

## **AUTHORIZATION TO SELL BONDS**

### **Recommendation**

The Administration recommends that the Board of Governors adopt the attached Resolution authorizing the issuance of Wayne State University general revenue bonds. The bonds may be issued for two purposes: 1) new issuance of up to \$10,500,000 for a term not to exceed 33 years for the projects listed below, and 2) refinancing of prior debt to achieve interest rate savings. The par amount of refinancing bonds is dependent on market conditions.

The bonds may be issued for the following projects/purposes:

#### **A. Issue Bonds for New Projects:**

1) To fund new issuance of up to \$10,000,000 for research laboratory renovations and/or strategic acquisitions of property, and to fund the related costs of bond issuance.

#### **B. Refund the Series 2006, 2007 and/or 2008 bonds.**

To refund the Series 2006 bonds outstanding of approximately \$43,000,000, or some portion thereof, and to refund portions of the Series 2007 and 2008 bonds.

The annual debt service cost for the new bond issuance projects will be approximately \$650,000. It will be funded by the General Fund. If there is a reduction in debt service as a result of the bond refunding, the savings will be used to offset the debt service costs associated with the new projects.

### **Background and Project Description**

The current interest rate environment makes it attractive to refinance the Series 2006 bonds and possibility portions of the Series 2007 and 2008 bonds. The Series 2006, 2007 and 2008 bonds are fully refundable in November 2016, 2017 and 2018, respectively. Each series can be advance refunded prior to the call date. They have a remaining maturity of approximately 23, 24 and 22 years, respectively. Although the University doesn't have immediate need for additional project funds, there are many potential project opportunities under discussion, and it is therefore advantageous to use the Series 2006 bond refunding opportunity to issue \$10 million in new debt for such projects. In the event that the refunding of the Series 2006 bonds is no longer economical, the University will explore other financing options for these new projects including the use of a bank loan or provision of a bridge loan until the next time the University goes to the market to issue or refund tax exempt bonds.

RESOLUTION OF THE BOARD OF GOVERNORS  
OF WAYNE STATE UNIVERSITY  
AUTHORIZING THE ISSUANCE AND DELIVERY  
OF GENERAL REVENUE BONDS AND  
PROVIDING FOR OTHER MATTERS RELATING THERETO

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

WHEREAS, the Board proposes to undertake the proposed projects described on Exhibit A attached hereto, together with other projects to be subsequently approved by the Board and designated to be financed, in whole or in part, from the proceeds of the bonds authorized hereby (the "Projects"); and

WHEREAS, the Board has previously issued its General Revenue Bonds in several outstanding series (collectively, the "Prior Obligations"), and it may be appropriate and economic to refund all or any portion of the outstanding principal maturities of those Prior Obligations (the Prior Obligations, if any, to be refunded to be determined by an Authorized Officer (hereinafter defined) and to be herein 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 it is necessary and desirable to authorize the issuance and delivery of the Board's General Revenue Bonds (the "Bonds") in one or more series, some or all of which may be tax-exempt and some or all of which may be taxable, in order to provide funds which, together with other available funds, will be used to pay all or a portion of the costs of the Projects and the costs of refunding the Bonds to be Refunded, if any, to fund capitalized interest, if applicable, and costs incidental to the issuance of the Bonds and the refunding, including swap termination costs and insurance premiums, if appropriate; and

WHEREAS, a trust indenture or indentures (collectively, the "Trust Indenture") or loan agreement or loan agreements (collectively, the "Loan Agreement") must be entered into by and between the Board and trustee (the "Trustee"), or a direct placement lender, in either case to be designated by an Authorized Officer, pursuant to which the Bonds will be issued and secured; and

WHEREAS, it is necessary to authorize the Authorized Officers to select an investment banking firm or firms (collectively, the "Underwriter") to act as underwriter for the Bonds, and to negotiate the sale of the Bonds with the Underwriter or with a direct placement lender to be selected by an Authorized Officer (the "Purchaser"), and to enter into a bond purchase agreement or agreements (collectively, the "Bond Purchase Agreement") or Loan Agreement with the Underwriter or Purchaser and, if deemed appropriate, a remarketing agreement or agreements (collectively, the "Remarketing Agreement") with the Underwriter, setting forth the terms and

conditions upon which the Underwriter or Purchaser will agree to purchase the Bonds and the interest rates thereof and the purchase price therefor; and

WHEREAS, in order to be able to market the Bonds at the most opportune time, it is necessary for the Board to authorize the President and the Vice President for Finance and Business Operations, Treasurer and Chief Financial Officer (each an "Authorized Officer"), or either of them, to undertake some or all of the following actions: designate the Trustee, negotiate, execute and deliver on behalf of the Board the Trust Indenture or Loan Agreement, establish the specific terms of the Bonds, accept the offer of the Underwriter or Purchaser to purchase the Bonds, which may, if determined appropriate by an Authorized Officer, be on a "forward purchase" basis, to publish any Notice of Sale required for the sale of any portion of the Bonds, obtain a policy of bond insurance or a credit or liquidity facility for all or a portion of the Bonds, enter into and subsequently terminate rate lock agreements or other interest rate swap arrangements with respect to the Bonds, all as may be deemed necessary and desirable by an Authorized Officer and within the limitations set forth herein; and

WHEREAS, the financing of the Projects, the refunding of the Bonds to be Refunded, and the other actions as provided herein, will serve proper and appropriate public purposes; and

WHEREAS, the Board has full power under its constitutional authority and supervision of the University, and control and direction of expenditures from the University's funds, to acquire and construct the Projects, to refund the Bonds to be Refunded, to enter into and to terminate interest rate swaps, and to pay all or part of the cost of the acquisition, construction and installation of the Projects, the refunding and swap terminations through the issuance of the Bonds, and to pledge General Revenues for payment of the Bonds.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF GOVERNORS OF WAYNE STATE UNIVERSITY, AS FOLLOWS:

1. The Board hereby approves the Projects as set forth in Exhibit A attached hereto, and authorizes the Authorized Officers, or either of them, to proceed with the Projects and each component thereof. The Board may subsequently approve additional components of the Projects and specify that such additional components of the Projects shall be financed in whole or in part from the proceeds of the Bonds. Either Authorized Officer is authorized to determine the specific amount of the cost of each component of the Projects to be financed from the proceeds of the Bonds.

2. The Board hereby approves the refunding of the Bonds to be Refunded and authorizes the Authorized Officers, or either of them, to select none, all or a portion of the Prior Obligations 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 Bonds, and to proceed with the refunding.

3. The Board hereby authorizes either of the Authorized Officers to effect the termination of any interest rate swap previously entered into in relation to any of the Bonds to be

Refunded, or in relation to any other of the Prior Obligations, in each case which the Authorized Officer determines is in the best interests of the Board and the University, and to pay any costs associated with such termination from available funds of the University or from the proceeds of the Bonds.

4. The Board hereby authorizes the issuance, execution and delivery of the Bonds of the Board in one or more series to be designated GENERAL REVENUE BONDS or GENERAL REVENUE NOTE(S), with appropriate series designations, in the aggregate original principal amount to be established by an Authorized Officer, but not to exceed the principal amount necessary to produce proceeds of Ten Million and Five hundred Thousand Dollars (\$10,500,000), plus the amount necessary to accomplish the refunding of the Bonds to be Refunded, if any, and the termination of any interest rate swaps as provided above, to be dated as of the date or dates established by an Authorized Officer, for the purpose of providing funds which, together with other available funds, will be used to pay (i) all or a portion of the costs of the Projects, (ii) the costs of repaying, with interest, any advances previously drawn under the Board's previously authorized line of credit (the "Line of Credit") for the temporary financing of costs associated with the Projects, (iii) the costs of refunding the Bonds to be Refunded, if any, (iv) capitalized interest for such period, if any, as an Authorized Officer may deem appropriate, (v) costs of terminating interest rate swaps related to the Bonds to be Refunded or other Prior Bonds as an Authorized Officer shall deem appropriate, and (vi) costs incidental to the issuance of the Bonds and the refunding, including insurance premiums or fees and expenses associated with credit or liquidity facilities, if appropriate. The 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 shall be not earlier than May 1, 2015 and the last maturity shall be no later than December 31, 2047. The Bonds may bear interest at stated fixed rates for the respective maturities thereof as shall be established by an Authorized Officer, but the highest yield (computed using the stated coupon and the stated original offering price) for any maturity shall not exceed 5.50% per annum for tax-exempt bonds or 7.50% per annum for taxable bonds, subject, in the case of Bonds sold to a Purchaser, to adjustments for increased costs of the Purchaser, rating changes and defaults and other specified factors, but in no event in excess of the lesser of 25% per annum, the maximum rate permitted by law or the maximum rate, if any, specified in the Trust Indenture or Loan Agreement. Alternatively, all or part of the Bonds may bear interest at a variable rate of interest for all or a portion of their term, and the variable rate of interest shall not exceed the lesser of 25% per annum, the maximum rate permitted by law or the maximum rate to be specified in the Trust Indenture or Loan Agreement. The Bonds may be subject to redemption or call for purchase 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, unless the premium is established as a "make-whole" amount, in which case the premium may not exceed 25%. Interest on the Bonds shall be payable at the times as shall be specified by an Authorized Officer. The 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 determined by an Authorized Officer and provided in the Trust Indenture or Loan Agreement. The Bonds shall be sold to the Underwriter or Purchaser pursuant to the Bond Purchase Agreement or Loan Agreement for a price to be established by an Authorized Officer (but the Underwriter's or Purchaser's discount, exclusive of

original issue discount, shall not exceed 2.0% of the principal amount thereof) plus accrued interest, if any, from the dated date of the Bonds to the date of delivery thereof.

In relation to the debt service on the Bonds, or in relation to all or any portion of the Prior Obligations, either of the Authorized Officers may, on behalf of and as the act of the Board, at any time execute and enter into and subsequently terminate one or more interest rate swaps (including basis swaps), rate-locks, caps, forward starting swaps, options, swaptions or similar 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 Bonds or the Prior Obligations, or to indexed or market established rates. If the Swap Agreement is entered into in connection with the issuance of Bonds and is related to the Bonds, the expected effective interest rates on the Bonds, taking into account the effect of the Swap Agreement, shall be within the limitations set forth herein. The termination of any Swap Agreement in the future may result in a termination payment due by the University, which is hereby authorized to be paid by either of the Authorized Officers from available funds of the University, from the proceeds of the Bonds, or from the proceeds of the Line of Credit.

Any or all of the Bonds may be made subject to tender for purchase at the option of the holder thereof. The obligation of the Board to purchase any such Bonds made subject to tender options may be made payable from available cash reserves of the University, subject to such limitations as may be specified in the Trust Indenture or Loan Agreement, or may be made payable from a letter of credit, line of credit or other liquidity device (the "Liquidity Device"), or from the proceeds of general revenue bonds to be issued in the future, all as shall be determined by an Authorized Officer and provided for in the Trust Indenture or Loan Agreement. Any reimbursement obligation for draws under the Liquidity Device shall be a limited and not general obligation of the Board, payable from and secured by a pledge of General Revenues (hereinafter defined). Either Authorized Officer is authorized to execute and deliver, for and on behalf of the Board, any agreements or instruments necessary to obtain, and provide for repayments under, any Liquidity Device deemed by such officer to be required for the purposes of this Resolution.

5. The Bonds and the obligations of the Board under any Swap Agreement or Liquidity Device, if either or both is entered into, shall be limited and not general obligations of the Board, payable from and secured by a lien on the General Revenues (as shall be defined in the Trust Indenture or Loan Agreement to include generally student tuition and other fees, housing and auxiliary revenues, unrestricted gifts and grants, unrestricted investment income and other miscellaneous revenues, subject to certain reductions, limitations and exceptions), and funds from time to time on deposit in certain funds created pursuant to the Trust Indenture, the Loan Agreement, the Swap Agreement or agreements entered into in connection with any Liquidity Device. The lien on General Revenues created pursuant to this paragraph shall be on a parity basis with the lien thereon securing any of the Prior Obligations; provided, however, that if determined appropriate by an Authorized Officer, the lien securing the Board's obligations under any Swap Agreement or Liquidity Facility may be subordinated to the lien securing the Bonds and the Prior Obligations, or such obligations may be unsecured.

No recourse shall be had for the payment of the principal amount of or interest or premium on the Bonds, any obligation under any Swap Agreement or Liquidity Device, or any claim based thereon, against the State of Michigan, or any member, officer or agent of the Board or the State, as individuals, either directly or indirectly, nor, except as provided herein, against the Board, nor shall the Bonds and interest with respect thereto or any obligation under any Swap Agreement or Liquidity Device 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 from time to time on deposit in certain funds established by the Trust Indenture, the Loan Agreement, the Swap Agreement or agreements entered into in connection with any Liquidity Device.

Any pledge of General Revenues, and funds specified in the Trust Agreement or Loan Agreement, the Swap Agreement or the agreements entered into in connection with the Liquidity Device, if any, shall be valid and binding from the date of the issuance and delivery of the 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 other 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.

6. 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 General Revenues, upon compliance with the terms and conditions as shall be set forth in the Trust Indenture or Loan Agreement.

7. Either Authorized Officer is hereby authorized and directed, in the name and on behalf of the Board, and as its corporate act and deed, to select the Trustee, if any, and to negotiate, execute and deliver the Trust Indenture or Loan Agreement in the form as an Authorized Officer may approve upon recommendation of legal counsel, which approval shall be conclusively evidenced by the execution of the Trust Indenture or Loan Agreement, all within the limitations set forth herein. The Trust Agreement or Loan Agreement may contain such covenants on behalf of the Board and terms as such officer deems 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 Bonds or all General Revenue obligations of the Board, and with respect to the issuance of additional bonds, notes or other obligations payable from and secured by General Revenues.

8. Either Authorized Officer is hereby authorized and directed, in the name and on behalf of the Board, and its corporate act and deed, to select the Underwriter or Purchaser, to negotiate, execute and deliver the Bond Purchase Agreement or Loan Agreement with the Underwriter or Purchaser, and the Remarketing Agreement, if necessary, with the Underwriter, setting forth the terms of the Bonds and the sale thereof, all within the limitations set forth herein. In the alternative, if determined appropriate by either Authorized Officer, selection of the Underwriter and setting of the terms for all or any portion of any series of the Bonds may be made through a competitive sale or other bidding process, and either of the Authorized Officers is authorized to accept the winning bid or offer of the Underwriter for the purchase of the Bonds.

9. Either Authorized Officer is hereby authorized, empowered and directed, in the name and on behalf of the Board, and as its corporate act and deed, to execute the Bonds by manual or facsimile signature, and to deliver the Bonds to the Underwriter or Purchaser in exchange for the purchase price thereof, as provided in the Bond Purchase Agreement or Loan Agreement.

10. Either Authorized Officer is hereby authorized to cause the preparation of a Preliminary Official Statement and an Official Statement with respect to the Bonds, to deem such statements "final" in accordance with applicable law, and to execute and deliver the Official Statement. In the event that all or a portion of any series of the Bonds is to be sold by means of a competitive sale or bidding process, as provided in this Resolution, either Authorized Officer is authorized to prepare and publish or cause to be published, or otherwise distribute, in such manner as an Authorized Officer shall determine, a Notice of Sale for such Bonds. Either Authorized Officer, the University's financial advisor and the Underwriter are each authorized to circulate and use, in accordance with applicable law, the Notice of Sale, the Preliminary Official Statement and the Official Statement in connection with the offering, marketing and sale of the Bonds.

11. The President, the Vice President for Finance and Business Operations, Treasurer and Chief Financial Officer, the Assistant Treasurer and any other appropriate officer of the Board or the University are each hereby authorized to perform, execute and deliver, for and on behalf of the Board, all acts, deeds, instruments and documents as may be required by this resolution, the Trust Indenture or Loan Agreement, the Bond Purchase Agreement, the Swap Agreement or the Liquidity Device, or necessary, expedient and proper in connection with the issuance, sale and delivery of the Bonds, as contemplated hereby, including, if deemed appropriate, an escrow deposit agreement with an escrow agent to be designated by an Authorized Officer. Either Authorized Officer is hereby authorized to designate and empower the escrow agent or the Underwriter or Purchaser 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. Either Authorized Officer is further authorized to execute and deliver all instruments and documents for and on behalf of the Board or the University, and to take all actions, required, necessary or appropriate for the ongoing administration or operation of the financing program represented by the Bonds, the Trust Indenture or Loan Agreement, the Remarketing Agreement, the Swap Agreement, the Liquidity Device and the Bond Purchase Agreement. Any reference to an officer of the Board or the University herein shall include any interim or acting officer appointed by the Board.

12. Either Authorized Officer is authorized to acquire a commitment or commitments for bond insurance for the Bonds, and if such insurance is deemed cost effective, to accept a commitment on behalf of the Board and to cause the premium with respect thereto to be paid from Bond proceeds as part of the costs of issuance.

13. The Vice President for Finance and Business Operations, Treasurer and Chief Financial Officer is hereby authorized and delegated the power to issue a declaration of intent to reimburse the University from Bond proceeds for any expenditures with respect to the Projects

incurred prior to the issuance of the Bonds, and for future projects to be funded with the proceeds of future bond issues, all in accordance with Treasury Regulation § 1.150-2.

14. In accordance with the requirements of Rule 15c2-12 of the United States Securities and Exchange Commission, the Board may be required in connection with the issuance of the Bonds to enter into a Disclosure Undertaking for the benefit of the holders and beneficial owners of the Bonds. Either Authorized Officer is authorized to cause to be prepared and to execute and deliver the Disclosure Undertaking on behalf of the Board.

15. Following delivery of the Bonds, either Authorized Officer is authorized to take any action or to evidence any action required or permitted to be taken by the Board under the Trust Indenture or Loan Agreement, the Swap Agreement, the Liquidity Device or the Line of Credit.

16. The Vice President for Finance and Business Operations, Treasurer and Chief Financial Officer is authorized to publish notice of and conduct a public hearing with respect to the issuance of tax-exempt Bonds, if applicable, for that portion of the Projects that will be used by private entities, all in accordance with requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended.

17. This resolution shall be effective immediately upon adoption. All resolutions or parts of resolutions or other proceedings of the Board in conflict herewith are hereby repealed insofar as such conflict exists.



EXHIBIT A

PROJECTS

The Projects, as that term is used in the resolution to which this Exhibit A is attached, are defined as follows:

Category I

<u>Purpose</u>	<b>Currently Estimated <u>Cost*</u></b>
1. To fund research laboratory renovations and/or strategic acquisitions of property.	\$10,000,000**
<b>Total</b>	<b><u>\$10,000,000**</u></b>

\*Excludes bond issuance costs.

\*\*Represents the portion of the cost of the Projects to be financed with bonded debt.

Category II

All projects heretofore or hereafter approved by the Board with an identified total or partial funding source as the proceeds of bonds or other debt obligations issued by the Board.

I hereby certify that the attached is a true and complete copy of a resolution adopted by the Board of Governors of Wayne State University at a regular meeting held on December 5, 2014, and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with all applicable law and that the minutes of said meeting were kept and will be or have been made available as required by law.

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 the adoption of the Resolution:

\_\_\_\_\_  
\_\_\_\_\_

3. The following members of the Board voted against adoption of the Resolution:

\_\_\_\_\_.

RESOLUTION DECLARED ADOPTED.

\_\_\_\_\_  
Secretary to the Board of Governors of  
Wayne State University

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