



BANKERS TRUST COMPANY
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CARLOS M. CANAL JR., EXECUTIVE VICE PRESIDENT
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RECEIVED

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CHURCH STREET STATION
NEW YORK, NEW YORK 10015

MAY 22 1978

May 15, 1978

INVESTMENT OFFICE

Mr. James F. Brinkerhoff
Vice President and Chief
Financial Officer
The University of Michigan
Ann Arbor, MI 48109

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Dear Mr. Brinkerhoff:

Thank you for your recent letter advising us of the actions taken by the Regents of the University of Michigan with respect to investment in South Africa.

(Secrecy) Your request that Bankers Trust Company advise you at once of any plans to make or increase any loans to the government of South Africa gives me some difficulty. This is not because of any desire to conceal the Bank's intentions but it does conflict with our policy of maintaining banker/client confidentiality. This, as you know, is a long-standing tradition and one which should, I believe, be preserved, whether the client is a government, a private individual or an institution like your own.

The management of Bankers Trust Company is unified in its condemnation of apartheid and we have not hesitated to make these views known to South African businessmen and government officials. We have, however, been reluctant to endorse any proposal calling for a total embargo on loans to that country.

This reluctance stems, in part, from our belief that Bankers Trust has a responsibility to maintain a consistent international lending policy that does not discriminate against a borrower simply because the individual or organization is located in South Africa.

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We can confirm, however that our outstanding loan exposure to South Africa represents an extremely small percentage of the Bank's international loan portfolio. Our current business there is entirely related to financing trade.

As you probably also know, Bankers Trust does not have any branches, representative offices or affiliates in South Africa.

With the foregoing in mind, you will be interested to note that the subject to loans to South Africa has been discussed at length by the management of Bankers Trust Company. Our views are perhaps best expressed in the light of our overall approach to international lending.

As an international bank with operations in many countries it is inevitable that we have client relationships involving countries with political ideologies and social policies that are markedly different to those prevalent here in the United States.

It would be difficult if not impossible to engage in international finance on the basis that the decision to grant or refuse a loan constituted support or opposition to another country's internal policies. In this respect, we believe that Bankers Trust must approach its responsibilities in a non-political manner.

Our primary concern in international lending has been and continues to be to make objective assessments of a borrower's creditworthiness and to ensure that we always operate within the laws, regulations and policies governing us.

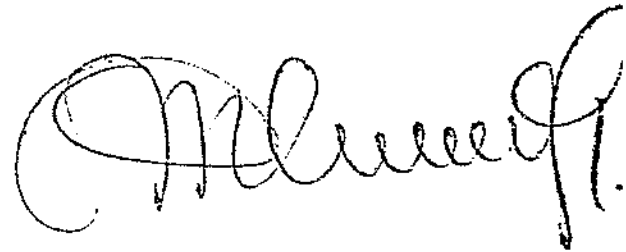
In evaluating such credit risks, we consider, inter alia, the financial position of the borrower; the stability of its position within the local economy, and its ability to put the funds borrowed to an economically worthwhile use in a sound economic, political, and social environment. I might add that the views of our clients also have a bearing on how we conduct our business, and in this regard we appreciate your having brought to our attention the concerns of the University of Michigan.

May 15, 1978

In closing, I might just note that while the curtailment of all loans to South Africa has been suggested as a means of "forcing" the government there to adopt more enlightened social policies, it is by no means a universally accepted solution. Some leading opponents of apartheid, both within South Africa and elsewhere, have argued that the inevitable economic hardships resulting from such a move would merely add to the already considerable burdens shouldered by those it was designed to help most.

I trust that we have conveyed to you our very real concern for the situation in South Africa and our desire to approach our responsibilities as an international bank in a thoughtful and responsible manner.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "J. F. Brinkerhoff". The signature is written in dark ink and is positioned to the right of the typed name "Brinkerhoff".