

LOAN AGREEMENT

THIS LOAN AGREEMENT ("Agreement"), is made effective as of the 3d day of June, 2016 ("Effective Date"), by and between the Regents of the University of Michigan, a public institution of higher learning in Ann Arbor, Michigan ("University"), and James J. Harbaugh, a Michigan resident ("Employee"; together with the University, "the Parties").

RECITALS, WHEREAS:

A. Employee is serving as head football coach of the University, whose title is the J. Ira and Nicki Harris Family Head Football Coach, subject to and in accordance with the terms of an Employment Agreement by and between the University and Employee dated December 28, 2014, as the same may be amended thereafter ("Employment Agreement"; unless otherwise indicated, any capitalized term used herein shall have the meaning ascribed to it in the Employment Agreement);

B. The Parties desire that the University lend to Employee amounts equal to all or part of the premium payments for a life insurance policy for the Employee, with such payments treated as loans to the Employee; and

C. This Agreement is intended to set forth the specific terms and conditions under which the University will loan to Employee said premium loan payments.

AGREEMENT:

NOW, THEREFORE, in consideration of the mutual promises contained herein, the sufficiency of which is hereby acknowledged, it is agreed between the Parties hereto that the above recitals are incorporated herein and as follows:

ARTICLE I **ACQUISITION AND OWNERSHIP OF LIFE INSURANCE POLICY**

A. Employee has applied for and obtained a certain life insurance policy issued by a AAA rated insurance company ("Insurer") on the life of Employee ("Policy"). The Policy shall be the exclusive property of Employee, who may exercise all rights of ownership with respect thereto, subject only to the terms of this Agreement, including the security interest of the University as provided in Article III of this Agreement, and to the Collateral Assignment provided for herein, and the University agrees to consent to Employee's exercise of all such rights of ownership subject to and in accordance with the terms of this Agreement and the Collateral Assignment.

B. Employee shall have the right to obtain a withdrawal or loan from the Policy, provided that immediately following the withdrawal or loan; either:

(i) the Policy's cash surrender value will exceed 108% of the amount of the then-existing Liability (as defined in Article III); or

(ii) based on the Insurer's then current in-force illustration of the Policy as of the date of the withdrawal or loan request (which reflects an interest crediting rate and policy charges corresponding to those in effect for the Policy as of such illustration date), the Policy death benefit (a) will not be reduced to an amount below 150% of the amount of the then-existing Liability in any year until and including Employee's attainment of age 70 and (b) will not be reduced to an amount below 108% of the amount of the then-existing Liability after Employee's attainment of age 70 until and including Employee's attainment of age 100.

ARTICLE II

PREMIUM ADVANCES

A. Schedule. On the Effective Date, the University will pay a Policy premium to the Insurer in the amount of \$2,000,000 ("Initial Premium"). The University will pay additional Policy premiums ("Additional Premiums") to the Insurer in the amounts and on the Payment Dates set forth in the schedule below, provided that the Employee continues to perform the duties of Head Football Coach of the University on the applicable Payment Date:

Additional Premium	Payment Date
\$2,000,000	December 6, 2016
\$2,000,000	December 6, 2017
\$2,000,000	December 6, 2018
\$2,000,000	December 6, 2019
\$2,000,000	December 6, 2020
\$2,000,000	December 6, 2021

If the Employee ceases to perform the duties of Head Football Coach of the University prior to a Payment Date, then the University will discontinue any further Additional Premium payments, and all obligations of the University to make any further Additional Premium payments and/or to provide any other consideration under this Agreement shall cease immediately.

B. Treatment of Premium Advances as Split Dollar Loans. The Initial Premium and each Additional Premium paid by the University pursuant to Paragraph A of this Article II will be referred to hereunder as a "Premium Advance". Each such Premium Advance shall constitute a non-interest bearing nonrecourse loan to Employee that is treated as a below-market split-dollar term loan within the meaning of Treasury regulation section 1.7872-15, payable on Employee's death. Employee acknowledges that he will recognize imputed income for forgone interest in accordance with, and at the rate provided by, Treasury regulations section 1.7872-15(e). Employee acknowledges that the University will comply with any income and employment tax reporting and withholding requirements resulting from such treatment. Further, Employee and University agree and acknowledge that it is reasonable to expect, and that they do in fact expect, that the aggregate Premium Advances made pursuant to this Agreement will be paid in full, and to

make and file written representations to that effect in the manner prescribed by Treasury regulation section 1.7872-15(d)(2).

C. Promissory Note. Employee will execute a nonrecourse revolving promissory note ("Promissory Note") in favor of the University evidencing the obligation to repay the Premium Advances in a form conforming to Exhibit A attached hereto.

ARTICLE III **UNIVERSITY'S SECURITY INTEREST IN POLICY**

Employee hereby agrees to collaterally assign the Policy to the University as security for Employee's indebtedness to the University arising out of the Premium Advances (the "Liability") by executing a Policy endorsement in the form attached hereto as Exhibit B ("Collateral Assignment") concurrently with the execution of this Agreement. The Liability shall equal the sum of all Premium Advances. The Collateral Assignment shall give the University the right to collect an amount equal to the Liability: (i) out of the proceeds of the Policy upon the death of the Insured, or (ii) from the cash value of the Policy in the event that the Policy lapses (other than due to the University's failure to pay a Premium Advance in accordance with Article II of the Agreement), or the Policy is surrendered or cancelled prior to the death of the Insured. In no event shall the Collateral Assignment grant to the University the right to surrender the Policy or to borrow against the cash surrender value of the Policy or any other right or power constituting an incident of ownership in the Policy, except as provided herein.

ARTICLE IV **REPAYMENT OF THE PREMIUM ADVANCES**

In the event of Employee's death prior to repayment of the Premium Advances, the proceeds of the Policy shall be divided into parts and paid by the Insurer as follows:

- (i) the first part, in an amount equal to the Liability, shall be paid to the University;
and
- (ii) the second part, consisting of the balance of the death benefit, shall be paid to the beneficiary(ies) designated by Employee to receive the balance of the proceeds as set forth in the Policy, to be paid in accordance with the settlement option elected by Employee.

In the event that the Policy lapses (other than due to the University's failure to pay a Premium Advance in accordance with Article II of the Agreement), or the Policy is surrendered or cancelled for any reason prior to Employee's death, the University shall be entitled to repayment in an amount equal to the Liability from the cash value and any proceeds of the Policy.

Upon satisfaction of the Liability to the University, this Agreement shall no longer have any force or effect.

ARTICLE V
TERMINATION OF AGREEMENT BY EMPLOYEE

Employee shall have the option to terminate this Agreement at any time after termination of the Employment Agreement by providing written notice thereof to the University and remitting to the University the amount of the then-current Liability. Upon receipt of this amount, the University shall release the Collateral Assignment on the Policy and this Agreement shall no longer have any force or effect.

ARTICLE VI
PROVISIONS REGARDING THE INSURER

A. The Insurer shall be bound only by the provisions of the Policy and any endorsement thereto; provided the Insurer will ensure that the University collects the amount of the Liability from proceeds or cash value of the Policy in accordance with the Collateral Assignment.

B. Any payment made or actions taken by the Insurer in accordance with the provisions of the Policy and any endorsement thereto shall fully discharge the Insurer from all claims, suits and demands of all persons whatsoever, if and to the extent that the Insurer has ensured the University's rights under Article IV of this Agreement.

C. The Insurer shall not be deemed a party to, or to have notice of, this Agreement or the provisions hereof and shall have no obligation to see to the performance of the obligations of the Parties hereunder except as provided in Article IV of this Agreement.

ARTICLE VII
LIMITS ON LIABILITY

In no event shall the University have any liability to Employee or any beneficiary of the Policy or other third party ("Claimant") for claims arising out of the investment performance of the Policy, or the income, estate or inheritance tax consequences to Employee, or any Claimant, arising out of this Agreement under federal or state law as currently in effect or as amended from time to time in the future.

Further, Employee hereby acknowledges that he has consulted with his personal financial and/or tax adviser(s) concerning the financial and tax consequences of this Agreement. Employee further acknowledges that, in entering into this Agreement, he is not relying on information from the University for his understanding of the investment merits of the Policy or the tax consequences of the Agreement.

**ARTICLE VIII
MISCELLANEOUS**

A. No Impact on Relationship of the Parties. Nothing contained in this Agreement shall be construed as conferring upon Employee or the University any additional rights or obligations with respect to continuation of Employee's employment with the University, or as altering the Parties' respective rights and obligations under the Employment Agreement.

B. Amendment. This Agreement may be amended, altered or modified, including by addition of any Policy provisions, but only by a written instrument signed by the Parties.

C. Assignment. This Agreement shall be binding upon the Parties, their legal representatives, successors, and assigns. A party may assign such Party's interests and obligations under this Agreement with the other's written consent (which shall not be unreasonably withheld), subject to the terms and conditions of this Agreement.


D. Governing Law and Interpretation. This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan. Further, this Agreement shall be interpreted and enforced in a manner such that the arrangement created by the University's loan of the Premium Advances is treated as giving rise to split dollar loans as described in Article II hereof, and is not treated as providing for the deferral of compensation for purposes of Sections 409A or 457(f) of the Code.

E. Disputes. Any and all claims or controversies between the Parties arising under this Agreement shall be settled consistent with the terms and conditions of the Employment Agreement.

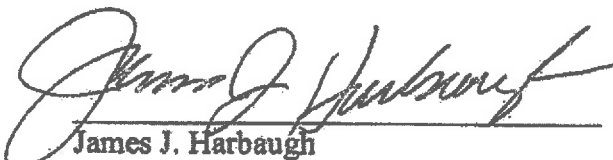
F. Entire Agreement. This Agreement sets forth the entire agreement between the Parties with respect to the subject matter hereof. Any and all prior agreements or understanding with respect to such matters are hereby superseded.

IN WITNESS WHEREOF, this Agreement has been executed by and on behalf of the Parties hereto as of the day and year first written above.

For the REGENTS of the
UNIVERSITY OF MICHIGAN:

By: 
Mark Schlissel, President

EMPLOYEE:


James J. Harbaugh

For the ATHLETIC DEPARTMENT,
UNIVERSITY OF MICHIGAN:

By: 
Warde Manuel, Director of Athletics

EXHIBIT A

NONRECOURSE REVOLVING PROMISSORY NOTE

Premium Advances

_____, 2016

1. **FOR VALUE RECEIVED**, James J. Harbaugh (“Borrower”), promises to pay to the order of the Regents of the University of Michigan (“Lender”), without interest, the aggregate unpaid principal amount of all loans provided by the Lender to the Borrower hereunder and not repaid, until all amounts owing under this Note are paid in full.

2. **CONDITIONS FOR LOANS.** The Borrower shall be entitled to borrow monies under this Note in the form of Premium Advances only in accordance with and subject to the terms and conditions of Article II of that certain Loan Agreement by and between Lender and Borrower, entered into effective _____, 2016 (“Agreement”). Unless otherwise indicated, any capitalized term used herein shall have the meaning given to it in the Agreement.

4. **INTEREST.** No interest shall accrue on this Note.

5. **PAYMENT DATE.** The principal balance on this Note shall be due and payable by Borrower upon the death of Borrower, or if earlier, when the Policy lapses (other than due to the University’s failure to pay a Premium Advance in accordance with Article II of the Agreement), or the Policy is surrendered or cancelled.

6. **SECURITY.** The repayment obligations of the Borrower hereunder are secured by the Policy subject to and in accordance with the terms of the Collateral Assignment by and between the Lender and Borrower of even date herewith.

7. **NONRECOURSE.** Lender’s sole recourse under this Note shall be against the Lender’s rights in and to the Policy as described in the Collateral Assignment securing this Note, and Lender shall not be entitled to recover any deficiency judgment against Borrower if the recovery under or pursuant to the Collateral Assignment is not sufficient to pay the amount owed by Borrower hereunder.

8. **PREPAYMENT.** This Note may be prepaid in part or in full without premium or penalty at any time on or before the due date hereof.

9. **MODIFICATION AND WAIVER.** The modification or waiver of any of the Borrower’s obligations or the Lender’s rights under this Note must be contained in a writing signed by the Lender. The Lender may perform any of the Borrower’s obligations or delay or fail to exercise any of its rights without causing a waiver of those obligations or rights. A waiver on one occasion will not constitute a waiver on any other occasion.

10. **SEVERABILITY.** If any provision of this Note is invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

11. **APPLICABLE LAW.** This Note has been executed and delivered in the State of Michigan, and the rights, duties, and obligations of the parties and the provisions contained herein shall be governed and construed in accordance with the laws of the State of Michigan.

12. **MISCELLANEOUS.** This Note is being executed for commercial purposes. The Borrower and the Lender agree that time is of the essence. The Borrower waives presentment, demand for payment, notice of dishonor, protest, and notice of protest. This Note shall be binding upon the executors, personal representatives, heirs, successors, and assigns of the Borrower.

13. **ENTIRE AGREEMENT.** This Note is supplemented by the terms and conditions of the Agreement. Borrower agrees that there are no other conditions or understandings which are not expressed in this Note and the documents referred to herein.

BORROWER:

James J. Harbaugh

COLLATERAL ASSIGNMENT

THIS COLLATERAL ASSIGNMENT (“Assignment”) is made in multiple copies, each to constitute an original, this 3d day of June, 2016, by the undersigned Regents of the University of Michigan (“University”) and James J. Harbaugh (“Employee”).

1. **Policy.** Employee is the “Insured” under a certain life insurance policy issued by (“Insurer”) to James J. Harbaugh as “Owner” (Policy No. referred to herein as the “Policy”).

2. **Loan Agreement.** The Policy is subject to that certain Loan Agreement by and between the University and Employee made effective June 3, 2016 (the “Agreement”). The Agreement is hereby incorporated into and made a part of this Assignment and, unless otherwise indicated, any capitalized term used herein shall have the same meaning given to it under the Agreement.

3. **Assignment.** Employee, as Owner, hereby collaterally assigns, transfers, and sets over to the University as assignee hereunder the following specific limited rights in the Policy, and subject to the following terms and conditions:

- A. This Assignment is made, and the Policy is to be held as collateral security for the repayment of the Premium Advances, subject to and in accordance with the terms of the Agreement and that certain promissory note of Employee of even date herewith (“Promissory Note”).
- B. The University shall have an interest in the Policy limited to that necessary to secure Owner’s Liability upon the death of the Insured or when the Policy lapses (other than due to the University’s failure to pay a Premium Advance in accordance with Article II of the Agreement), or the Policy is surrendered or cancelled. The University shall have the right to collect from the Insurer the net proceeds of the Policy and/or the cash value of the Policy to the extent of the Liability when it becomes due and payable under the Agreement.
- C. Employee shall have the sole right to obtain one or more withdrawals from, or loans on the Policy, subject to and in accordance with the terms of Article I.B. of the Agreement, which provides:

Employee shall have the right to obtain a withdrawal or loan from the Policy, provided that immediately following the withdrawal or loan; either:

(i) *the Policy's cash surrender value will exceed 108% of the amount of the then-existing Liability (as defined in Article III); or*

(ii) *based on the Insurer's then current in-force illustration of the Policy as of the date of the withdrawal or loan request (which reflects an interest crediting rate and policy charges corresponding to those in effect for the Policy as of such illustration date), the Policy death benefit (a) will not be reduced to an amount below 150% of the amount of the then-existing Liability in any year until and including Employee's attainment of age 70 and (b) will not be reduced to an amount below 108% of the amount of the then-existing Liability after Employee's attainment of age 70 until and including Employee's attainment of age 100.*

4. **Owner's Rights.** Except as specifically provided herein, Employee shall retain and possess all other incidents of ownership in the Policy, including, by way of illustration and not limitation, the rights to designate and change the beneficiary and modify the death benefit (provided that such a modification does not reduce the death benefit to an amount below (a) 150% of the then-existing Liability in any year until and including Employee's attainment of age 70, or (b) 108% of the amount of the then-existing Liability after Employee's attainment of age 70 until and including Employee's attainment of age 100), and such incidents of ownership do not pass by virtue hereof and may be exercised by Owner on the sole signature of Owner; notwithstanding the foregoing or anything to the contrary, the Owner may not exercise a right under the Policy that would interfere with the University's interest described in Section 3(B) of this Assignment, nor may the Owner obtain any withdrawal or loan from the Policy except as permitted by Section B of Article I of the Agreement.

5. **Assignee's Rights.** The University, as assignee hereunder, shall have the right to be repaid to the extent of the Liability upon the death of the Insured on the Policy or when the Policy lapses (other than due to the University's failure to pay a Premium Advance in accordance with Article II of the Agreement), or the Policy is surrendered or cancelled.

6. **Limitations on Assignee.** The University is prohibited from:

- A. surrendering the Policy for cancellation; and
- B. assigning its rights to any person other than to Employee without the consent of Employee.

7. **Insurer's Obligations.** The Insurer is not a party to this Assignment except to the extent that the Insurer will make a payment to the University in accordance with the terms of Article IV of the Agreement. The Insurer shall:

- A. have no duty or obligation to inquire into or investigate the reason or validity of the University's request to exercise any of its rights hereunder, or whether Employee has notice of it. The Insurer may treat any such request by the University as an affirmation that the request conforms to

this Assignment and the Agreement, and is thereby authorized to act upon such request; and


B. be fully protected in recognizing a request by Employee to exercise any right of ownership, whether or not the University has notice of such request.

8. Termination of Assignment. Notwithstanding any provisions of this Assignment to the contrary, the University shall be obligated to release this Assignment when it has received payment in full of the Liability.

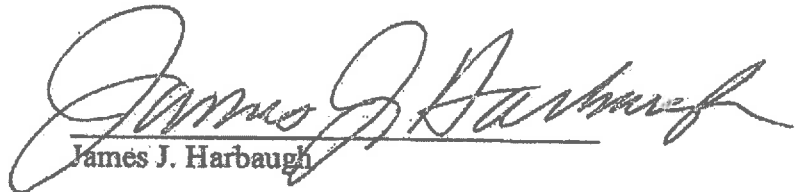
9. Other Agreements. Between Employee and the University, the Agreement shall take precedence over any provision of this Assignment. The University and Employee agree not to exercise their respective rights under this Assignment except in conformity with the Agreement.

This Assignment is hereby executed as of the date set forth above.

For the REGENTS of the
UNIVERSITY OF MICHIGAN:

By: 
Mark Schlissel, President

OWNER:


James J. Harbaugh

For the ATHLETIC DEPARTMENT,
UNIVERSITY OF MICHIGAN:

By: 
Warde Manuel, Director of Athletics

The Insurer hereby acknowledges receipt of and accepts a copy of this Collateral Assignment and agrees to the terms of Section 8 hereof.

_____]:

By: _____
Its: _____