

January 15, 2016

The Honorable Michael R. Pence
Governor of the State of Indiana
State House
Indianapolis, IN 46204

Dear Governor Pence:

At its meeting on December 19, 2015, the Purdue University Board of Trustees approved a project to repair, renovate and modernize the Mollenkopf Athletic Center and Construct the Football Performance Complex on the Purdue University West Lafayette campus. The Football Performance Complex will be a 110,000 square foot facility including a locker room, team meeting room, sports performance training area, sports medicine facility, coaches' offices and enhanced academic support facilities.

The approval provides that the project may be accomplished as an amendment of the Mackey Complex Lease Agreement dated as of August 15, 2009 and a presently existing Lease-Purchase and Sublease Agreement dated as of August 15, 2009 between the Ross-Ade Foundation and Trustees of Purdue University to allow the Ross-Ade Foundation to construct, or cause to be constructed, and finance the Project as requested by the University. Both these agreements were reviewed by the State Budget Committee at its December 11, 2008 meeting.

The Mackey Complex Lease Agreement provided for the lease-purchase of land and improvements from the Foundation to the University to enable the Foundation to issue Certificates of Participation to fund the completed improvements to the Mackey Complex. The lease payments required under the approved lease-purchase and sublease agreement between the University and the Foundation serve as payment for the Certificates. The proposed amendment will allow the Foundation to issue additional Certificates of Participation to fund the Football Performance Complex project. Payment for the certificates will be made possible through the lease payments required under the proposed amendment to the Current Lease.

The Ross Ade Foundation is a University affiliated organization created in 1924 through gifts from alumni. It has served as the entity through which construction and renovation of athletic facilities and parking garages have been accomplished. The Foundation will be responsible for both the Project construction and the certificates of participation financing under the amendment to the Current Lease. The University will acquire the Football Performance Complex at the end of the lease term.

The Project has an estimated cost of up to \$65 million and is to be financed by the Foundation through certificates of participation to be retired through annual lease payment

by the University to the Foundation. Funding to support the lease payments will come exclusively from Athletic Department revenues.

Subject to review by the Commission for Higher Education and recommendation by the State Budget Committee and the Budget Agency, we request your approval to proceed with the Project and the amendment to the Current Lease. We will be happy to answer any questions you or your staff may have or to provide any additional information you may wish.

Sincerely,



James S. Almond
Senior Vice President and Assistant Treasurer

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Attachments

c: Matt Hawkins, Associate Commissioner and Chief Financial Officer
Brian Bailey, State Budget Director
Anthony Hahn, Director, State Relations & Policy Analysis
Kendra Cooks, Comptroller

Mackey Complex
Certificates of Participation, Series 2016A
Term Sheet and Summary
\$65 million

FINANCING

Purpose	To fund the renovation of the West Lafayette Mollenkopf Athletic Center facility which is in need of repair, renovation and modernization, including additional facilities to be constructed to complete the Project. Purdue will seek the assistance and expertise of the Ross-Ade Foundation in planning, financing and constructing these leasehold improvements to the Mollenkopf Athletic Center utilizing the lease which administered the Mackey Renovations and any necessary replacements, amendments, supplements or additions thereto.
Project Cost	\$65 million
Financing Vehicle	Certificates of Participation issued by the Ross-Ade Foundation secured by Lease Purchase Agreement between Ross-Ade Foundation and Purdue University.
Estimated Issuance	\$65 million plus approximately \$2.6 million capitalized interest and issuance costs
Expected Rating	Moody's – Aaa Standard & Poor's – AA+
Source of Funds for Debt Service	Intercollegiate Athletics department revenue.
Term	Construction period interest only (1.3 years) + 20 year amortization
Financing	Fixed rate certificates of participation, annual amortization to begin in 2018 with level debt service thereafter. Expected date of issuance – June 2016.
Documents	<u>Amendment to Mackey Complex Lease, Lease-Purchase and Sublease Agreements</u> : Existing lease between Ross-Ade Foundation and the University will be amended to incorporate the property included in the area of construction and renovation of the Mollenkopf Athletic Center facility. Lease will run concurrently with Lease-Purchase Agreement. Foundation to construct, renovate, and finance the Mollenkopf Athletic Center facility on a tract of real estate that is owned in part by the Foundation, Purdue Research Foundation and the University. Foundation will lease the Foundations' real estate and the improved University property to the University in exchange for lease payments that cover Foundation debt issued to fund construction project costs. Lease will be for a maximum 40-year period, eligible for prepayment at option of the University.
State Review and Approval	Review of Indiana Commission for Higher Education (tbd) Recommendation of State Budget Committee (tbd) Recommendation of State Budget Agency (tbd) Approval of Governor (tbd)