program.
 - Negotiate a liquidity facility, if appropriate.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Timothy P. Slottow", is written over the typed name and title. The signature is fluid and cursive, with a large loop at the end.

Timothy P. Slottow
Executive Vice President
and Chief Financial Officer

May 2008
attachment

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

WHEREAS, the Regents of the University of Michigan (the “Issuer”) constitutes 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 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 H (the “Notes”) and for the financing of capital projects, currently under way or to be undertaken through the continued issuance of the previously authorized Regents of the University of Michigan Commercial Paper Notes, Series E (Taxable) (the “Series E Notes”) in the aggregate principal amount of both the Notes and the Series E Notes outstanding from time to time not to exceed \$150,000,000; and

WHEREAS, the Issuer has determined it is necessary and appropriate to refund through the issuance of the Notes the outstanding balance of the Issuer’s Commercial Paper Notes, Series G (the “Prior Notes”), and it may be economic and appropriate to refund certain outstanding debt obligations of the Issuer, including all or a portion of the Hospital Revenue Refunding Bonds, Series 1998A and all or a portion of any of the Senior Lien Indebtedness (as hereinafter defined) (the bonds, 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 temporarily financed in whole or in part through the issuance of the Notes and the Series E 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 continue to issue notes of the Series E Notes, it is necessary to amend the “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”, as previously amended (the “2003 Resolution”), adopted on January 16, 2003 and amended on June 17, 2004 and April 21, 2006; and

WHEREAS, in order to provide for the issuance of the Notes, it will be necessary for one or more of the Executive Vice President and Chief Financial Officer, the Associate Vice President for Finance, or the Treasurer (each an “Authorized Officer”) 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 (collectively, the “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 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 in the Trust Agreement pursuant to which the Issuer’s General Revenue Bonds, Series 2008A and 2008B were issued)

and the Notes to be additionally payable from Available Investments (as shall be defined in the Issuance Certificate); and

WHEREAS, the Issuer has previously issued certain series of bonds or notes (the “Senior Lien Indebtedness”) secured by and payable from medical service plan revenues or other revenue streams (other than Hospital Gross Revenues) which comprise a portion of General Revenues, and it is intended that each series of the Senior Lien Indebtedness remain outstanding and continue to be secured, until paid or defeased, by its respective revenue stream on a senior lien basis to the Notes and other General Revenue indebtedness previously or subsequently issued, but that no new Senior Lien Indebtedness is to be issued; 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 defined in the Issuance Certificate or Paying Agent Agreement) to undertake certain actions with respect to the issuance of Notes; and

WHEREAS, the Notes and the Series E Notes are to finally mature on or before the date three years after the date of issuance of the first Notes hereunder, and in either case, some of the notes are intended (to the extent not previously retired) to be replaced by permanent General Revenue financing on or prior to such date; 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 modify the authorized principal amount of Series E Notes to include Series H Notes and to extend the period during which the Series E Notes may be issued as provided herein, to authorize the issuance of the Notes to provide funds to temporarily 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 Notes and the refunding; and

WHEREAS, in order to be able to market the Notes, it is necessary for the Issuer to authorize an Authorized Officer to prepare, execute and deliver, on behalf of the Issuer, an Offering Memorandum (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 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 expenditures from the University's funds, to extend the period during which the Series E Notes may be issued, as provided herein, to authorize and acquire the Projects, to refund the Prior Notes and the Bonds to be Refunded, to finance by the issuance of the Notes the costs of the Projects, 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 Notes and to covenant to pay the 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 Notes of the Issuer, in multiple issuances on various dates, to be designated REGENTS OF THE

UNIVERSITY OF MICHIGAN COMMERCIAL PAPER NOTES, SERIES H, 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 not, together with outstanding principal of the Series E Notes, in excess of \$150,000,000, to be dated as of a date of issuance of each Note, or otherwise as shall be determined by an Authorized Officer, for the purpose of (a) financing and refinancing all or part of the costs of the Projects, (b) refunding the Prior Notes and the Bonds to be Refunded, and (c) paying all or part of the costs incidental to the issuance of the 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 Notes shall not be subject to redemption prior to maturity. Each Note shall mature not later than 270 days after its date of issuance, as shall be determined as provided in the Issuance Certificate and Paying Agent Agreement, and all Notes and Series E Notes must mature on or before the date three years after the date of issuance of the first Notes hereunder. Interest on each Note shall be payable on the maturity date thereof, at the rate, not in excess of 12% per annum, to be determined as specified in the Issuance Certificate and Paying Agent Agreement. The Notes shall be issued in fully registered form, or registered to bearer, 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 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 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, subject only to the senior liens on portions of General Revenues securing the respective series of Senior Lien Indebtedness (until each respective series of such Senior Lien Indebtedness is paid or defeased in accordance with its terms), and moneys from time to time on deposit in the Note Payment Fund created pursuant to the Issuance Certificate, as provided therein. The Notes shall also be payable from Available Investments, as defined and provided in the Issuance Certificate. The Issuer shall covenant in the Issuance Certificate that so long as any of the Notes remain outstanding, the Issuer will not issue any new series of Senior Lien Indebtedness.

In support of its obligation to repay the Notes, and the Series E 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. 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 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 Notes and interest with respect thereto nor 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 and secured by General Revenues on a parity basis with the Notes and other General Revenue bonds and obligations as to the lien on General Revenues, but subject to the prior liens on portions thereof securing Senior Lien Indebtedness.

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 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 Notes, all as provided in the Issuance Certificate, the Paying Agent Agreement, or any Dealer Agreement.

6. The Authorized Officers are, or any one of them 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 Notes by manual or facsimile signature and to deliver the Notes to the purchaser in exchange for the purchase price thereof, as provided in the Issuance Certificate and the Paying Agent Agreement. The Notes may be issued in the form of one or more Master Notes, as 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 bonds referred to in the preambles hereto as the "Bonds to be Refunded" and to provide for the call for redemption of such bonds, 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 Notes or other available funds of the University.

9. 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 not, together with the outstanding principal of the Notes, to exceed \$150,000,000, for the purposes

specified in the 2003 Resolution, and shall have a final maturity date of not later than three years from the date of issuance of the first Series H 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 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 Resolution, and that Series E Notes may be issued for new money purposes, or refunding purposes at any time before their final maturity date, all as the Authorized Officer or Officers executing the same shall approve, which approval shall be conclusively evidenced by the execution of the respective documents.

10. The Authorized Officers, the Secretary, representatives of the University's 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, from time to time, 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 officer occupying 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.