

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Subject: Lines of Credit Authorization

Action Requested: Authorization to Establish Additional Lines of Credit

Background and Summary:

The University seeks authorization to establish additional standby lines of credit up to an amount not to exceed \$1.0 billion to be available for use for general operating purposes and other general corporate purposes. This authorization will supplement the existing authorization for lines of credit of up to \$1.0 billion available for general operating purposes granted under the March 26, 2020 resolution titled “Resolution of the Regents of the University of Michigan Authorizing the Borrowing of Funds Under Revolving Lines of Credit and Providing for Other Matters Relating Thereto”.

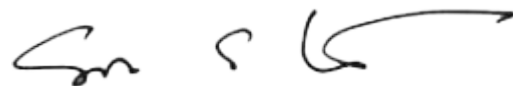
This action will be accomplished by adding one or more new lines of credit with one or more additional banks or financial institutions and/or amending one or more of the existing lines of credit. These lines of credit will be used primarily for contingent liquidity support for general corporate purposes. We believe this expansion to be a prudent and proactive course of action, at relatively inexpensive pricing, in light of significant uncertainty during an unprecedented period of inflation, supply chain disruption, geopolitical tensions, and lingering COVID impact.

Should the university ever draw on these new lines of credit, the unpaid principal and interest on amounts used for general operating purposes would be due and payable no later than December 31, 2032. These new lines of credit, like the existing lines of credit and outstanding bonds and commercial paper notes of the University, will be supported by a pledge of the University’s General Revenues.

The particular terms of the lines of credit would be clarified and agreed to by the Executive Vice President and Chief Financial Officer or his designee in consultation with the Chair(s) of the Finance, Audit & Investment Committee as negotiations proceed with line of credit providers.

We recommend that the Regents adopt the attached resolution authorizing the Executive Vice President and Chief Financial Officer, the Associate Vice President for Finance, or the Treasurer to develop the terms, and negotiate and execute the legal documentation for the revolving lines of credit with the assistance of outside legal counsel and in consultation with the Chair(s) of the Finance, Audit & Investment Committee.

Respectfully submitted,



Geoffrey S. Chatas
Executive Vice President
and Chief Financial Officer

RESOLUTION OF THE REGENTS OF THE UNIVERSITY OF MICHIGAN
AUTHORIZING THE BORROWING OF FUNDS UNDER REVOLVING LINES OF CREDIT
AND PROVIDING FOR OTHER MATTERS RELATING THERETO

WHEREAS, the Regents of the University of Michigan (the “*Regents*”) is a constitutional body corporate established pursuant to Article VIII, Section 5 of the Constitution of the State of Michigan of 1963, with general supervision of the University of Michigan (the “*University*”) and the control and direction of all expenditures from the University’s funds; and

WHEREAS, by resolution adopted on March 26, 2020 and entitled “Resolution of the Regents of the University of Michigan Authorizing the Borrowing of Funds Under Revolving Lines of Credit and Providing for Other Matters Relating Thereto” (the “*Prior Resolution*”), the Regents authorized the borrowing of funds under one or more revolving lines of credit in the aggregate maximum available amount of \$1,000,000,000 at any one time outstanding (the “*Existing Credit Authorization*”) to provide funds for general operating purposes of the University; and

WHEREAS, pursuant to the Prior Resolution, the Regents has previously entered into three separate revolving credit agreements with three different commercial banks (collectively, the “*Existing Credit Agreements*”) for the purposes described in the Prior Resolution; and

WHEREAS, the Regents, in the exercise of its constitutional duties, has determined that it is appropriate and in the best interests of the University to supplement the Existing Credit Authorization by authorizing the establishment of one or more additional revolving lines of credit, whereby the Regents may borrow the additional aggregate principal sum of up to One Billion Dollars (\$1,000,000,000) at any one time outstanding, on a revolving loan basis, to provide funds for general operating purposes and other general corporate purposes of the University; and

WHEREAS, in order to provide the Regents with access to one or more additional lines of credit for the foregoing purposes (each such additional line of credit being referred to herein as a “*Line of Credit*”), it will be necessary for the Regents to enter into one or more new revolving loan agreements, line of credit agreements or similar agreements with one or more banks or financial institutions and/or to enter into one or more amendments to one or more of the Existing Credit Agreements (each such new agreement, and each Existing Credit Agreement, if and as amended in accordance with the terms of this Resolution, is referred to herein as a “*Credit Agreement*”); and

WHEREAS, it is necessary for the Regents to authorize the Executive Vice President and Chief Financial Officer, the Associate Vice President for Finance, and the Treasurer of the University (each, an “*Authorized Officer*”), or any one of them individually, to negotiate, execute and deliver, for and on behalf of the Regents, one or more new Credit Agreements with one or more banks or financial institutions and/or one or more amendments to one or more of the Existing Credit Agreements, and other related documents, all within the limitations set forth herein.

NOW, THEREFORE, BE IT RESOLVED BY THE REGENTS OF THE UNIVERSITY OF MICHIGAN, AS FOLLOWS:

1. Authorization of Lines of Credit; Purpose and Terms. The Regents hereby authorizes the borrowing from time to time of funds under one or more Lines of Credit, on a revolving loan basis, to provide funds for general operating purposes and other general corporate purposes of the University. The aggregate maximum principal amount of borrowings permitted to be outstanding at any one time under the Lines of Credit authorized by this Resolution shall not exceed One Billion Dollars (\$1,000,000,000) (the “*New Credit Authorization*”). The New Credit Authorization authorized by this Resolution shall supplement, and be in addition to, the Existing Credit Authorization authorized by the Regents under the Prior Resolution.

Advances under any Line of Credit shall be made at the request of an Authorized Officer, or any other officer or employee of the Regents or the University so designated in writing by an Authorized Officer. Interest shall accrue on sums outstanding under each Line of Credit at the variable rate or rates of interest specified in the related Credit Agreement, subject, however, to adjustments in the applicable interest rate for increased costs of the bank or financial institution providing such Line of Credit, changes in applicable laws or regulations, rating changes, defaults and other specified factors, all as may be specified in the Credit Agreement, but in no event shall the applicable interest rate exceed the lesser of 25% per annum, the maximum rate permitted by law or the maximum rate, if any, specified in the Credit Agreement. Interest accrued on unpaid advances under each Credit Agreement shall be payable on the dates and in the amounts as shall be provided in the related Credit Agreement. Advances under each Credit Agreement shall be repaid with interest as provided in the related Credit Agreement; *provided, however*, that all unpaid principal of and accrued interest on all outstanding advances under each Line of Credit authorized by this Resolution shall be finally due and payable not later than December 31, 2032.

2. Selection of Credit Providers; Approval of Credit Agreements and Notes. The Regents further authorizes the Authorized Officers, or any one of them individually, in consultation with the Chair(s) of the Finance, Audit & Investment Committee of the Regents, to select one or more banks or financial institutions to provide one or more Lines of Credit, and to negotiate, execute and deliver, for and on behalf of the Regents and as its corporate act and deed, one or more new Credit Agreements and/or one or more amendments to one or more of the Existing Credit Agreements, with one or more banks or financial institutions providing the Lines of Credit, and if appropriate, any participant banks or financial institutions, subject to the terms, conditions and limitations contained in this Resolution. Any Credit Agreement may provide for the delivery of a promissory note (each, a “*Note*”) to evidence all or part of the Regents’ obligations under such Credit Agreement, and each Authorized Officer is individually authorized to prescribe the form of such Note and to execute and deliver such Note for and on behalf of the Regents and as its corporate act and deed.

3. Limited Obligations; Security. The obligations of the Regents under each Credit Agreement and related Note shall be limited and not general obligations of the Regents, payable solely from General Revenues (as shall be defined in each Credit Agreement in a manner generally

consistent with the definition thereof contained in the separate Trust Agreements, each dated as of March 1, 2022, between the Regents and U.S. Bank Trust Company, National Association, as trustee), and may be unsecured or, if an Authorized Officer so determines, secured as set forth below; provided, that the Regents reserves the right, but shall not be obligated, to pay the Regents' obligations under any Credit Agreement and related Note from any legally available funds. Each Authorized Officer is individually authorized, in the name of the Regents and as its corporate act and deed, to secure the Regents' obligations under any Credit Agreement and related Note by a parity first lien or subordinated lien on General Revenues. A first lien on the General Revenues permitted to be established by this Resolution securing the obligations of the Regents under a Credit Agreement and related Note shall be on a parity basis with the liens on General Revenues established as security for the outstanding bonds, notes and other obligations of the Regents secured by a first lien on General Revenues. Any pledge of General Revenues securing the Regents' obligations under a Credit Agreement and related Note shall be valid and binding from the date of execution and delivery of the Credit Agreement and related Note, 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 Regents, irrespective of whether such parties have notice of the lien.

No recourse shall be had for the payment of the principal amount of or interest or other amounts due under any Credit Agreement or related Note, or any claim based thereon, against the State of Michigan or the Regents or the University, or any officer or agent thereof, as individuals, either directly or indirectly, nor shall the principal amount of or interest or other amounts due under any Credit Agreement or related Note be payable from or become a lien on or be secured by any property, real, personal or mixed, of the State of Michigan or the Regents, other than the General Revenues and the moneys from time to time on deposit in funds or accounts, if any, established by the Credit Agreement.

4. Authorization of Other Actions. The Authorized Officers, or any one of them individually, are further authorized to perform all acts and deeds and to negotiate, execute and deliver, for and on behalf of the Regents, any and all related agreements, amendments, instruments and certificates, and to make any determinations, elections and filings, necessary to obtain, maintain, renew or replace, and provide for the ongoing administration of, the Lines of Credit authorized by this Resolution.

5. Continuing Effectiveness of Prior Resolution. Nothing in this Resolution shall be deemed or construed to amend, modify or supersede the Prior Resolution or any part thereof, including the Existing Credit Authorization, which shall remain in full force and effect in accordance with the terms thereof.