

PROPOSAL: Purchase of Training Aircrafts for the College of Aviation with Investment from WMU Foundation

Background

The market demand for Aviation Flight Science within the College of Aviation continues to be strong with the aviation industry projecting significant continued growth. The current demand for Aviation Flight Science is greater than the College of Aviation's current capacity. Acquisition of a new primary training fleet will allow Western Michigan to grow its Aviation Flight Science program by increasing the number of primary flight training aircraft from 28 to 32 and maintain its position as one of the top three aviation programs in the United States and as the only comprehensive aviation college in the State of Michigan.

The College of Aviation at Western Michigan University approached the WMU Foundation to discuss an investment by the WMU Foundation for the replacement of the aging Cirrus SR20 G2 primary training fleet and to acquire one additional Super Decathlon specialized training aircraft. The replacement fleet would be comprised of 32 primary trainer aircraft and one (1) Super Decathlon specialized trainer (the "New Fleet"). The estimated cost for the New Fleet would be \$18,360,000 with a net cost after sales of existing aircraft of \$10,660,000. Flight fees and the sale of existing aircraft would be used to pay the principal and interest to the WMU Foundation for its investment. The purchase of the New Fleet and sale of the existing aircraft would occur over several years.

On November 9, 2022, the Investment Committee of the WMU Foundation, pursuant to its supervisory authority over the assets of the WMU Foundation, authorized a fixed income investment in the Western Michigan University College of Aviation in an amount not to exceed twenty million dollars (\$20M) with eight (8) percent per annum interest for the purchase of the New Fleet. The principal and interest payments to the WMU Foundation will be fully backed by Academic Affairs' reserves.

On December 16, 2022, the WMU Foundation Board of Directors authorized a loan to Western Michigan University, the funding mechanism for which would be the investment from the endowment pool authorized by the Investment Committee of the WMU Foundation on November 9, 2022.

The Administration is requesting the Board of Trustees' approval to purchase the New Fleet with the proceeds from the WMU Foundation's investment, enter into a loan agreement with the WMU Foundation, and authorization to negotiate and execute any agreements or related documents (the "New Fleet Documents"), and to take such other actions, necessary or convenient to effectuate and complete the transactions contemplated herein.

Recommended Action

Pursuant to the retained powers of the Board regarding the control and direction of all expenditures from the institution's funds, it is recommended the Board approve the purchase of the New Fleet from the investment proceeds of the WMU Foundation's fixed income investment and enter into a loan agreement with the WMU Foundation. It is also recommended the Board authorize the President, Treasurer or Assistant Treasurer (the "Authorized Officers") to finalize and to negotiate and execute any agreements or documents (the "New Fleet Documents"), and to take such other actions, necessary or convenient to effectuate and complete the transactions contemplated herein, with such modifications as they or anyone of them may approve as reasonable or necessary and that said New Fleet Documents shall be reviewed by and be acceptable to the General Counsel prior to execution.