

Resolution on Additional Lines of Credit**FINANCE AND RESOURCE MANAGEMENT COMMITTEE****July 24, 2020**

The university currently maintains three bank operating lines of credit representing 45 days of external liquidity in adherence to its liquidity management procedures. Given the FY21 BOV-approved budget of \$1.62 billion, the amount of external liquidity maintained for FY21 will be ~\$200 million. In addition to the availability of this ~\$200 million of external liquidity the university also has operating cash reserves, which at its low point in July totaled ~\$335 million.

While the university expects to operate throughout the year within its cash reserves and external lines of credit, it recognizes the possibility that a major demand on cash could occur due to the rapidly changing nature of the COVID-19 pandemic. Accordingly, management is seeking approval to obtain additional lines of credit. These lines of credit will be additive to our existing ongoing lines of credit; will be temporary and not maintained past the current crisis; and will ensure enough time and flexibility for the university to access its longer-termed investments at the Virginia Tech Foundation, if needed.

Five financial institutions have expressed an interest in providing additional short-term operating lines of credit to the university. As a result, the university has been negotiating for additional lines of credit up to \$210 million with the financial institutions. This additional up to \$210 million will give the university access to a total of \$410 million of external liquidity as it manages through the COVID-19 pandemic. Negotiations are ongoing and the final terms will be at least as favorable as the proposed terms provided to the Board.

Board approval is needed to establish and access the up to \$210 million of additional lines of credit. The lines will be (a) revolving lines of credit, the principal amount of which may be borrowed, repaid, and re-borrowed, and (b) secured by the university's general revenue pledge and not considered debt of the Commonwealth of Virginia, either legal, moral, or otherwise. McGuireWoods serves as university bond counsel.

Under the terms of the resolution the university will enter into one or more additional credit agreements that set forth the terms and conditions of the applicable line of credit, in substantially the form provided to the Board. The Board's approval will (a) authorize the lines of credit for an aggregate amount of up to \$210 million, (b) approve the terms of the bank proposals and the form of the credit agreement and promissory note, and (c) identify the Vice President for Finance and University Treasurer, in consultation with the Chief Business Officer, to negotiate, execute and deliver all necessary documents related to the additional operating lines of credit.

Resolution on Additional Lines of Credit

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

WHEREAS, Chapter 26, Title 23.1 of the Code of Virginia of 1950, as amended (the "Virginia Code"), establishes a public corporation under the name and style of Virginia Polytechnic Institute and State University (the "University") which is governed by a Board of Visitors (the "Board"); and

WHEREAS, by Chapter 10, Title 23.1 of the Virginia Code (the "Act"), the University entered into a management agreement with the Commonwealth of Virginia (the "Commonwealth"), which was enacted as Chapter 1 of Chapter 933 of the 2006 Virginia Acts of Assembly, as amended, pursuant to which the University is (a) classified as a public institution of higher education and (b) granted the authority, pursuant to the Act, to issue bonds, notes, or other obligations that are consistent with debt capacity and management policies and guidelines established by the Board; and

WHEREAS, the Act further authorizes the University to provide for the payment of the principal of and the interest on such bonds, notes, or other obligations from any one or more of the following sources: (a) its revenues generally; (b) income and revenues derived from the operation, sale, or lease of a particular project or projects, whether or not they are financed or refinanced from the proceeds of such bonds, notes, or other obligations; (c) funds realized from the enforcement of security interests or other liens or obligations securing such bonds, notes, or other obligations; (d) proceeds from the sale of bonds, notes, or other obligations; (e) payments under letters of credit, policies of municipal bond insurance, guarantees, or other credit enhancements; (f) any reserve or sinking funds created to secure such payment; (g) accounts receivable of the University; or (h) other available funds of the University; and

WHEREAS, under a resolution adopted on June 4, 2018, the University currently maintains three ongoing operating lines of credit for the purpose of maintaining approximately 45 days of external liquidity in conjunction with its liquidity management procedures (the "Existing Lines of Credit"); and

WHEREAS, the Board has determined that it would be in the best interest of the University to enter into one or more additional lines of credit (the "2020 Lines of Credit"), which would be in addition to the Existing Lines of Credit and which would serve as a supplemental source of liquidity to support the general operations of the University as it addresses the COVID-19 pandemic; and

WHEREAS, it is anticipated that the 2020 Lines of Credit will (a) be revolving lines of credit, the principal amount of which may be borrowed, repaid, and re-borrowed and (b) be secured by the University's general revenue pledge and not be in any way a debt of the Commonwealth and shall not create or constitute any indebtedness or obligation of the Commonwealth, either legal, moral, or otherwise; and

WHEREAS, the University has solicited proposals from various financial institutions to provide the 2020 Lines of Credit, including proposals from U.S. Bank National Association, J.P. Morgan Chase Bank, N.A., Atlantic Union Bank, Wells Fargo Bank, N.A., and Truist Bank (collectively, the "Proposals"), the terms of which Proposals were presented to the Board; and

WHEREAS, under the terms of the Proposals, the University intends to enter into one or more credit agreements or similar agreements that set forth the terms and conditions of the applicable Line of Credit, in substantially the form presented to the Board (each a "Credit Agreement"); and

WHEREAS, to evidence its obligations under a Credit Agreement, the University will execute a promissory note in favor of the applicable financial institution, in substantially the form attached as an exhibit to the applicable Credit Agreement (each a "Note"); and

WHEREAS, the Board intends (a) to authorize the 2020 Lines of Credit, (b) approve the terms of the Proposals and the form of the Credit Agreement, which includes a form of the Note, and (c) take such other actions as are authorized in this Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF VISITORS OF VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY:

1. Authorization of Credit. For the purpose of providing a source of back-up liquidity to support the general operations of the University as it addresses the COVID-19 pandemic, the Board authorizes the 2020 Lines of Credit in an aggregate principal amount of up to \$210,000,000. The 2020 Lines of Credit shall bear interest on a taxable basis, and the payment of principal of and interest on the 2020 Lines of Credit shall be from one or more of the sources authorized by the Act, all as more particularly described in the applicable Proposal and Credit Agreement. The Board hereby approves the terms of the Proposals, the form of the Credit Agreement and the form of the Note.

2. Delegation and Execution. The Board authorizes the Vice President for Finance and the University Treasurer, collectively known as the Authorized Officers, in consultation with the Chief Business Officer, to negotiate, execute, and deliver all certificates, documents, and instruments related to the 2020 Lines of Credit with one or more financial institutions on terms at least as favorable as the Proposals. The final approval of the terms and conditions of the 2020 Lines of Credit and the final selection of the financial institutions shall be evidenced by the execution and delivery of the Credit Agreements by one or more Authorized Officers. The Board authorizes other University officers and staff to take such other actions as may be necessary or desirable in connection with entering into the 2020 Lines of Credit.

3. Other Acts. All other acts of the Authorized Officers and other officers and staff of the University that are in conformity with the purpose and intent of this Resolution are hereby approved, ratified and confirmed.

4. Not a Debt of the Commonwealth. The 2020 Lines of Credit shall not be in any way a debt of the Commonwealth and shall not create or constitute any indebtedness or obligation of the Commonwealth, either legal, moral, or otherwise.

5. Effective Date. This Resolution shall take effect immediately upon adoption.

RECOMMENDATION:

That the resolution identifying the authorized officers; approving the terms of the proposals and the form of the credit agreement and note; and authorizing the authorized officers to negotiate, execute and deliver all necessary documents to obtain up to \$210 million of additional lines of credit be approved.

August 25, 2020

Virginia Tech Operating Lines of Credit Indicative Proposals

Bank Name:	US Bank*
Term:	One Year
Facility Amount:	up to \$125M
Undrawn Fee:	
1 year term	20 basis points
2 year term	
3 year term	
Interest Rate (spread in basis points to 1-month LIBOR):	
1 year term	115 basis points
2 year term	
3 year term	
Term-Out Period*:	Three Years
Terms:	Twelve equal quarterly installments over a three year period
Rates:	1-month LIBOR plus 2.50%
*The university must maintain a rating above A3/A- for the length of the term-out.	

Bank Name:	Truist*
Term:	One Year
Facility Amount:	up to \$100M
Undrawn Fee:	
1 year term	25 basis points
2 year term	
3 year term	
Interest Rate (spread in basis points to 1-month LIBOR):	
1 year term	80 basis points
2 year term	
3 year term	
Term-Out Period:	Three Years
Terms:	Six equal principal payments with interest rates per below:
Rates:	<ol style="list-style-type: none"> 1. Base Rate for the first 6 months is the greater <ul style="list-style-type: none"> - The bank's prime rate plus 1.00%, - The Federal Funds rate plus 2.00%, or - 7.00% 2. Interest rate for the remaining 30 months: <ul style="list-style-type: none"> - Base Rate plus 1.00% 3. Default Rate: <ul style="list-style-type: none"> - Base Rate plus 3.00% <p>NOTE: See below on the mechanics of the term-out.</p>
*Would require a depository relationship of \$35M.	

Term-Out Period: Principal is paid in six equal payments every six months with 1st payment due 6 months following the Expiration Date. Each principal payment will include an interest payment for the preceding 6 months. The interest rate for the first 6 months is the Base Rate, and interest rate for the remaining 30 months is the Base Rate +1.00%.

Bank Name:	Atlantic Union*
Term:	One Year
Facility Amount:	up to \$20M
Undrawn Fee:	
1 year term	30 basis points
2 year term	
3 year term	
Interest Rate (spread in basis points to 1-month LIBOR):	
1 year term	85 basis points
2 year term	
3 year term	
Term-Out Period:	Three Years
Terms:	Twelve equal quarterly installments over a three year period
Rates:	<ol style="list-style-type: none"> 1. 1-month LIBOR plus 2.00% 2. Default Rate: <ul style="list-style-type: none"> - The rate shall increase by 250 basis points per annum and the unused fee shall increase by 20 basis points per annum
*The university must maintain a rating above A3/A- for the length of the term.	

EXHIBIT D

FORM OF REQUEST FOR EXTENSION OF SCHEDULED EXPIRATION DATE

[Date]

[Lender Name]
[Lender Address]
Attention:

Ladies and Gentlemen:

Reference is made to the Revolving Credit Agreement dated as of _____, 2020 (the "Credit Agreement"), by and between Virginia Polytechnic Institute and State University (the "University") and [Lender Name] (the terms defined therein being used herein as therein defined). Pursuant to Section 3.5 of the Credit Agreement, the University hereby requests an extension of the Scheduled Expiration Date to _____, 20__.

The University hereby represents and warrants that, except as noted below, no Default or Event of Default has occurred and is continuing and all representations and warranties of the University in the Credit Agreement are true and correct on the date hereof.

[IDENTIFY PENDING DEFAULT OR EVENT OF DEFAULT]

IN WITNESS WHEREOF, the undersigned has executed and delivered this Request for Extension of Scheduled Expiration Date as of the ____ day of _____, 20__.

Very truly yours,

VIRGINIA POLYTECHNIC INSTITUTE AND STATE
UNIVERSITY

By: _____
Authorized Officer

EXHIBIT E

FORM OF NOTICE OF EXTENSION OF SCHEDULED EXPIRATION DATE

[Date]

Virginia Polytechnic Institute and State University
220 Burrus Hall
800 Drillfield Drive
Blacksburg, Virginia 24061
Attention: University Treasurer

Ladies and Gentlemen:

Reference is made to the Revolving Credit Agreement dated as of _____, 2020 (the "Credit Agreement"), by and between Virginia Polytechnic Institute and State University (the "University") and [Lender Name] (the terms defined therein being used herein as therein defined). Pursuant to Section 3.5 of the Credit Agreement, the University has requested an extension of the Scheduled Expiration Date to _____, 20__.

Please be advised that:

[COMPLETE AS APPROPRIATE.]

1. At the request and for the account of the University, the Bank hereby extends the Scheduled Expiration Date to _____, 20__ [INCLUDE ADDITIONAL TERMS IF APPLICABLE].
2. Except as specifically provided in the paragraph 1 above, all of the terms and conditions of the Credit Agreement remain unchanged and in full force and effect.
3. This Notice of Extension of Scheduled Expiration Date is an integral part of the Credit Agreement.

[OR]

The Bank hereby elects not to extend the Scheduled Expiration
Date.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Notice of Extension of Scheduled Expiration Date as of the ____ day of _____, 20__.

Very truly yours,

[LENDER NAME]

By: _____
Name: _____
Title: _____