

June 1, 2020

Re: Liquidation Procedures

In connection with its \$400 million revolving Commercial Paper (CP) Facility, which consists of CP Notes Series A, Series B, Series C, Series D, Series F, Series G and Series H, and Taxable CP Notes Series E and Series I (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 Section 7 of that certain Amended and Restated Issuing and Paying Agency Agreement between Regents of the University of Minnesota and The Bank of New York Mellon Trust Company, N.A. dated as of June 1, 2018, 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 March 31, 2020 the TIP approximated \$1.2 billion in value and consisted of a diversified portfolio of cash, money market, corporate commercial paper and treasury/agency bonds.

The University averages in aggregate, \$75 million on a daily basis in cash at Wells Fargo Bank, US Bank, and overnight government agency maturities. 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 (the "OIB") additional time to thoughtfully execute the liquidation of alternate assets to generate cash in order to meet the University's financial obligations.

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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 majority of the assets are managed in-house by the OIB staff, with a small portion of the portfolio managed through the use of external managers. All securities are available for sale and trade decisions are executed directly between brokers and the OIB. Four 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 5/19/2020:

<b>Series Name</b>	<b>CP Notes</b>	<b>Total Authorized as of October 2017 **</b>	<b>Current Amount Issued &amp; Outstanding as of 5/19/2020</b>
<b>Series A - I</b>	<b>Tax-exempt &amp; taxable</b>	<b>\$400,000,000</b>	
Series A (2005)	tax-exempt		\$ 38,000,000
Series B (2007)	tax-exempt		21,700,000
Series C (2007)	tax-exempt		26,000,000
Series D (2009)	tax-exempt		12,028,000
Series E (2014)	taxable		42,820,000
Series F (2017)	tax-exempt		44,100,000
Series G (2018)	tax-exempt		25,447,000
Series H (2018)	tax-exempt		0
Series I (2018)	taxable		53,000,000
<b>As of 5/19/2020</b>	<b>Total Supported by Self-Liquidity</b>	<b>\$400,000,000</b>	<b>\$ 263,095,000</b>

*\*\*Prior to October 2017, the University treated the issuance of CP similarly to the issuance of bonds in that no new CP could be added to the amount of CP outstanding once a series had been issued without new authorization by the Board of Regents. Therefore, the current amount outstanding at any point in time was the current authorized amount.*

*In October 2017, the Board of Regents approved the issuance of commercial paper without future authorization up to a maximum of \$400 million outstanding.*

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

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

11:45 am – Dealer confirms details of each note issuance and notifies Paying Agent and University of any shortfall in remarketing proceeds.

2:00 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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