

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)
CONDUIT 501 (c)(3) REVENUE BOND FINANCING**

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	The Scripps Research Institute("TSRI" or "Borrower")	Par Amount Requested:	Not to exceed \$28,000,000
Applicant Description:	TSRI is a California nonprofit public benefit corporation that conducts biomedical research and educational training programs for educators and scientists. TSRI maintains a regular faculty and curriculum on behalf of a student body pursuing doctoral degrees.		
Type of Financing:	Conduit Taxable Variable Rate Bonds		
Project Description:	TSRI plans to (i) finance a portion of the cost of acquisition, construction, furnishing and equipping of research facilities owned or leased and operated by the Borrower and (ii) pay certain costs of issuance ("Project").		
Project Sites:	La Jolla and San Diego, California (San Diego County)		
Plan of Finance:	The Borrower is planning to issue taxable Bonds to remodel and perform deferred maintenance on existing owned or leased facilities and purchase new equipment for certain labs on the California campus.		
Type of Issue:	Public Offering in one or more series or combinations		
Tax Status:	Taxable		
Term:	Up to 31 years		
Credit Enhancement:	None		
Expected Credit Rating:	Moody's Investors Service: A1; Fitch Ratings, Inc.: A+		
IBank Fees:	Application Fee \$3,000; Issuance Fee \$45,000; Annual Fee \$1,000 per year		
STO Fee:	Agent For Sale \$4,000		
Estimated Sources of Funds:	Par Amount	\$28,000,000	Estimated Uses of Funds:
			Renovations & Equipment
			Cost of Issuance
			Contingency
TOTAL SOURCES	\$28,000,000		TOTAL USES
			\$25,000,000
			\$418,000
			\$2,582,000
			\$28,000,000
Financing Team:	Bond Counsel:	Orrick, Herrington & Sutcliffe LLP	
	Underwriter:	Merrill Lynch, Pierce, Fenner and Smith	
	Trustee:	U.S. Bank, N.A.	
Public Benefits:	The Project campus consolidation will relieve TSRI from costly and regularly increasing facility leases; TSRI will continue its operations in the remodeled facilities it owns, and terminate some leases on the leased facilities. The estimated cost savings will be approximately \$22 million dollars. This project is also estimated to create about 15 construction jobs.		
Date of Board Meeting:	Resolution Number:	Prepared by:	
April 24, 2019	19-09	Steven Wright on 3/14/2019	
Staff Recommendation: Staff recommends approval of Resolution No. 19-09 authorizing the issuance of Conduit Taxable Variable Rate Bonds in an aggregate amount not to exceed \$28,000,000 for the benefit of The Scripps Research Institute			

BACKGROUND AND HISTORY

The Scripps Research Institute (“TSRI” or “Borrower”), a non-profit public benefit corporation, is one of the country’s largest, private, nonprofit biomedical research organizations. Scripps Research emphasizes the creation of basic knowledge in the biosciences for the application of medical discoveries and translational opportunities including drug discovery, the pursuit of fundamental scientific advances through interdisciplinary programs and collaborations and the education and training of researchers preparing to meet the scientific challenges of the twenty-first century.

TSRI was founded in 1924 by Ellen Browning Scripps as the Scripps Metabolic Clinic (“Metabolic Clinic”). The Metabolic Clinic began construction of a new research facility in 1955 known as the Scripps Clinic and Research Foundation (“SCRF”). In 1991, TSRI was incorporated separately and operated independently of SCRF to assume SCRF’s basic biomedical research operations. At the same time, the medical operations of SCRF were combined with those of Scripps Memorial Hospitals to become Scripps Health. Scripps Health is operated independently of TSRI and the two are not obligated by financings of the other.

TSRI is headquartered in La Jolla, California with facilities located in San Diego, California and Jupiter, Florida. The Scripps Florida campus, operations and assets will not be pledged to and will not be used for payment of the Bonds, and is not otherwise involved in the current project.

TSRI has about 2,520 employees, students, and fellows at the TSRI California campus. The California Campus is set on 35 acres adjacent to the University of California, San Diego, in La Jolla, California. TSRI California campus is made up of nine Institutes and Centers dedicated to:

- Immunology Vaccines
- Metabolomics
- Neuroscience
- Systems Biology
- Antibodies
- Alcoholism and Addiction
- Translational Research
- Chemical Biology
- Parasitic Worms

TSRI has made several advancements in studies relating to Alzheimer’s disease, HIV/AIDS, Cancer, Osteoarthritis, and Parkinson’s disease.

TSRI’s research is funded through a number of grants, contracts from federal agencies, primarily the National Institutes of Health (NIH). Gifts from individuals and private foundations also provide a source of funding.

Investigation and Litigation

TSRI is currently part of an ongoing investigation and is a party to one potentially material litigation matter. The investigation involves a federal government inquiry into NHI sponsored research that took place on TSRI’s California and Florida campuses and was initiated in July 2015. TSRI is cooperating with the investigators on this matter. At this time no determination

has been made by the Federal government. If the investigation results in adverse findings, TSRI may be subject to fines, suspension, and disbarment from federal grant programs.

The litigation was filed in 2018 in California Superior Court against TSRI alleging TSRI published trade secret information gathered under a NIH- funded project.

TSRI will disclose these matters in the Preliminary Official Statement and Official Statement for the Bonds. TSRI is vigorously defending against these matters and does not believe either will result in a materially negative outcome. TSRI is confident that these matters, even if resolved adversely to TSRI, will not have a direct impact on the sale, execution, or the issuance of the Bonds and will not impact TSRI's ability to pay debt service on the Bonds as and when due.

TSRI Prior Debt

In August 2016, IBank issued Tax-Exempt Revenue Bonds (The Scripps Research Institute) Series 2016A and Taxable Revenue Bonds (The Scripps Research Institute) Series 2016B to finance certain capital improvements in the California facility and to refund certain outstanding bonds previously issued by IBank.

Current outstanding balance of the Series 2016A Bonds is \$28,960,000 and the current outstanding balance of the Series 2016B Bonds is \$14,680,000. Their final maturity dates are on July 1, 2030 and July 1, 2046, respectively. The 2016A and 2016B Bonds are not subject to this transaction and will not be directly impacted.

The California Secretary of State reports active status for the Borrower. Current leadership is listed in Appendix A.

PROJECT DESCRIPTION

The Project goals are to improve TSRI's scientific, educational and research facilities while reducing the size and costs of TSRI's La Jolla campus. The Borrower is planning to perform deferred maintenance on existing owned or leased facilities and purchase new equipment for certain labs on the La Jolla campus. TSRI plans to continue its operations in the remodeled facilities it owns after Project completion and terminate the leases on the leased facilities. The project includes costs incurred related to a campus consolidation associated with the decision to exit approximately 276,000 sq. ft. of leased space, the majority of TSRI's leased facilities. The Project is projected to be completed by September 2021.

The Borrower intends to issue taxable Bonds to reduce internal revenue code limitations on existing and future research contracts. TSRI expects that taxable Bonds, and the absence of tax-exempt restrictions, will provide it greater flexibility, enable it to better utilize its campus space, and allow it to enter into more research contracts for the benefit of TSRI.

Lab Space and Equipment Purchase

The Borrower will make improvements to three of its laboratories totaling around 119,175 square feet of space. The Project includes enhancement to the laboratories buildings and purchasing some new equipment. The Dorris Neuroscience Center will be receiving new imaging systems and mesoscopes; the Stein Clinical Research Center will be getting a new ion trap mass analyzer; the Hazen Lab will get electron microscopes to examine molecules on the atomic scale level; and the Beckman Center for Chemical Sciences will receive new sterilizers and cage and rack washers.

Deferred Maintenance

The following table lists TSRI facilities that require maintenance.

Building	Original Construction	Deferred Maintenance	Estimated Project Cost
Beckman Center for Chemical Sciences	1996	Mechanical, Electrical, & Structural	\$370,000
Skaggs Institute (Molecular & Biology Building)	1984	Mechanical & Electrical	\$4,400,000
Immunology & Microbial Science Building	1980	Mechanical & Electrical	\$930,000
Stein Clinical Research Center	1977	Mechanical & Electrical	\$950,000
Hazen Lab	1995	Plumbing	\$800,000
Dorris Neuroscience Center	1999	Plumbing	\$750,000
		Total	\$8,200,000

The remaining portion of the Bonds proceeds will be used on lab space improvements and purchasing scientific equipment.

The California campus currently is approximately 635,000 square feet of owned and leased laboratory and support space. Once the Project is complete, the California campus will be operating on a smaller scale and mostly on the properties that TSRI owns, resulting in cost savings.

The Project is comprised of the following buildings:

California Campus	
La Jolla Buildings	San Diego Buildings
Administration Building	Molecular & Experimental Medicine Building
Pearson Center for Alcoholism and Addiction Research	Auditorium
Beckman Center for Chemical Sciences	Skaggs NMR
Stein Clinical Research Center	Buddy Taub NMR
Conference Center & Torrey Pines Café	Dorris Neuroscience Center
Translational Institute	Hazen Lab and Theory Building
Calibr	Science Park Buildings
Immunology Building	
Kresge Library	

(See Appendix B--Project Photos).

FINANCING STRUCTURE

IBank Term Sheet

The Scripps Research Institute
Board Meeting Date: **April 24, 2019**

Par Amount:	Not to exceed \$28,000,000 in conduit Taxable Variable Rate Bonds.
Type of Offering:	Public Offering in one or more series or combinations
Lender/Underwriter:	Merrill Lynch, Pierce, Fenner and Smith
Expected Credit Rating:	Moody's Investors Service: A3; Fitch Ratings, Inc.: A+
Interest*:	True interest cost not to exceed 5.00%
Maturity:	Not to exceed 31 years from Closing Date.
Collateral:	Absolute and unconditional pledge of payment by the Borrower (excepting therefrom property of the Borrower in Florida); restriction on additional debt, encumbrances and disposition of property
Closing Date*:	May 16, 2019
Conduit Transaction:	The Bonds are special, limited obligations payable solely from payments made by the Borrower under the transaction documents and IBank shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of IBank for all or any portion of payment to be made pursuant to the Bonds.

*Please note that Interest Rate and Closing Date are subject to change.

Financing Structure

The proceeds of the Bonds will be loaned to the Borrower pursuant to a Loan Agreement. The Bonds will be secured by an Indenture and sold pursuant to a Bond Purchase Agreement. The Bonds will bear interest starting on July 1, 2019 and the interest will be payable on January 1 and July 1 of each year thereafter. The Bonds are issuable as fully registered Bonds in denominations of \$5,000 and any integral multiple thereof.

Limited Obligations of IBank

The Bonds are payable solely from and secured solely by the pledge of the Borrower's payments under the transaction documents. Neither IBank; nor any of the members of its Board of Directors; nor any of its officers or employees; nor any person executing the transaction documents on behalf of IBank shall be personally liable for the Bonds or subject to any personal

liability or accountability by reason of the execution thereof. The Bonds are limited obligations of IBank and are not a pledge of the faith and credit of IBank or the State of California or any of its political subdivisions.

PUBLIC BENEFITS

TSRI has made significant advances in fields of science and medicine. TSRI research has resulted in the next generation of drugs and advances in digital and precision medicine and have lead discoveries for various therapies for arthritis, autoimmune diseases, infant respiratory distress, leukemia, lupus, hemophilia, progressive degeneration of sensory and motor nerve cells, gastric and lung cancer, and childhood cancer.

TSRI also provides extensive outreach to the community. TSRI provides students from all cultural backgrounds the opportunity to explore educational and career opportunities in life sciences. The outreach program is funded through a number of grants and private philanthropies. TSRI provides programs for students at the high school and college levels, while also allowing middle school and high school science teachers to participate in research activities.

Additionally, the Project is estimated to create about 15 new construction jobs. Finally the Project will also provide cost savings to TSRI. The Project's improvement to TSRI-owned buildings will allow TSRI to exit costly facility leases at an estimated \$22 million dollars. The cost savings will not be realized until 2021 when TSRI is will be completely out of its lease agreements and the project is completed. The benefit of these cost savings can be passed on to grantors and supporters of TSRI in the form of lower reimbursable costs for use of TSRI owned buildings.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, Describe: All approvals have been obtained.
TEFRA	
Date of TEFRA Publication:	N/A
Publications:	N/A
Date of TEFRA Hearing:	N/A
Oral/Written Comments:	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Applicant meets all of the IBank eligibility criteria? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<ol style="list-style-type: none"> 1. Project is in the State of California. 2. The Borrower is capable of meeting the obligations incurred under relevant agreements. 3. Payments to be made by the Borrower to IBank under the proposed financing agreements are adequate to pay the current expenses of the IBank in connection with the financing and to make all the scheduled payments. See Appendix C for Financial Statements. 4. The proposed financing is appropriate for the Project.
INDUCEMENT CERTIFICATE	
Completed?	<input type="checkbox"/> NO <input type="checkbox"/> YES Certificate No.: <input checked="" type="checkbox"/> N/A Date:

RECOMMENDATION

Staff recommends approval of Resolution No. 19-09 authorizing the issuance of Conduit Taxable Variable Rate Bonds in an aggregate amount not to exceed \$28,000,000, for the benefit of The Scripps Research Institute

APPENDIX A: GOVERNANCE AND MANAGEMENT

BOARD OF DIRECTORS

John D. Diekman, Chairman of the Board	Founding Partner 5 AM Ventures
Peter G. Schultz, Vice Chair of the Board	President The Scripps Research Institute
Peter C. Farrell	Founder/Chairman ResMed
Herb Boyer	Co-Founder Genentech
Claudia S. Luttrell	President The Skaggs Institute for Research
Ron Burkle	Founder The Yucaipa Companies and Ronald W. Burkle Foundation
Mark Edwards	Founder Biosciences Advisors, Inc.
Bernard Saint-Donat	President Saint-Donat & Co.
Gerald Chang	Co-Founder Morningside
Isy Goldwasser	Co-Founder and CEO Thync, Inc
Benedict Gross	Professor Emeritus, Mathematics Harvard University, University of California, San Diego
William R. Hearst III	Chairman Hearst Corporation
Sherry Lansing	Co-Founder, Stand Up to Cancer and Founder, Sherry Lansing Foundation
Gi Li	Founder, Chairman and CEO WuXi AppTec
Joel S. Marcus	Executive Chairman and Founder Alexandria Real Estate Equities, Inc. and Alexandria Venture Investments
Mark Pearson	Founder, CEO of Altamont Pharma and Co-Founder, Vice Chairman Drawbridge Realty Trust
John C. Martin	Board Chair Gilead Sciences
Christopher T. Walsh	Consulting Professor Stanford University Department of Chemistry
Jeffery Kelly	Lita Annenberg Hazen Professor Department of Chemistry Faculty Board Appointee, Scripps Research
Demitri Andrikos	Vice President, Legal, General Counsel and Secretary, Scripps Research

Jared Machado	Chief Financial Officer and Treasurer, Scripps Research
Tamara Barnas	Program Manager and Assistant Secretary, Scripps Research
Mary Wang	Chief of Staff and Assistant Secretary, Scripps Research

OFFICERS

Pete Schultz	Chief Executive Officer
Jared Machado	Chief Financial Officer
Matt Tremblay	Chief Operating Officer
Demetri Andrikos	Secretary of the Board of Directors
Tamara Barnas	Program Manager
Mary Wang	Chief of Staff

APPENDIX B: PROJECT PHOTOS



Beckman Center for Chemical Sciences



Dorris Neurosciences Center



Hazen Theory Building



Immunology Building and Flame of Knowledge Sculpture

