



BORROWING POLICY

A) INTRODUCTION

The University of Vermont and State Agricultural College Foundation, Inc. (the “Foundation”) was incorporated as a Vermont non-profit corporation on March 14, 2011. The Foundation is exempted from federal income taxes by Internal Revenue Code Section 501(c) (3) and qualifies as a public charity under Internal Revenue Code Sections 509(a)(1) and 170(b)(1)(A)(vi). The Foundation exists to secure and manage private gifts for the benefit of The University of Vermont and State Agricultural College (the “University” or “UVM”). The Foundation has been recognized by the University as the primary and preferred recipient for charitable gifts to or for the benefit of the University.

The Foundation establishes this Borrowing Policy to outline the standards governing borrowing by the Foundation.

Under normal circumstances, the Foundation will not incur any debt in support of its operations. Where it would benefit the University for the Foundation to start a project before all fundraising has been completed, the Foundation may borrow some or all of the funds needed to begin or complete a project.

Since all funds raised by the Foundation are intended for the University’s use, pledges will not be eligible for use as collateral, but borrowing may be incurred in anticipation of pledges made to a specific project.

B) APPROVAL PROCESS

The Foundation’s President/CEO may accept a lender’s terms if the multi-year impact of those terms is consistent with this policy’s Borrowing Limits. The Board is to be notified of all borrowing commitments and their terms. Exceptions to this policy must have Board approval before a commitment is accepted.

C) TYPE AND PURPOSE OF BORROWING

These types of borrowing may be used by the Foundation:

- Lines of Credit, for cash flow timing mismatches;
- Mortgages loans (up to 30 years) and
- Term loans (up to 10 years) for longer-dated construction or asset acquisition purposes.

D) BORROWING LIMITS

A loan may not cause the Foundation to carry outstanding loan balances in excess of 15% of the Foundation's total assets as of the loan's closing date.

Loans for building projects will be limited to 50% of total project cost as certified by the University.

Any lending agreement should not include financial tests (covenants) which unduly restrict the activities of the Foundation. No limitations or minimum liquidity shall be agreed to without the approval of the Finance and Investment Committee. Debt service coverage covenants should not require the Foundation to maintain a ratio of greater than 1.25 x.

E) TERMS AND CONDITIONS

In instances where a lender requires cash collateral for the borrowing, the Foundation may provide an amount up to 100% of the loan. Collateral other than cash may be provided to the lender depending upon the purpose of the loan.

The Foundation may agree to pay normal and customary borrowing fees.

The base index rate for shorter term borrowing may be the U. S. Treasury, LIBOR rate, the FHLB loan rate or a Swap Index rate or another index appropriate for the term of the financing ("Index Interest Rate"). The Foundation is encouraged to limit its interest rate risk on longer term borrowings through the use of interest rate swaps or caps.

The interest rate may be fixed or floating.

The Foundation is required to borrow from the lender offering the lowest spread over the Index Interest Rate if the terms offered by other lenders are comparable. Where all terms are comparable, preference will be given to locally-based lenders.

Adopted May 16, 2014