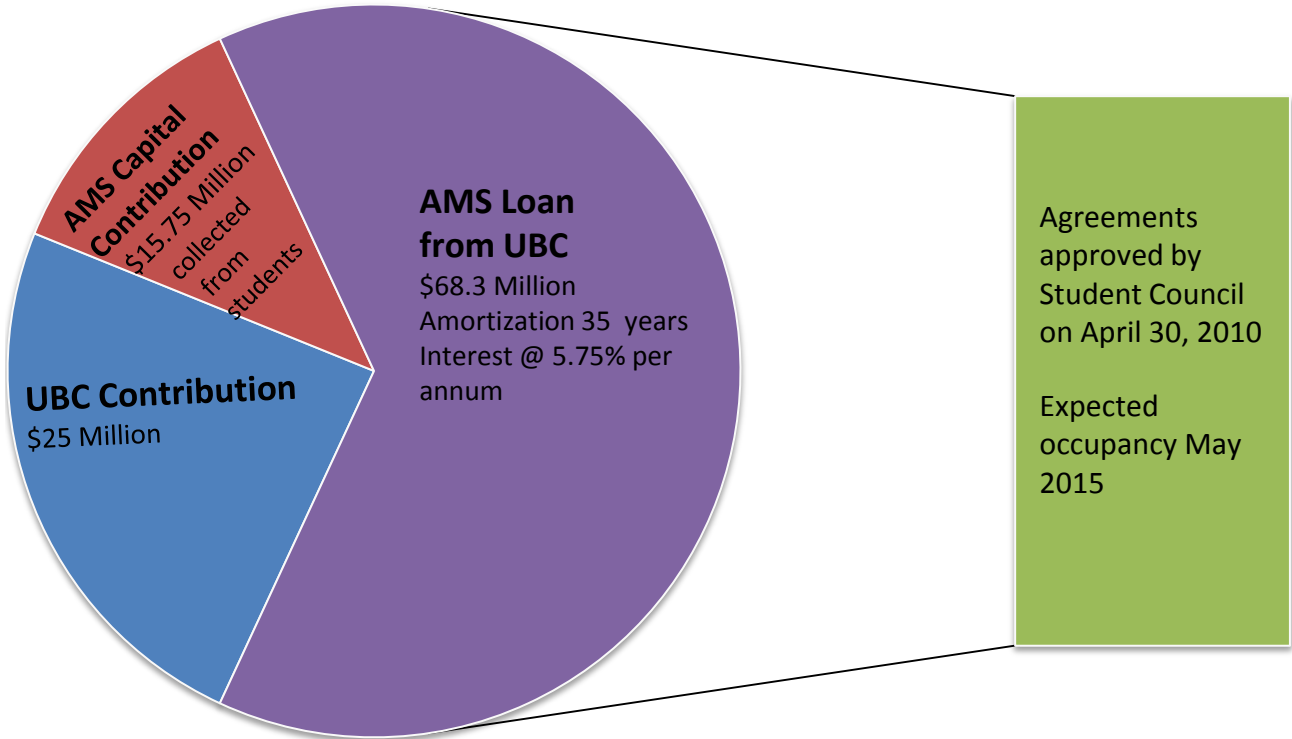


Nest Refinancing
The Way Forward

A NEW STUDENT UNION BUILDING



Current State

- 35 year loan from University of British Columbia Endowment Fund
- Fixed rate of 5.75%
- Principal of \$68,000,000
- Prepayments up to 100% allowed without penalty

Current State

- **Major Benefits**

- Zero interest rate risk
- prepayments without penalty
- in case of default UBC assumes the debt, may repossess the building

- **Major Negatives**

- Expensive, approx. \$60 million more costly to the Society than commercial banks, over the 35 year term

Royal Bank of Canada

- Offered loan, \$70,150,000 to replace the loan from UBC, and to complete the old SUB basement renovation
- Effective interest rate of 3.05% achieved by use of an interest rate swap agreement

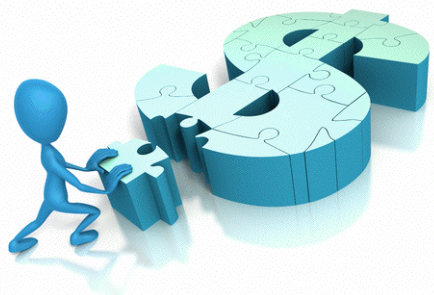
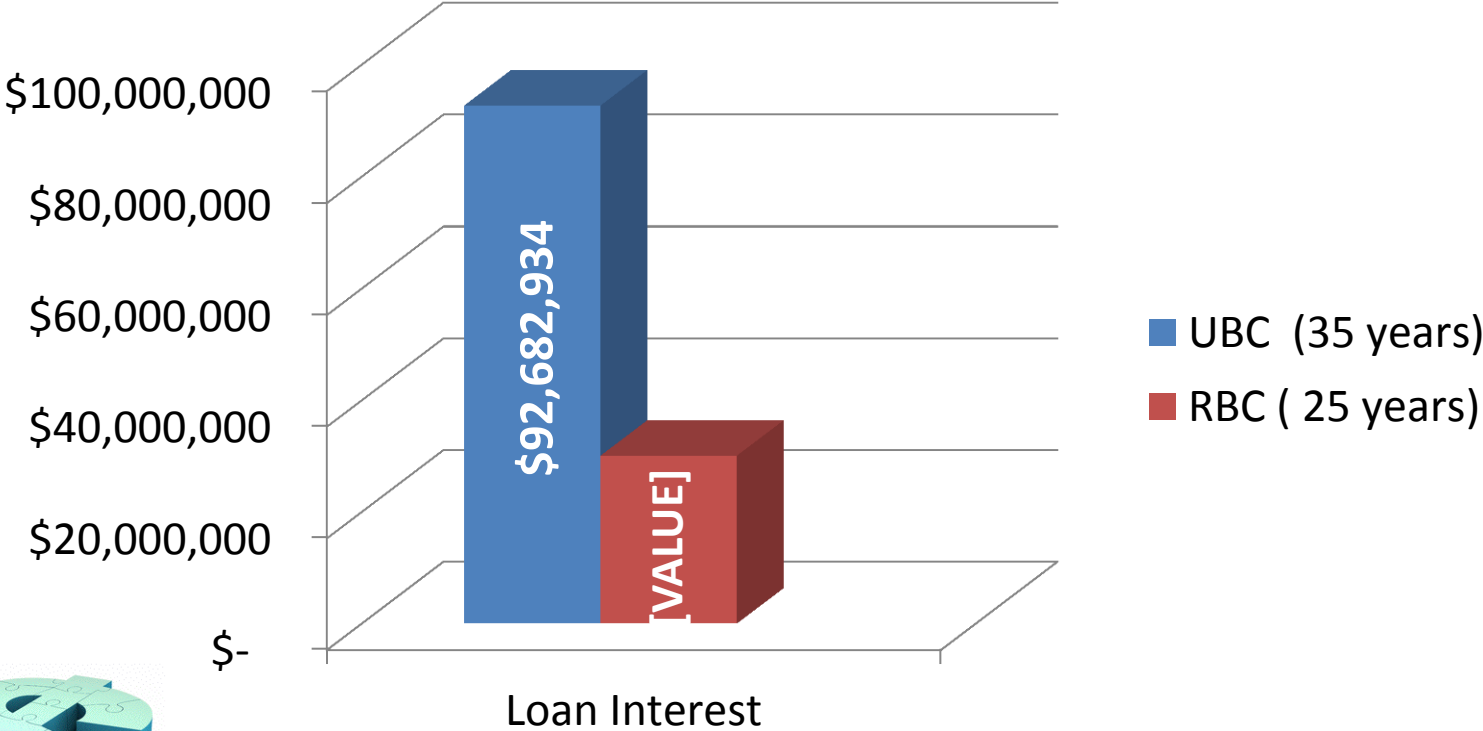
Benefits:

- Projected savings of \$62,600,000
- The Bank can assist us with our other banking needs
- Annual prepayments without penalty
- Loan will be fully repaid in 19 years

Minuses:

- Negotiation Fee : \$105,225
- Legal Fees : \$50,000
- 3 year term, Bank COULD walk away

UBC vs RBC Interest on Loan



Interest rate Swaps

- An agreement between two parties (known as counterparties) where one stream of future interest payments is exchanged for another based on a specified principal amount.(Investopedia)
- Floating rate loan hedged by entering into an interest rate swap agreement
- Effectively we would have a fixed rate loan with prepayment flexibility
- Only variable element is the Credit spread charged by the Bank, this can change if the credit risk of the Society changes

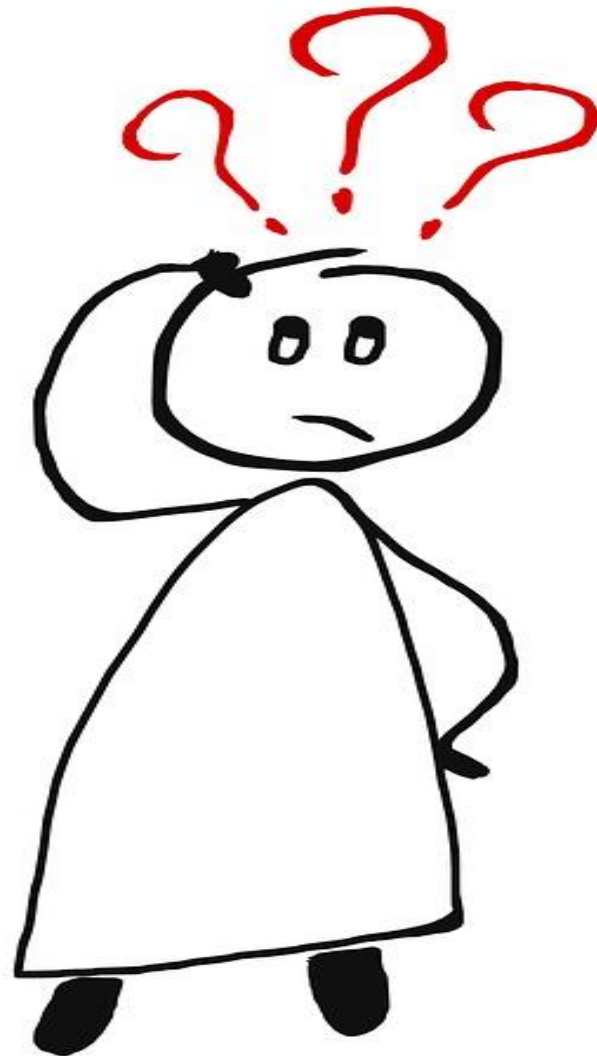
What if...?

- UBC rate is 5.75%
- Fixed rate is 2.55% (currently)
- Variable rate is 0.50%
- These rates would need to increase manifold for us to reach the same level as UBC

Clarification

- The savings mentioned in this presentation are all future savings such that future students will only pay the student levy for the next 25 years, not 35 years.

Questions?



Motion

- Be it resolved that AMS Council approve the following agreements regarding the Nest refinancing:
 - 1. Credit agreement between RBC and AMS
 - 2. Tripartite agreement between RBC, UBC, and the AMS