

**OVERVIEW OF AIRCRAFT LEASE
BETWEEN NDSU AND THE NDSU DEVELOPMENT FOUNDATION**

1. The NDSU Development Foundation owns the involved aircraft, a Beech B200.
2. NDSU leases the aircraft from the Foundation. The lease documents include a Master Lease Agreement and an Aircraft Lease. These documents were entered into by NDSU and the Foundation in 2007.
3. The Master Lease Agreement sets out the general terms and conditions with respect to each Aircraft Lease which incorporates the Master Lease Agreement.
4. The Aircraft Lease between NDSU and the Foundation incorporates the Master Lease Agreement and sets out the terms that are specific to the lease of the Beech B200. The specific terms include a description of the aircraft and the payment schedule.
5. The lease is structured so that NDSU makes the lease payments directly to the Foundation's lender. The lease payments are equal to the loan payments.
6. NDSU makes quarterly lease payments of \$80,729.72.
7. Under the terms of the lease, which is a dollar-out lease, NDSU, at the end of the lease (July 1, 2017), will purchase the aircraft for \$1.00.
8. Because NDSU leases the aircraft under a dollar-out lease, NDSU is considered the equitable owner of the aircraft. As the equitable owner, NDSU is required to be and is the registered owner for FAA-purposes.

Justification

NDSU has provided air travel for personnel since Laurel Loftsgard's presidency, and the current aircraft was purchased under Joe Chapman's presidency. Current President Dean Bresciani has opted to enter into a charter agreement to recoup some of the costs of this arrangement.

We believe the use of aircraft to transport personnel is common for universities nationally. NDSU personnel are required to travel the state regularly, given its numerous campus facilities throughout the state and its land-grant responsibilities.

The reasons for the use of aircraft:

- The use of aircraft substantially increases the productive time for employees. The lost time involved in medium- and long-distance transportation of personnel by car is significant.
- Schedules and limited destinations in North Dakota of commercial airlines.

For a 12-month period from March 1, 2011, to March, 2, 2012, 55 percent of the passengers were NDSU employees. The remainder were non-NDSU personnel, such as members of the State Board of Higher Education and other university presidents and personnel.

NDSU

Legislative Request for Total Commerical Air Travel Costs paid by Institution

Fiscal Years Ended June 30, 2011 & 2010

	Appropriated Funds	Grant Funds	Local Funds	Grand Total	% of Total Operating Expenses
Fiscal 2011					
President's Office	\$ 3,748			\$ 3,748	
Agriculture (Ag Experiment Station, Research Ctrs, Ext Service)	\$ 246,135	\$ 211,122	\$ 76,083	\$ 533,341	
Non-Ag	\$ 192,797	\$ 322,059	\$ 1,469,795	\$ 1,984,651	
ND Forest Service	\$ 440	\$ 7,448	\$ 734	\$ 8,623	
UGP Transportation Institute	\$ 38,490	\$ 87,938	\$ 22,914	\$ 149,341	
Grand Total	\$ 477,862	\$ 628,567	\$ 1,569,526	\$ 2,675,956	0.78%
Total NDSU Operating Expenses				\$ 341,537,666	

Fiscal 2010

President's Office	\$ 4,232		\$ 634	\$ 4,866	
Agriculture (Ag Experiment Station, Research Ctrs, Ext Service)	\$ 158,957	\$ 200,167	\$ 77,967	\$ 437,092	
Non-Ag	\$ 280,067	\$ 272,336	\$ 1,365,515	\$ 1,917,918	
ND Forest Service	\$ 601	\$ 9,760		\$ 10,362	
UGP Transportation Institute	\$ 38,551	\$ 69,800	\$ 18,315	\$ 126,665	
Grand Total	\$ 478,176	\$ 552,064	\$ 1,461,796	\$ 2,492,037	0.73%
Total NDSU Operating Expenses				\$ 342,979,056	

Note: The above Non-Ag local funds figures includes some lodging and ground transportation costs for Athletic teams. Athletics paid \$1,115,581 and \$992,310, (fiscal 2011 & 2010) for team travel to travel agencies or directly to airlines.

From those payments it is impractical to breakout only the commercial air travel costs for this report.

Disclaimer:

The above figures are based how expenses are coded in NDSU's general ledger. The figures are unaudited.

Report Prepared by NDSU Accounting, Gary Wawers, Controller, 3/7/2012