

To: Members of the Board of Trustees

Fr: Christopher A. Ruhl, Chief Financial Officer and Treasurer

Date: January 26, 2021

Re: Certificates of Participation – Restructuring and Refinancing

We will seek approval in the Finance Committee on behalf of Intercollegiate Athletics to restructure and refinance a portion of the outstanding debt owed to the Ross-Ade Foundation.

Background

Under Indiana Code, the University borrows money for capital improvements for athletic facilities through a mechanism called Certificates of Participation (COPs). The Ross-Ade Foundation (RAF) issues tax-exempt COPs secured by semi-annual lease payments from the University's Department of Intercollegiate Athletics. This structure has been used for decades to fund capital improvements for Mackey Arena, Ross-Ade Stadium, the Football Performance Complex and the Bittinger Softball Stadium. Currently, around \$144 million of COPs is outstanding. \$31 million of the outstanding COPs (22%) are variable rate instruments where interest rates reset weekly. Annual debt service for Athletics via the lease payment structure is approximately \$14 million. We are proposing to restructure and refinance a portion of the COPs to accomplish two primary goals:

1. Convert variable rate debt to fixed rate. The variable rate structure has been beneficial given generally low interest rates. However, the structure does have risks, including variable rate volatility. In Spring 2020, for example, rates exploded from less than 1% to over 6%. Prolonged exposure to higher rates would present substantial financial challenges to Athletics. Given interest rates are at near record lows, we have the opportunity to convert the variable rate portion of the portfolio to fixed rate, eliminating volatility and uncertainty. This will also free up significant liquidity in our cash pool, as currently we must hold reserves in an equivalent amount in the event the variable rate bonds cannot be remarketed to other investors and thus are put to the University. We anticipate fixed interest rates around 2% for this portion of the transaction.
2. Restructure July 1, 2021 principal and interest to provide near-term cash flow savings. As we've previously discussed, the pandemic has strained numerous revenue streams for Athletics, notably ticket sales and television revenue. Athletics has implemented numerous cost-saving countermeasures to mitigate this impact but a deficit is expected. Working with Vice President Bobinski we discussed options, including an internal loan. An alternative to an internal loan is to refinance the July 1, 2021 principal and interest payment and extend that to the 2029-2032 fiscal years. In the short-term, this would provide approximately \$10m of cash flow savings to help mitigate the impact of the pandemic. We can refinance this maturity at very low interest rates – around 1% - which is more cost effective than an internal loan or other external financing vehicles we evaluated with Athletics. Moreover, we have the ability to "level-off" future debt service to avoid a cliff that exists in the current structure, where annual debt service drops for a period of three years to around \$10 million/year, before increasing back to the current \$14 million. Leveling-off alleviates the budgetary concern that the temporary savings from lower debt service gets committed financially—thus leaving a gap when the debt service rises a few years later and resulting in a significant strain on the budget.

Timeline/Plan of Finance

We have engaged Wells Fargo Securities as our lead underwriter. Our plan is to be in the market in late March/early April and close the transaction in late May/early June, using those proceeds for the July 1, 2021 payment, which is callable on April 1. In addition to your approval, we will be seeking approval from the Ross-Ade Foundation board. We have described the transaction to the RAF board at the December 7th annual meeting and the RAF board was supportive. We anticipate approval from RAF in the form of a written consent.

Figure 1 – Current Amortization

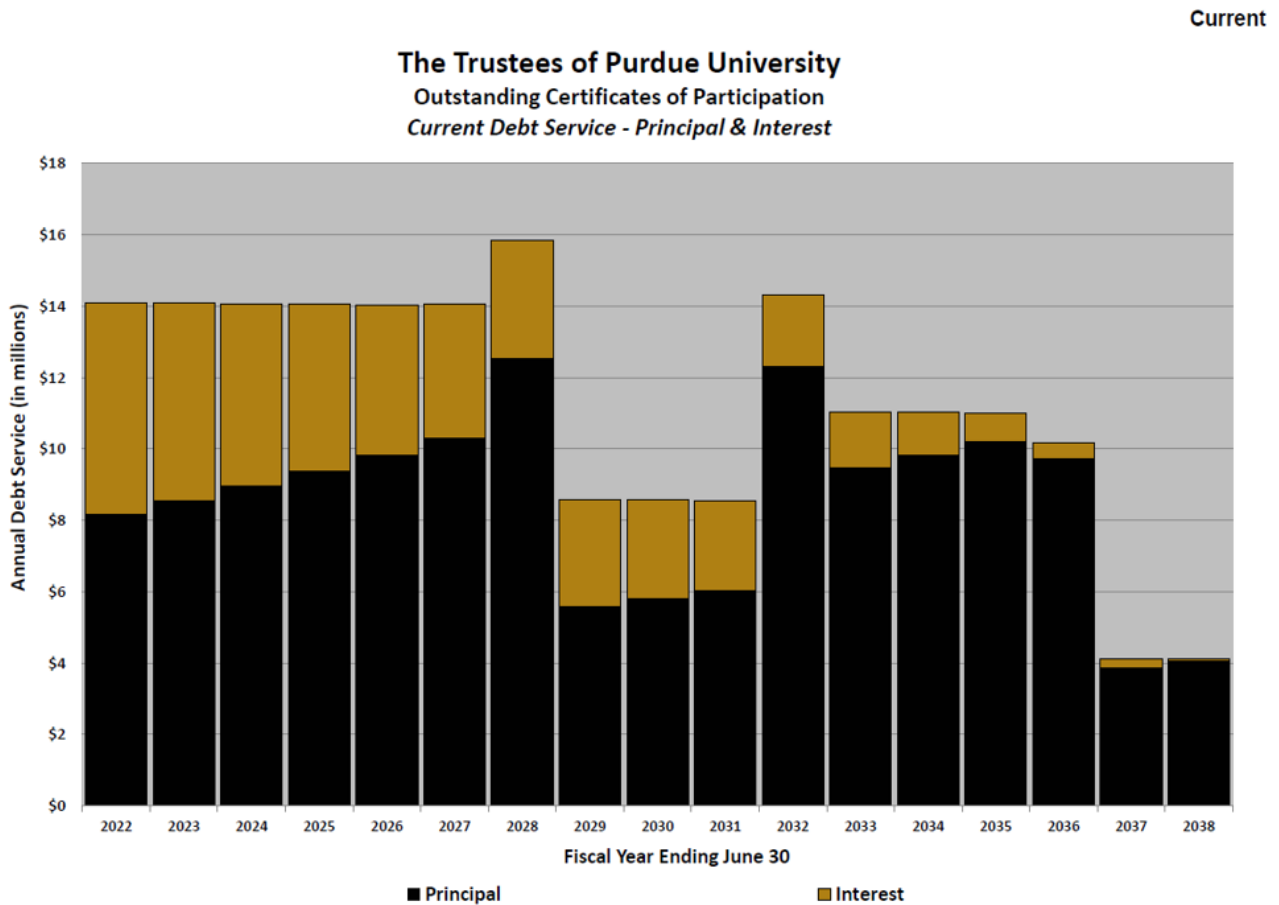
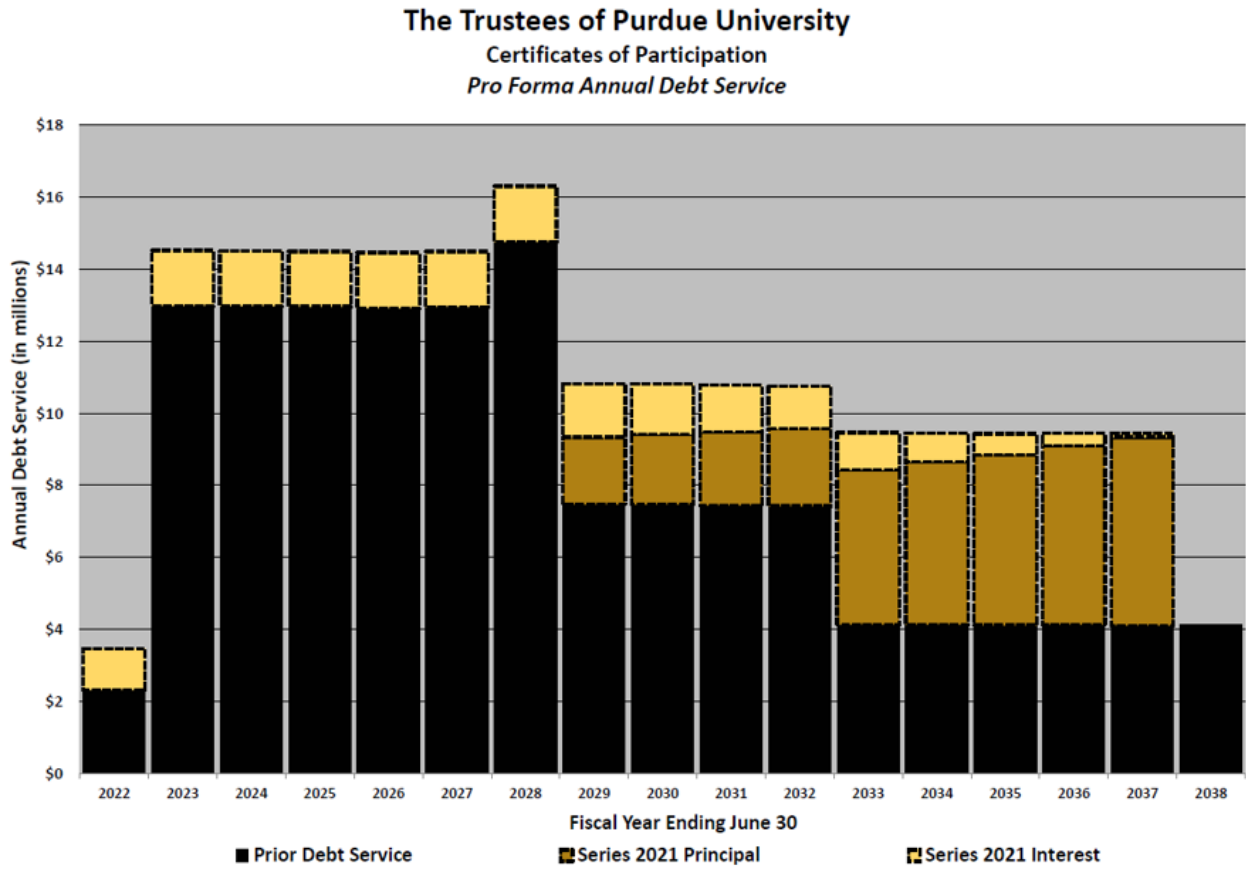


Figure 2 – Pro-Forma Amortization after Series 2021

Pro Forma



RESOLUTION OF THE BOARD OF TRUSTEES OF THE TRUSTEES OF PURDUE UNIVERSITY:

- (1) DECLARING THE NECESSITY FOR THE REFUNDING OF CERTAIN CERTIFICATES OF PARTICIPATION AS DESCRIBED HEREIN (THE “REFUNDING”);**
- (2) REQUESTING THE PARTICIPATION OF ROSS-ADE FOUNDATION IN THE PLANNING AND FINANCING OF THE REFUNDING;**
- (3) AUTHORIZING THE EXECUTION OF CERTAIN DOCUMENTS AND THE TAKING OF OTHER NECESSARY ACTIONS TO FINANCE THE REFUNDING AND ACCOMPLISH THE PURPOSES OF THIS RESOLUTION;**
- (4) AUTHORIZING DESIGNATED OFFICERS OF THE CORPORATION TO OBTAIN SUCH APPROVALS AND TAKE SUCH ACTION AS MAY BE NECESSARY OR INCIDENTAL TO THE ACCOMPLISHMENT OF THE PURPOSES AND INTENT OF THIS RESOLUTION**

WHEREAS, The Trustees of Purdue University (the “Corporation”) has for many years operated athletic facilities and parking facilities on land owned or formerly owned by the Ross-Ade Foundation (the “Foundation”) at and in connection with the conduct of the Corporation’s intercollegiate athletic program on the West Lafayette Campus and parking program on the Fort Wayne Campus; and

WHEREAS, the Corporation has utilized the assistance and expertise of the Foundation in planning, financing and constructing such facilities, as requested by the Corporation; and

WHEREAS, the Corporation desires to seek the assistance and expertise of the Foundation in (A) planning and financing (i) the refunding in part of the Certificates of Participation, Series 2006 (the “Series 2006 Certificates”), comprised of that portion of the Series 2006 Certificates maturing on July 1, 2021; (ii) the refunding in part of the Certificate of Participation, Series 2014A (the “Series 2014A Certificate”), comprised of that portion of the Series 2014A Certificate maturing on July 1, 2021; (iii) the refunding in part of the Certificates of Participation, Series 2016A (the “Series 2016A Certificates”), comprised of that portion of the Series 2016A Certificates maturing on July 1, 2021; (iv) the funding of all interest due on July 1, 2021 with respect to all of the outstanding Series 2006 Certificates, Series 2014A Certificates and Series 2016A Certificates, maturing on and after July 1, 2022; and (v) the refunding in whole of the Certificates of Participation, Series 2011A (Adjustable Demand) (the “Series 2011A Certificates”) (collectively, the “Refunding”); and (B) utilizing necessary contracts or documents to enable the Foundation to secure permanent debt financing for the Refunding by issuing Certificates of Participation (“COPs”);

NOW, THEREFORE, it is hereby **RESOLVED** by the Board of Trustees (the “Board”) of the Corporation, as follows:

1. The Board hereby finds that a necessity exists for the Refunding, as described herein. The Board further finds that in view of the Foundation’s prior experience in constructing, renovating and financing Corporation athletic facilities at the West Lafayette Campus and parking facilities at the Fort Wayne Campus, the best interest of the Corporation and Purdue University will be served by obtaining the participation of the Foundation in the planning and financing of the Refunding. The Board respectfully requests the Foundation to complete the planning and undertake the financing of the Refunding, and to prepare and submit proposals and recommendations for financing of the Refunding utilizing COPs to the Treasurer or Assistant Treasurer of the

Corporation for consideration and approval on such terms as the Treasurer or Assistant Treasurer shall in his discretion deem to be in the best interest of Purdue University and the Corporation.

2. The Board further requests that once the financing plan for the Refunding is approved as provided in Paragraph 1 the Foundation enter into appropriate arrangements for COPs financing in the amount necessary to consummate the elements of the Refunding, as described herein (plus costs allowable for interest and finance charges, capitalized interest, debt service reserves, bond or reserve insurance and other incidental costs as permitted by statute). In so doing the Board requests that the Foundation utilize the services of Purdue's Office of Treasury Operations.

3. It is anticipated that said approved financing plan may utilize the Leases associated with projects which previously were financed or refinanced by the Series 2006 Certificates, the Series 2014A Certificates, the Series 2016A Certificates and the Series 2011A Certificates, which will enable the Foundation to secure financing for the Refunding by issuing COPs for the Refunding. The Board further requests that the Foundation submit all other documents necessary to conclude the financing authorized hereunder to the Treasurer or Assistant Treasurer of the Corporation for review and approval on such terms as the Treasurer or Assistant Treasurer shall in his discretion deem to be in the best interest of Purdue University and the Corporation.

4. The Board further authorizes the officers designated in this Resolution to: (a) execute all documents necessary to finance the Refunding (the "Refunding Documents"); (b) execute the COPs financing documents (the "COP Documents" and together with the Refunding Documents, the "Financing Documents"); and (c) perform any and all other acts necessary or appropriate to accomplish the financing of the Refunding, all subject to review and final approval by the Treasurer or Assistant Treasurer of the Corporation.

5. The Board hereby authorizes the execution of the Financing Documents in counterparts by the executing officers by Electronic Means (as described below), all of which counterparts taken together shall constitute one and the same respective instrument. Moreover, the Corporation acknowledges and agrees that the Financing Documents may be signed and/or transmitted by e-mail or as .pdf documents or using electronic signature technology (e.g., via DocuSign or similar electronic record) and shall be valid and as effective to bind the party so signing as a paper copy bearing such party's handwritten signature.

6. The Board further finds that the total estimated principal cost of the COPs financing authorized hereby will not exceed the amount necessary to consummate the elements of the Refunding, as described herein (plus costs allowable for interest and financing charges, capitalized interest, debt service reserves, bond or reserve insurance and other incidental costs as permitted by statute).

7. The Chair, Vice Chair, Treasurer, Assistant Treasurer, Legal Counsel, Secretary, and Assistant Secretary of the Corporation and the Chief Financial Officer and Treasurer and the Senior Vice President and Assistant Treasurer of Purdue University, and each of said officers respectively, are hereby authorized and empowered for, on behalf of and in the name of the Corporation: (a) to request all necessary state approvals (if any) for the actions hereinabove authorized and for any related matters as may be required by law; and (b) to take all other necessary and proper actions to carry out the purpose and intent of this Resolution whether herein specifically authorized or not, except such actions as are specifically required by law to be taken by the Board as the governing body of the Corporation.