

**Council and Executive Board Extraordinary meeting on
Debt Refinancing
1 March 2021 at 18.00
Microsoft Teams**

MINUTES

Sections marked Commercial in Confidence are claimed as exempt from publication under Section 43 of the Freedom of Information Act on the grounds of commercial sensitivity.

Members:	Chair – External member	Mr Michael Queen
	Joint Vice-Chair – External member	Mr Vib Baxi
	Joint Vice-Chair - External member	Ms Rachel Hubbard
	Treasurer - External member	Mr Robert Napier
	President & Vice-Chancellor	Prof Max Lu
	Pro-Vice-Chancellor, Education	Prof Osama Khan
	Pro-Vice-Chancellor, Research & Innovation	Prof David Sampson
	Chief Operating Officer	Mr Andy Chalklin
	Vice President, External Engagement	Mr Patrick Degg
	President, Students' Union	Ms Lizzie Rodulson
	Member elected by Senate	Prof Esat Alpay
	Member elected by Senate	Prof Amelia Hadfield
	External member	Mr Elliot Antrobus-Holder
	External member	Ms Judith Eden
	External member	Mr Charlie Geffen
	External member	Dr Mike Goodfellow
	External member	Ms Pam Jestico
	External member	Mr Nigel Jones
	External member	Mr Peter Maskell
	External member	Ms Pam Powell
	External member	Ms Jan Sawkins

In attendance: Ms Ros Allen, Head of Governance Services
Ms Ruth Anderson, Director of Corporate Finance
Ms Martine Carter, Vice-President - Strategy, Planning & Performance
Mr Phil Grainge, Chief Financial Officer
Ms Sarah Litchfield, University Secretary & Legal Counsel

A INTRODUCTORY ITEMS

21/021 Preliminary items

.1 Esat Alpay and Peter Maskell

21/022 Declarations of conflicts of interest

.1 None

B ITEMS FOR DISCUSSION

21/023 Debt refinancing

- .1 PG presented the paper, noting that the extraordinary Council meeting had been called to approve launching a new Private Placement transaction as part of a debt refinancing exercise, and that approval was required by Council to trigger indemnities under the existing interest swaps as being in the University's best interest. There were various benefits to going out to market as soon as possible, including launching ahead of possible further interest rate increases and other Universities who may be seeking new investment. The timeline for the refinance had been accelerated in early February, prompting the calling of this meeting at short notice. External legal advice also strongly advocated a minuted discussion of the above approvals.
- .2 Recognising that the establishment of a second Private Placement to prepay existing loans [REDACTED] and associated interest swap breakage costs [REDACTED] would result in deferral of repayment of these values for 30 to 35 years, it would important to monitor use of the cash released. in terms of what investments would be made.
- 3 It was noted that currently the University spent about [REDACTED] its net annual operating cash on servicing its existing debt, leaving very little available for strategic and operational investment; the Private Placement would give the University the opportunity to make these investments as part of the implementation of the refreshed University strategy. The refreshed University Strategy and forthcoming planning round would incorporate the cash released from the debt refinancing to establish a clear set of priorities.
- .4 Council discussed repayment plans and noted that the intention was for repayment in 30-35 years to be made from a combination of increased income resulting from successful implementation of the University Strategy [REDACTED]. A potential sale of assets and refinancing of the debt when the time comes would provide alternative options. It was suggested that an endowment fund for repayment of the new private placement and existing 2016 private placement be established in due course (5 to 10 years' time) and that a suitable governance structure be put in place to manage investment into the fund.
- .5 It was recognised that, due to inflation, the real terms value of the debt would be reduced significantly reduced by the end of the term. Assuming 2% inflation p.a., the value could be halved in real terms.
- .6 In the next phases of the refinancing, the University would try to negotiate improvements in a number of areas, with any decisions required to be made by the sub-group:
- The [REDACTED] all-in coupon in the base case;
 - Discounts on the swap breakage costs;
 - The possibility of having a number of repayment points for the Private Placement, so repayments could start in the last [REDACTED] years of the term.
- .7 With respect to the covenants, the new Private Placement would as far as possible mirror existing covenants. The sub-group established would consider covenants as required through the next phases of the refinance.
- .8 Council noted the report from Mills & Reeve on the Pension Schemes Act 2021.
- .9 Council **approved:**
- a. That based on the information provided, that entering into a new private placement Note Purchase Agreement and early termination of existing loans and associated

interest swaps is expedient and in the long term best interests of the University (including its current and future beneficiaries) and accordingly to approve the launch of the Private Placement.

- b. To approve that all powers, authorities and discretions of Council be delegated to Michael Queen, Robert Napier, Pam Jestico, Max Lu and Phil Grainge (together, the “Authorised Individuals” and each an “Authorised Individual”) as may be necessary for the authorisation of all acts, matters or documents in connection with the Private Placement, including, but not limited to:
- (a) authority to negotiate and finalise the NPA, any documentation required to terminate the existing loan agreements and fixed rate swaps and any ancillary documentation (the “Transaction Documents”);
 - (b) authority to make a decision as to which investor or investors will participate in the Private Placement, the amount of Notes that will be allocated to each such investor, the amortisation profile (if any) and final maturity date or dates of the Notes;
 - (c) authority to make the final decision on fixing the price and terms of the Notes (including participating in any pricing call with the purchaser(s)), such authority to be limited to negotiation of the Private Placement up to a maximum amount [REDACTED], a maximum term [REDACTED], with a fixed interest rate [REDACTED] and that any new financial covenant(s) may be accepted provided they are not considered unduly restrictive (the “Authorised Parameters”) . In the event that the proposed terms of the Private Placement are outside the Authorised Parameters, the Authorised Individuals will seek the approval of Council for the revised terms.
 - (d) authority to make the final decision on the break costs that are payable in relation to each of the loan arrangements and/or interest rate swaps being re-financed, and to participate in any call at which such costs are fixed;
 - (e) the terms of, and entry into, the Transaction Documents by the University (subject to any amendments, modifications, variations or alterations that any Authorised Individual may in his or her discretion approve for and on behalf of the University) be approved
 - (f) for and on behalf of the University acting in its corporate capacity, the future performance of any and all obligations set out in the Transaction Documents be approved;
 - (g) any Authorised Individual be authorised to sign the Transaction Documents for and on behalf of the University;

- (h) any Authorised Individual be authorised to take any other action (or authorise certain individuals to do so on University's behalf) that may be required or as may be necessary or desirable to complete the Transaction for and on behalf of the University (acting in its corporate capacity).

C CLOSING ITEMS

21/024 Any Other Business (*Commercial and in confidence – redacted*)

.1

[Redacted content]

.2

[Redacted content]

21/025 Dates of next meeting

30 March (strategy away day)

Mr Michael Queen
Chair