

ITEM 159-2008-R0513

Attachment 1: Proposed Terms of Agreement between MSU and the MSU Alumni Foundation

- a. MSU Alumni Foundation (MSUAF) will not be named as guarantor in MSU's loan document.
- b. MSUAF will invest and manage the respective gifts as a quasi- endowment and will distribute the earnings and principal in an amount that is commensurate with the required debt service as requested annually by MSU.
- c. Quasi-endowment earnings will otherwise be made available for expenditure in accordance with the MSUAF's spending policy, which among other things, provides for spendable earnings as a percentage of the quasi-endowment balance. The net market value of the quasi-endowment (originating with a \$25 million gift), less 120% of the outstanding debt obligation, is the maximum amount that will be made available to the University to fund appropriate program expenses.
- d. MSUAF will draw down the quasi-endowment in a responsible, timely, and prudent manner, commensurate with its long-term investment plan.
- e. MSUAF obligations to provide funding for principal and interest payments will cease upon the debt being retired or upon the respective quasi-endowment being totally exhausted whichever occurs first.
- f. At any time, MSU may direct MSUAF to use unrestricted and/or discretionary monies available to it and managed by MSUAF to supplement or fund MSUAF annual installments payable to MSU.
- g. At no time and under no circumstance will MSUAF leverage or infringe upon restricted gifts to fund the annual installment to MSU.
- h. MSUAF will manage and invest the gifts in a responsible and prudent manner according to the investment policies of MSUAF, and shall provide MSU with quarterly reports of its investment pool performance. MSUAF shall notify the MSU Vice President for Administration and Finance 90 days prior to enacting changes in its investment policy.
- i. If no financing is consummated by MSU, the construction costs will instead be financed directly by the MSUAF through the Jobs gift funds received, and the remaining portion of this agreement will be null and void.
- j. The terms of this agreement may be altered upon the mutual agreement of the parties.