

# UNIVERSITY OF MINNESOTA

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February 15, 2017

Re: Liquidation Procedures

In connection with its Commercial Paper (CP) Notes Series A, CP Notes Series B, CP Notes Series C, CP Notes Series D, Taxable CP Notes Series E and CP Notes Series F (together, the "CP Notes"), Regents of the University of Minnesota (the "University") provides this letter regarding payment of the amount due if any of the Notes are not remarketed upon maturity. The University requests that the rating agencies provide their short-term ratings based on the credit and liquidity of the University.

The purpose of this letter is to specify the available resources of the University for payment of the amount due in the event of a failed remarketing, to provide contact information for officials of the University responsible for activating procedures to provide required funding to the Transfer Agent or Trustee, and to outline specific procedures that would be followed in the event of a failed remarketing.

Pursuant to Sections 3 and 4 of that certain Amended and Restated Commercial Paper Dealer Agreement between Regents of the University of Minnesota and Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") dated as of December 1, 2014, the aggregate amount of final maturities of all CP Notes issued by the University that will occur on any given day is limited to \$50 million, and in any given week to \$175 million.

The Temporary Investment Pool (TIP) is the source of funding available in the event of a failed remarketing of the CP Notes. If the cash component of the TIP is insufficient to meet any such funding requirement, an appropriate portion of one or more invested assets within the TIP will be liquidated in order to meet the requirement.

At December 31, 2016 the TIP approximated \$993 million in value and consisted of a diversified portfolio of cash, money market, corporate commercial paper and treasury/agency bonds.

The University averages in aggregate \$200 million on a daily basis in cash at Wells Fargo Bank and US Bank. The cash held in University bank accounts is included in the TIP balance and is available to be drawn immediately in order to pay for any failed remarketing. The University also has a \$60 million daylight deficit limit which allows an overdraft of the bank account up to \$60 million. It is not technically a line of credit; however, it does provide a secondary source of immediate liquidity in order to meet the payment deadline and allows the Office of Investments & Banking (OIB) additional time to thoughtfully execute the liquidation of alternate assets to generate cash in order to meet the University's financial obligations.

The majority of the TIP assets are held at State Street Bank and Trust (State Street) which acts as the custodian bank for all University investments. The assets are managed in-house by OIB staff. All securities are available for sale and trade decisions are executed directly between brokers and OIB. Five senior staff in the OIB are authorized to liquidate invested assets in the TIP and to direct State Street in securities settlement and wiring of funds.

The University will notify the applicable parties in the future if for any reason the TIP becomes unavailable to meet any failed remarketing of the CP Notes or if new funds or sources of liquidity are substituted as sources of funding.

University of Minnesota Self-Liquidity Coverage as of 2/15/2017:

| Series Name          | CP Notes                                 | Original Amount Issued ** | Additional Debt Authorized & to be issued 2/14/2017 | Current Amount Outstanding as of 2/15/2017 |
|----------------------|--|---------------------------|---|--|
| Series A (2005)      | tax-exempt                               | \$ 159,100,000            |   | \$ 80,000,000                              |
| Series B (2007)      | tax-exempt                               | 61,000,000                |   | 31,000,000                                 |
| Series C (2007)      | tax-exempt                               | 70,000,000                |   | 36,500,000                                 |
| Series D (2009)      | tax-exempt                               | 25,000,000                |   | 15,300,000                                 |
| Series E (2014)      | taxable                                  | 51,620,000                |   | 49,420,000                                 |
| Series F (2017)      | tax-exempt                               | 0                         | 50,100,000  | 50,100,000                                 |
| <b>As of 2/15/17</b> | <b>Total Supported by Self-Liquidity</b> | <b>\$ 366,720,000</b>     | <b>\$ 50,100,000</b>                                | <b>\$ 262,320,000</b>                      |

**\*\*The University treats the issuance of CP similarly to the issuance of bonds in that it cannot reissue CP once it has been issued without new authorization by the Board of Regents. Therefore, the current amount outstanding is the current authorized amount – i.e., \$262,320,000.**

Principal officials of the University of Minnesota responsible for meeting failed remarketing funding requirements of the commercial paper are as follows:

**Primary Contacts:**

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**Secondary Contacts:**

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Summary of specific procedures in the event of a failed remarketing – all times listed below are Eastern Standard Time (EST):

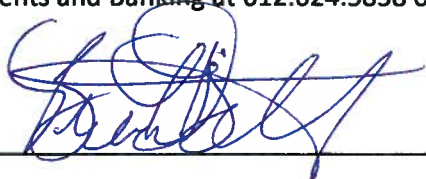
**Commercial Paper:** On mandatory tender date, no later than:

12:30 pm – Dealer confirms details of each note issuance and notifies Paying Agent and University of any shortfall in remarketing proceeds.

3:00 pm – If necessary, University wires additional funding amount to Paying Agent.

Questions regarding any of the above should be directed to Stacy Hebdon, Director, Office of Investments and Banking at 612.624.5858 or [s-hebd@umn.edu](mailto:s-hebd@umn.edu).

By: \_\_\_\_\_



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