Minutes of the Special Formal Meeting
of the
Oakland University Board of Trustees
July 9, 2003

Present:	Chair Henry Baskin; Vice Chair Penny M. Crissman; and Trustees David T. Fisher, Dennis K. Pawley, and Dennis C. Muchmore
Absent:	Trustees David J. Doyle, Ann V. Nicholson and Rex E. Schlaybaugh, Jr.
Also Present:	President Gary D. Russi; Vice Presidents Susan Goepp, Virinder K. Moudgil, Lynne C. Schaefer and Mary Beth Snyder; General Counsel and Secretary to the Board of Trustees Victor A. Zambardi and Assistant Rhonda G. Saunders; and Student Liasions Lenwood D. Compton and Rhonda R. Hanna.

I. Call to Order

Chair Henry Baskin called the meeting to order at 2:12 p.m. in the Auditorium of the Elliott Hall of Business and Information Technology.

II. Roll Call

Mr. Victor A. Zambardi, General Counsel and Secretary to the Board of Trustees, conducted a roll call. All of the Board members were present except Trustees David J. Doyle, Ann V. Nicholson, Jr., and Rex E. Schlaybaugh, Jr.

III. Action Items

A. Approval of Refunding of the Oakland University Board of Trustees General Revenue Bonds, Series 1995

Trustee David T. Fischer stated that recent reductions in interest rates and improvements in tax exempt bond market rates have prompted the University to ask the University's financial advisor, Lehman Brothers, to review the Oakland University Board of Trustees General Revenue Bonds, Series 1995 for possible refunding opportunities. He reported that the resulting analysis over a period of months has demonstrated that it is currently advisable to seek a refunding effort. Trustee Fischer noted that the current estimate is that this refunding effort will save the University approximately $120,000 per year in financing costs. He stated that the recommendation seeks Board authority to issue fixed rate bonds that will replace the bonds issued in 1995, effectively lowering the interest rates on those bonds.

Chair Baskin requested further explanation on the purpose of this proposal. Ms. Lynne C. Schaefer, Vice President for Finance and Administration, introduced Mr. Jerry T. Rupley from Miller Canfield, the University's bond counsel for the proposed bond refunding, and Mr. Christoph Mulbert from Lehman Brothers, who would be the underwriters on this issuance. She asked Mr. Rupley to summarize the proposal. Mr. Rupley stated that the object of the bond refunding is to lower the interest rate on the bonds that were issued in 1995. He explained that the proposal is to issue new bonds that would be used to pay the 1995 bonds' principal and interest that is due before 2005, and then pay the redemption price of the bonds that can be redeemed in 2005. Mr. Rupley noted that the current bonds will bear interest in today's market, which is lower than the market rate of the issued bonds, and it will allow the University to save $120,000 per year. Ms. Schaefer stated that the $120,000 annual savings is through 2026, or the life of the bonds. Mr. Rupley added that the bonds will be redeemed in 2005 at a 2% penalty premium, which has been factored into the savings.

Chair Baskin inquired if Lehman Brothers has looked at any other bonds that the University has issued, for example, the bonds that were issued two years ago. Ms. Schaefer replied that Lehman Brothers has been reviewing those 2001 bond issues, but they were issued as synthetic fixed rate bonds and that rate is still much lower than any fixed rate today. She added that Lehman Brothers also looked at the 1997 bond issue, but it is not producing savings at this time.

Trustee Dennis K. Pawley asked if the $120,000 savings is between now and the maturation of the other bonds in 2005, and Ms. Schaefer replied that it is an estimated annual debt service savings until 2026.

Ms. Schaefer added that the bond resolution authorizes the University to issue additional bonds so that the debt service payment would be the same. Thus, the University would not save the $120,000, but divert the $120,000 in savings to pay for additional projects, such as deferred maintenance for facility repair and renovation. Chair Baskin asked why the savings has to be "tie barred" to a particular purpose, and Trustee Fischer replied that the University is required by law to specify a use, so it is recommended that the money be earmarked for deferred maintenance, since there is an ongoing need there. He noted that the current deferred maintenance list consists of approximately $40 million of projects.

Trustee Penny M. Crissman expressed concern that, with the state of the economy and diminished State funding, she would prefer that the University refinance the bonds and save the $120,000 and not issue additional bonds. Ms. Schaefer noted that language is included in the proposed bond resolution that states that the purpose for the additional funds is for deferred maintenance projects. Trustee Fischer added that the University is going to spend money on those items anyway, so if this financing replaces or assists another line item in the budget, perhaps it will offer some relief to the budget in other areas. Trustee Dennis C. Muchmore commented that the Board's Finance, Audit and Investment Committee believes it makes a lot of sense to use the proceeds for deferred maintenance, since it will decrease those maintenance costs in the long run. Trustee Crissman asked how much money would be available to be used by the University, and Ms. Schaefer replied that the total amount would be approximately $2 million, and the amount associated with the General Fund portion of the debt service is about $800,000.

Trustee Fischer moved approval of the following recommendation:

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 (the "Constitution"), 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 its $37,000,000 General Revenue Bonds, Series 1995 (the "1995 Bonds"), and it may be appropriate and economic and in the best interests of the University to refund all or a portion of the outstanding bonds of the 1995 Bonds (the 1995 Bonds to be refunded being herein called the "Prior Bonds"), as shall be determined by an Authorized Officer (hereinafter defined); and

WHEREAS, the Board has determined it may be economic and appropriate to finance all or part of the capital projects listed on Exhibit A hereto (collectively, the "Project") with the proceeds of bonds, the payment requirements on which would be serviced by the savings generated from the refunding of the Prior Bonds; 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, Series 2003 (the "Bonds"), pursuant to its constitutional authority in order to provide funds which, together with other available funds, will be used to pay the costs of refunding the Prior Bonds, all or any part of the costs of the Project, and costs related to the issuance of the Bonds and the refunding; and

WHEREAS, a trust indenture (the "Trust Indenture") must be entered into by and between the Board and a trustee (the "Trustee"), to be designated by an Authorized Officer, pursuant to which the Bonds will be issued and secured; and

WHEREAS, Lehman Brothers, Inc. (the "Underwriter") has been engaged to undertake preliminary market analysis and to present to an Authorized Officer a bond purchase agreement (the "Bond Purchase Agreement") setting forth the terms and conditions upon which the Underwriter will agree to purchase the Bonds and the interest rates thereof and the purchase price therefore; and

WHEREAS, insuring the timely payment of principal and interest on the Bonds through a municipal bond insurance policy may be advantageous financially to the University; 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 of the University and the Treasurer to the Board (each, an "Authorized Officer"), or either of them, to designate the Trustee, to negotiate, execute and deliver on behalf of the Board the Trust Indenture, to determine the maturities of the 1995 Bonds to be refunded, to determine which of the components, if any, of the Project should be funded in whole or in part from the proceeds of the Bonds, to establish the specific terms of the Bonds within the parameters herein contained, to negotiate a Bond Purchase Agreement and to accept the offer of the Underwriter to purchase the Bonds, and to obtain a policy of bond insurance for the Bonds, all within the limitations set forth herein; and

WHEREAS, the indentures authorizing certain outstanding General Revenue Bonds of the Board (the "Outstanding Bonds") create certain conditions for the issuance of General Revenue Bonds on a parity basis with the Outstanding Bonds; and

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

WHEREAS, the refunding of the Prior Bonds and the financing of all or any part of the Project 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 funds to acquire, construct, complete, furnish and equip the Project, to refund the Prior Bonds and to pay all or part of the cost of the Project and the refunding by the issuance of the Bonds, and to pledge General Revenues (as defined in the Trust Indenture) for payment of the Bonds; now, therefore, be it

RESOLVED, that 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, SERIES 2003 with appropriate additional or alternative series designations, if any, in the aggregate original principal amount to be established by an Authorized Officer, but not to exceed the aggregate original principal amount of $38,500,000, to be dated as of the date established by an Authorized Officer, for the purpose of providing funds which will be used to pay part or all of the cost of refunding the Prior Bonds, all or any part of the cost of the Project, and costs incidental to the issuance of the Bonds and the refunding, including bond insurance premiums if determined to be appropriate by an Authorized Officer; and, now, be it further

RESOLVED, that the Bonds shall be issued within the following parameters and have the following terms:

(a) The Bonds shall be serial Bonds or term Bonds subject to mandatory redemption requirements, or both, as shall be established by an Authorized Officer, but the first maturity shall be not earlier than May 15, 2004 and the last maturity shall be no later than May 15, 2026;

(b) The Bonds may bear interest at stated rates for the respective maturities thereof as shall be established by an Authorized Officer, but the highest rate interest for any maturity shall not exceed 6.0% per annum, and the bonds may be issued in whole or in part as capital appreciation bonds, which for their term or any part thereof bear no interest but appreciate in principal amount over time at a compounded rate (not in excess of 6.0% per annum) to be determined by an Authorized Officer, and the true interest cost on the Bonds, taking into account the stated interest rates, the net original issue discount or premium, the underwriter's discount, the bond insurance premium, if any, and costs of issuance, shall not exceed 5.5% per annum.

(c) The bonds may be subject to redemption or payment prior to maturity at the times and prices and in the manner as shall be established by an Authorized Officer, provided that no redemption premium shall be in excess of 2% of the par amount of the Bonds;

(d) The average annual principal and interest requirements on the Bonds shall not exceed the average annual debt service on the Prior Bonds.

(e) Interest on the Bonds shall be payable each May 15 and November 15 (commencing November 15, 2003 or May 15, 2004, as an Authorized Officer shall determine), or on such other dates as shall be specified by an Authorized Officer;

(f) The Bonds shall be issued in fully registered form in such 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; and

(g) The 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 shall not exceed 0.5% of the principal amount thereof plus reasonable out of pocket expenses of the Underwriter, and aggregate original issue discount, if any, shall not exceed 2% of the principal amount thereof) plus accrued interest, if any, from the dated date of the Bonds to the date of delivery thereof; and, now, be it further

RESOLVED, that the faith and credit of the University shall not be pledged in any way to payment of principal or interest on the Bonds; and, now, be it further

RESOLVED, that the Bonds 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 to include generally student tuition and other fees, housing and auxiliary revenues, revenues or receipts from departmental or educational activities, unrestricted gifts and grants, unrestricted recoveries of indirect costs, unrestricted investment income and other miscellaneous revenues, subject to certain reductions, limitations and exceptions), on a parity basis with certain outstanding General Revenue obligations of the Board, and a lien on moneys from time to time on deposit in certain funds created pursuant to the Trust Indenture; and, now, be it further

RESOLVED, that except as provided in the Trust Indenture, no recourse shall be had for the payment of the principal amount of or interest or premium on the Bonds or any claim based thereof against the State of Michigan, the Board or any officer or agent thereon, as individuals, either directly or indirectly, nor shall the Bonds and interest with respect thereto 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; and, now, be it further

RESOLVED, that the right is reserved to issue additional bonds, notes or other obligations payable from and secured on a parity basis with the Bonds and the Outstanding Bonds from the General Revenues, upon compliance with the terms and conditions as shall be set forth in the Trust Indenture; and, now, be it further

RESOLVED, that an 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, and to negotiate, execute and deliver the Trust Indenture, all within the limitations set forth herein; and, now, be it further

RESOLVED, that an Authorized Officer is hereby authorized in the name and on behalf of the Board, and as its corporate act and deed, to select a bond insurer, and to obtain a policy of municipal bond insurance for the bonds if it is deemed financially advantageous by an Authorized Officer and to enter into any agreements on behalf of the Board necessary in relation thereto; and, now, be it further

RESOLVED, that an Authorized Officer is hereby authorized to determine which, if any, of the 1995 Bonds are appropriate and economic to be refunded in order to produce the greatest savings for the University and the most convenient debt service structure, to designate those bonds as the "Prior Bonds", to cause to be called for redemption such of the Prior Bonds as are appropriate and consistent with the foregoing objectives, and to determine which, if any of the components of the Project are to be funded in whole or in part from the proceeds of the Bonds; and, now, be it further

RESOLVED, that an Authorized Officer is hereby authorized and directed, in the name and on behalf of the Board, and as its corporate act and deed, to enter into an Escrow Deposit Agreement with an escrow agent to be selected by an Authorized Officer, providing for the establishment of an escrow deposit fund or account for the refunding and defeasance of the Prior Bonds and for the investments of the moneys deposited in the escrow fund or account; and, now, be it further

RESOLVED, that an Authorized Officer is hereby authorized and directed, in the name and on behalf of the Board, and as its corporate act and deed, to negotiate, execute and deliver the Bond Purchase Agreement with the Underwriter, setting forth the terms of the Bonds and the conditions pertaining to sale thereof, all within the limitations set forth herein; and, now, be it further

RESOLVED, that an 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 placing his or her manual or facsimile signature or signature thereon, and, after authentication by the Trustee as provided in the Trust Indenture, to deliver the Bonds to the Underwriter in exchange for the purchase price thereof, as provided in the Bond Purchase Agreement; and, now, be it further

RESOLVED, that an Authorized Officer is hereby authorized to cause the preparation of a Preliminary Official Statement and an Official Statement with respect to the 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 and Official Statement in connection with the offering, marketing and sale of the Bonds; and, now, be it further

RESOLVED, that the Authorized Officers or either of them and any other appropriate officer of the Board or the University are hereby authorized to perform, execute and/or deliver all instruments and documents (including, without limitation, a continuing disclosure undertaking as required by Rule 15c2-12 of the Securities and Exchange Commission) for and on behalf of the University required by this resolution, the Trust Indenture, or the Bond Purchase Agreement, or necessary, expedient and proper in connection with the issuance, sale and delivery, and ongoing administration of the Bonds or the Trust Indenture and to take any and all actions related thereto, as contemplated hereby; and, now, be it further

RESOLVED, that prior to the execution by any Authorized Officer or other officer of the Board or the University of instruments and documents authorized to be executed hereunder, that the instruments and documents shall be reviewed and approved by the Office of the General Counsel prior to execution, and shall be in compliance with the law and University policies and regulations and shall conform to the legal standards and policies of the Board of Trustees; and, now, be it further

RESOLVED, that 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 is on file in the Board of Trustees Office.)

Trustee Muchmore seconded the motion.

Trustee Crissman stated that she understands the philosophy behind this proposal, but she is not sure that she is ready to support it. She noted that she supports refinancing the old bonds, but she is not comfortable going into more debt, especially when the University needs so much. Chair Baskin responded that the $2 million in additional bonds will go towards the $40 million deferred maintenance projects, and the proceeds of $120,000 per year will pay debt service on those additional bonds.

Trustee Muchmore added that, in essence, the University would be using $120,000 from today's dollars for deferred maintenance that the University would otherwise have to finance sometime in the future at a higher price. He noted that the University is actually going to save probably more than the $120,000 if it is used for this purpose, and he viewed this measure as a cost avoidance.

President Russi asked Ms. Schaefer to make sure that the Board understands the 40/60 split, the impact of borrowing the money, and where those dollars are likely to go, since only $800,000 or 40% is going into the General Fund. Ms. Schaefer stated that the remaining 60%, or approximately $1.2 million, would go to fund Campus Recreation, auxiliary needs, and that 60% of the debt service is paid by Campus Recreation for their portion of the original 1995 bond issue.

After a general discussion, Chair Baskin reiterated that the University is saving money by refinancing the 1995 bonds.

The motion was unanimously approved by those present.

IV. Adjournment

Chair Baskin adjourned the meeting at 2:34 p.m.

Submitted,	Approved,
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Victor A. Zambardi	Henry Baskin
Secretary to the Board of Trustees	Chair, Board of Trustees