

**Agendum
Oakland University
Board of Trustees Formal Session
February 12, 2013**

**AUTHORIZING RESOLUTION – GENERAL REVENUE REFUNDING BONDS,
SERIES 2013**

A Recommendation

1. **Division and Department:** Finance and Administration Division, Treasury Management Department.
2. **Introduction:** In September 2004 the Oakland University Board of Trustees (Board) issued the General Revenue Refunding Bonds, Series 2004 to defease the Series 1995 Bonds which were originally issued to finance the Student Recreation and Fitness Center. This refinancing (refunding) of the Series 1995 Bonds effectively saved the University \$3,982,848 in future debt service costs due to lower interest rates. The University's debt advisor, PFM Group, has advised that current bond market conditions may offer another refinancing opportunity, now on the Series 2004 Bonds with \$24,500,000 in outstanding principal, which potentially could reduce future debt service costs by as much as \$2,314,000. A refinancing would be executed only if net savings could be attained. No new money would be generated by the refinancing.
3. **Previous Board Action:** On June 12, 1995 the Board approved the issuance of the Series 1995 Bonds. On July 14, 2003 the Board approved the refunding of the Series 1995 Bonds and issuance of the Series 2004 Bonds.
4. **Budget Implications:** Current annual debt payments on the Series 2004 Bonds are \$2,493,000 and are projected to decrease by as much as \$178,000 annually through 2026, with the savings reflected in annual budgets.
5. **Educational Implications:** None.
6. **Personnel Implications:** None.
7. **University Reviews/Approvals:** This recommendation was formulated by the Office of Treasury Management in consultation with Debt Advisors (Kari L. Blanchett of the PFM Group) and reviewed by the Vice President for Finance and Administration; and the resolution was prepared by Bond Counsel (Robert L. Schwartz of Clark Hill PLC), and reviewed by the Office of Legal Affairs, and President.
8. **Recommendation:**
See Attachment A

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9. Attachments:


A. RESOLUTION OF THE BOARD OF TRUSTEES OF OAKLAND UNIVERSITY AUTHORIZING THE ISSUANCE AND DELIVERY OF GENERAL REVENUE BONDS AND PROVIDING FOR OTHER MATTERS RELATING THERETO

Submitted to the President
on 2/6, 2013 by



John W. Beaghan
Vice President for Finance and Administration and
Treasurer to the Board of Trustees

Recommended on 2/7, 2013
to the Board for approval by



Gary D. Russi
President

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

WHEREAS, the Board of Trustees of Oakland 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 Oakland University (the "University") and the control and direction of all expenditures from the University's funds; and

WHEREAS, the Board has previously issued and has outstanding certain series of General Revenue Bonds (the "Outstanding Bonds"), and has incurred certain other debt obligations payable from and secured by a lien on General Revenues (as hereinafter defined) (such other debt obligations, together with the Outstanding Bonds, are collectively referred to herein as the "Outstanding Obligations"); and

WHEREAS, it may be appropriate and economic to refund all or a portion of the Outstanding Bonds originally issued in 2004 in the aggregate principal amount of \$31,770,000, designated Board of Trustees of Oakland University General Revenue Refunding Bonds, Series 2004 (the "Series 2004 Bonds"), and the portion of the Series 2004 Bonds selected to be refunded, if any, as provided herein shall be called the "Bonds to be Refunded"; and

WHEREAS, in the exercise of its constitutional duties, and in order to prudently control and direct expenditures from the University's funds, the Board determines that it is necessary and desirable to authorize the issuance of General Revenue Bonds (the "Refunding Bonds") in order to provide funds which, together with other available funds, will be used to pay the costs of refunding the Bonds to be Refunded, including costs incidental to the issuance of the Refunding Bonds and the refunding; and

WHEREAS, if the Refunding Bonds are issued, a trust indenture (the "Trust Indenture") must be entered into by and between the Board and a trustee (the "Trustee") to be designated by the President or the Vice President for Finance and Administration of the University (each an "Authorized Officer"), pursuant to which the Refunding Bonds will be issued and secured; and

WHEREAS, the trust indentures or agreements authorizing the Outstanding Bonds create certain conditions for the issuance of General Revenue Bonds secured by a pledge of General Revenues on a parity basis with the Outstanding Obligations; and

WHEREAS, an Authorized Officer shall, on or prior to the delivery of the Refunding Bonds, certify that the conditions for issuing the Refunding Bonds, secured on a parity basis by General Revenues with the Outstanding Obligations, have been met; and

WHEREAS, it is necessary to authorize the Authorized Officers, or either of them individually, to negotiate the sale of the Refunding Bonds with an underwriter or group of underwriters to be selected by an Authorized Officer (collectively, the "Underwriter") and to

enter into a bond purchase agreement (the "Bond Purchase Agreement") with the Underwriter setting forth the terms and conditions upon which the Underwriter will agree to purchase the Refunding Bonds and the interest rates thereon and the purchase price therefor; and

WHEREAS, in order to be able to market the Refunding Bonds, if issued, at the most opportune time, it is necessary for the Board to authorize the Authorized Officers, or either of them individually, to negotiate, execute and deliver on behalf of the Board, the Trust Indenture, the Bond Purchase Agreement, and other related documents, to establish the specific terms of the Refunding Bonds and to accept the offer of the Underwriter to purchase the Refunding Bonds, and to obtain, if appropriate and economic, a policy of bond insurance for the Refunding Bonds, all as may be deemed necessary and desirable by an Authorized Officer, and all within the limitations set forth herein; and

WHEREAS, the Board has full power under its constitutional authority for supervision of the University, and control and direction of expenditures from the University's funds, to authorize the issuance of the Refunding Bonds, to refund the Bonds to be Refunded, and to pledge General Revenues for payment of the Refunding Bonds.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF OAKLAND UNIVERSITY, AS FOLLOWS:

1. Authorization of the Refunding Bonds and Related Agreements; Terms of the Refunding Bonds; Related Matters. The Board hereby authorizes the issuance, execution and delivery of the Refunding Bonds of the Board in one or more series, to be designated GENERAL REVENUE REFUNDING BONDS (with appropriate alternative or additional series designations), in the aggregate original principal amount to be established by an Authorized Officer, but not to exceed the principal amount necessary to refund any or all of the Bonds to be Refunded, presently estimated not to exceed \$24,500,000, and to pay costs related thereto. The Refunding Bonds shall be dated as of the date or dates established by an Authorized Officer, and shall be issued for the purpose of providing funds which, together with other available funds, will be used to pay the costs of refunding any or all of the Bonds to be Refunded, and other costs related or incidental to the issuance of the Refunding Bonds and the refunding, including but not limited to the cost of bond insurance if an Authorized Officer determines such insurance to be appropriate. The Refunding Bonds may be issued as tax-exempt or taxable bonds, shall be serial bonds, or term bonds which may be subject to redemption requirements, or both, as shall be established by an Authorized Officer, but the first maturity or mandatory redemption date shall be no earlier than May 15, 2013, and the last maturity shall be no later than May 15, 2026. The Refunding Bonds may bear interest at stated fixed rates for the respective maturities thereof as shall be established by an Authorized Officer, but the weighted average yield (computed using the stated coupon and the stated original offering price) for the Refunding Bonds shall not exceed 3.75% per annum. The Refunding Bonds 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, but no redemption premium shall exceed 3% of the principal amount being redeemed. Interest on the Refunding Bonds shall be payable at such times as shall be specified by an Authorized Officer. The Refunding Bonds shall be issued in fully registered form in denominations, shall be payable as to principal and interest in the manner, shall be subject to transfer and exchange, and shall be executed and authenticated, all as shall be provided in the Trust Indenture. The Refunding Bonds

shall be sold to the Underwriter pursuant to the Bond Purchase Agreement for a price to be established by an Authorized Officer (but the Underwriter's discount, exclusive of original issue discount, shall not exceed 1.5% of the principal amount thereof) plus accrued interest, if any, from the dated date of the Refunding Bonds to the date of delivery thereof.

Either of the Authorized Officers is hereby authorized and directed to select all or a portion of the Series 2004 Bonds to constitute the Bonds to be Refunded, based on whether such refunding is expected to produce debt service savings or a more favorable debt service structure, and to fund, if deemed appropriate, a portion of the costs of the refunding from available funds of the University and the balance of such costs from the proceeds of the Refunding Bonds, and to proceed with the refunding.

In relation to the debt service on the Refunding Bonds, or in relation to all or any portion of the debt service on the Outstanding Bonds, either of the Authorized Officers may, at any time, on behalf of the Board, enter into an interest rate swap, cap, forward starting swap, rate lock, option, swaption or similar agreement or agreements (collectively, the "Swap Agreement") with a counter-party or counter-parties to be selected by the Authorized Officer. Such Swap Agreement shall provide for payments between the Board and the counter-party related to interest on all or a portion of the Refunding Bonds or the Outstanding Bonds, or to indexed or market established rates. If the Swap Agreement is entered into in connection with the issuance of the Refunding Bonds, the expected effective interest rates on the Refunding Bonds, taking into account the effect of the Swap Agreement, shall be within the limitations set forth herein. Any Swap Agreement in the form of an option, rate lock, swaption or forward starting swap, may, if the Refunding Bonds to which such agreement relates are not ultimately issued, be required to be terminated, with a possibility of a resulting termination payment due by the University. In addition, either Authorized Officer is authorized to modify or terminate any existing interest rate swap or similar agreement entered into in connection with any of the Outstanding Bonds, if the Authorized Officer determines such action is economic and in the best interests of the Board, based on the advice of the University's financial advisor.

2. Limited Obligation of the Board; Security. The Refunding Bonds, and the obligations of the Board under the Swap Agreement, if any, shall be limited and not general obligations of the Board payable from and secured by a lien on the General Revenues and moneys, securities or other investments from time to time on deposit in certain funds created pursuant to the Trust Indenture, or agreements entered into in connection with the Swap Agreement. Except as otherwise determined by an Authorized Officer, as provided below, the lien on General Revenues shall be on a parity basis with the liens on General Revenues securing the Outstanding Obligations.

As used herein and in the Trust Indenture and related documents, "General Revenues" shall be defined generally to include all fees, deposits, charges, receipts and income from all or any part of the students of the University, whether activity fees, tuition, instructional fees, tuition surcharges, general fees, health fees or other special purpose fees; all gross income, revenues and receipts from the ownership, operation and control of the Board's housing, dining and auxiliary facilities; all unrestricted receipts from departmental or educational activities; all unrestricted grants, gifts, donations and pledges and receipts therefrom; all unrestricted recoveries of indirect costs; and all unrestricted investment income, *but excluding* all of the following: (a) student

activity fees approved by student referendum and not reported in the University's current funds; (b) any deposits required by law or contract to be held in escrow; (c) any gifts, grants, donations or pledges and receipts therefrom restricted as to use in a manner inconsistent with payment of amounts due on the Refunding Bonds and any obligations secured on a parity with the Refunding Bonds; (d) appropriations to the University from the State Legislature; (e) any income, revenues or receipts of whatever kind or nature attributed by the University to the University's constituent school of medicine; and (f) up to an amount equal to an aggregate of 5% of General Revenues each fiscal year collected annually from the levy of a special fee hereafter established by the Board and designated by the Board to be excluded from General Revenues.

No recourse shall be had for the payment of the principal amount of or interest or premium on the Refunding Bonds, or for the payment of amounts owing under the Swap Agreement, if any, or any claim based thereon, against the State of Michigan, the Board (except as provided herein) or the University, or any member, officer or agent thereof, as individuals, either directly or indirectly, nor shall the Refunding Bonds and interest and premium, if any, with respect thereto, or any obligations of the Board under the Swap Agreement, if any, become a lien on or be secured by any property, real, personal or mixed, of the State of Michigan or the Board, other than the General Revenues and the moneys, securities or other investments from time to time on deposit in certain funds established and pledged pursuant to the Trust Indenture or agreements entered into in connection with the Swap Agreement, if any.

Any pledge of General Revenues, and funds specified in the Trust Indenture or agreements entered into in connection with the Swap Agreement, if any, shall be valid and binding from the date of the issuance and delivery of the Refunding Bonds or such agreements, and all moneys or properties subject thereto which are thereafter received shall immediately be subject to the lien of the pledge 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 obligations secured by a parity first lien on General Revenues) having a claim in tort, contract or otherwise against the Board, irrespective of whether such parties have notice of the lien.

Notwithstanding anything herein to the contrary, any obligations of the Board under the Swap Agreement, if any, may, if determined appropriate by an Authorized Officer, be payable and secured on a subordinated basis to the Refunding Bonds and other General Revenue obligations of the Board, or may be unsecured.

3. Additional Bonds. The right is reserved to issue additional bonds, notes or other obligations payable from and secured on a parity basis with the Refunding Bonds and the Outstanding Obligations from the General Revenues, upon compliance with the terms and conditions as shall be set forth in the Trust Indenture and the trust indentures and agreements pursuant to which the Outstanding Obligations were issued.

4. Selection of Trustee; Terms of Documents; Bond Insurance. Either Authorized Officer is hereby authorized and directed, in the name and on behalf of the Board, to select the Trustee, and to negotiate the terms of and execute and deliver the Trust Indenture. The Trust Indenture may contain such covenants of the Board and terms as the Authorized Officer may deem appropriate, including, but not limited to, covenants with respect to the establishment of General Revenues at levels expressed as a percentage of debt service on the Refunding Bonds

or all General Revenue Bonds, and with respect to the issuance of additional bonds, notes or other obligations payable from and secured by General Revenues. In addition, either Authorized Officer is hereby authorized, empowered and directed to negotiate, if necessary for the issuance of the Refunding Bonds, for the acquisition of bond insurance and to execute and deliver an insurance commitment or other documents or instruments required in connection with such insurance.

5. Sale of the Bonds; Selection of Underwriter or Purchaser; Terms of Purchase. Either Authorized Officer is hereby authorized and directed, in the name and on behalf of the Board, to select the Underwriter and to negotiate the terms of and execute and deliver the Bond Purchase Agreement with the Underwriter setting forth the terms of the Refunding Bonds and the sale thereof, all within the limitations set forth herein.

6. Execution and Delivery of Bonds. Either Authorized Officer is hereby authorized, empowered and directed, in the name and on behalf of the Board, to execute the Refunding Bonds by placing his or her facsimile or manual signature thereon, and to deliver the Refunding Bonds to the Underwriter in exchange for the purchase price therefor, as provided in the Bond Purchase Agreement.

7. Ratings; Official Statement. Either Authorized Officer is hereby authorized to solicit ratings on the Refunding Bonds from any national rating services that the Authorized Officer deems appropriate and to cause the preparation of a Preliminary Official Statement, if necessary, and an Official Statement with respect to the issuance of the Refunding Bonds, and to execute and deliver the Official Statement. The Underwriter is authorized to circulate and use, in accordance with applicable law, the Preliminary Official Statement, if any, and the Official Statement in connection with the offering, marketing and sale of the Refunding Bonds.

8. Additional Acts Required; Escrow Agreement. The Authorized Officers, and any other officers or personnel of the Board or the University authorized by the Board to act on its behalf as certified by the Vice President for Legal Affairs and General Counsel, are, and each one of them individually is, hereby authorized to perform all acts and deeds, and to execute and deliver, for and on behalf of the Board, all instruments and documents required by this Resolution, the Trust Indenture, the Swap Agreement, if any, or the Bond Purchase Agreement, or necessary, expedient and proper in connection with the issuance, sale and delivery of the Refunding Bonds or the refunding of the Bonds to be Refunded, as contemplated hereby, including, if deemed appropriate, an escrow deposit agreement with an escrow agent to be designated by an Authorized Officer. Each Authorized Officer is hereby authorized to designate and empower the escrow agent or the Underwriter to subscribe for United States Treasury Obligations, State and Local Government Series, on behalf of the Board, as may be necessary in connection with any refunding authorized hereby. Any reference to an officer of the Board or the University herein shall include any interim or acting officer appointed by the Board. Any action at any time required or appropriate under the Trust Indenture, the Swap Agreement, if any, the Bond Purchase Agreement, or other instrument related to the Refunding Bonds, may be taken by and on behalf of the Board by an Authorized Officer.

9. Continuing Disclosure Undertaking. In accordance with the requirements of Rule 15c2-12 of the United States Securities and Exchange Commission, the Board is required in

connection with the issuance of the Refunding Bonds to enter into a Continuing Disclosure Undertaking for the benefit of the holders and beneficial owners of the Refunding Bonds. Either Authorized Officer is authorized to cause to be prepared and to execute and deliver, on behalf of the Board, a Continuing Disclosure Undertaking.

10. Approval by Vice President for Legal Affairs and General Counsel. The Board authorizes and directs that, prior to the execution by either Authorized Officer or other officer or representative of the Board or the University, of documents, certificates or instruments authorized by this Resolution, the Vice President for Legal Affairs and General Counsel of the University shall have reviewed and approved any and all such documents, certificates and instruments, upon, as appropriate, the advice of or consultation with the University's bond counsel.

11. Conflicting Resolutions. All resolutions or parts of resolutions or other proceedings of the Board in conflict herewith are hereby repealed to the extent of such conflict.