

BOARD OF REGENTS

EASTERN MICHIGAN UNIVERSITY

SECTION: 24 R

DATE:
June 17, 2008

RECOMMENDATION

RESOLUTION AUTHORIZING A LINE OF CREDIT

ACTION REQUESTED

It is recommended that the Board of Regents authorize the Executive Vice President and Chief Financial Officer to negotiate and enter into a Line of Credit agreement up to \$35 million based on the most favorable terms to the University. Approval of both the Secretary and Treasurer of the Board of Regents is required for the University to draw on this Line of Credit.

STAFF SUMMARY

The present national credit market challenges have resulted in the temporary illiquidity of certain University investments, specifically, our 28-day Auction Rate Notes (ARN's). Although these ARN investments are not in default and the University continues to receive interest payments, there presently is not a viable market for us to sell the notes. Until this ARN market stabilizes, it is prudent for the University to secure backup financing. An RFP was issued and proposals have been received for a bank Line of Credit.

FISCAL IMPLICATIONS

Several bank Line of Credit options are currently being considered and will be negotiated:

Amount	up to \$35 million
Length of Term	up to one year
Facility Fee (on unused amount)	up to 15 basis points (0.15%)
Interest Rates on borrowings:	
• Prime Rate Option	up to the lenders prime rate
• LIBOR Rate Option	up to 102 basis points (1.02%) over the LIBOR rate
• Money Market Loan Rate Option	negotiated bid rate basis

The Board's obligations under the Line of Credit agreement and any related note shall be limited and not general, and shall be payable solely (except as provided below) from General Revenues, as defined in the trust indenture securing the Board's General Revenue Variable Rate Demand Refunding Bonds, Series 2008. Such obligations may be secured by a pledge of General Revenues on a parity first lien basis, or on a subordinated basis. Such obligations may also be made payable from, but not secured by, Legally Available Funds, as defined in the trust indenture referenced above.

ADMINISTRATIVE RECOMMENDATION

The proposed Board action has been reviewed and is recommended for Board approval.

John W. Lumm

University Executive Officer

06/16/08

Date