

APPENDIX F

The University of North Carolina at Wilmington
Development of Student Village
501c3 Tax Exempt Bond Model Term Sheet

July 12, 2018

The University of North Carolina at Wilmington (“UNCW”) is requesting authority to negotiate and enter into the Ground Lease Agreement to facilitate the development of the Project (as each term is defined below) on substantially the terms set forth in this Term Sheet.

I. Project Overview	
1. Project	<p>Student Village developed in two phases (“Project”):</p> <p>Phase I:</p> <p>Approximately 770 student housing beds in buildings not exceeding five above-ground floors, approximately 400 parking spaces, and related demolition and infrastructure construction to be available Fall 2020</p> <p>Phase II:</p> <p>Approximately 1,030 student housing beds in buildings not exceeding five above-ground floors and including approximately 3,500 square feet of student dining or convenience store space, and related demolition and infrastructure construction to be available Fall 2021</p> <p>The number of beds and square footage may change slightly as project design is finalized.</p>
2. Project Participants	<p>The developer will be Balfour Beatty Campus Solutions, LLC, a division of Balfour Beatty plc, which specializes in the development of higher education facilities through public-private partnerships (the “Developer”)</p> <p>The Developer’s project team, including architects, engineers, and other contractors and consultants, will be as represented in its response to the RFP:</p> <p>General Contractor: Balfour Beatty Construction, LLC</p> <p>Architect: Clark Nexsen, Inc.</p> <p>Engineer: McKim & Creed, Inc.</p> <p>Ground Lessee: Collegiate Housing Foundation, an Alabama-based 501c3 non-profit organization, or its wholly owned subsidiary (“CHF”)</p>

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II. Ground Lease	
3. Ground Lease Agreement	<p>A Ground Lease Agreement will be entered into by UNCW and CHF at the financial closing for Phase I. Leased property will be building footprints plus non-exclusive easements for common areas and temporary construction easements (the “Leased Property”). UNCW and CHF will amend the Ground Lease Agreement at the financial close for Phase II to add sites for the Phase II improvements.</p> <p>The Ground Lease Agreement will obligate CHF to finance the development of the Project, own the Project, and enter into agreements providing for the design, construction, and management of the Project.</p>
4. Financing	<p>100% of Project Costs are to be financed with the proceeds of long term debt issued for the benefit of CHF.</p> <p>UNCW shall not be obligated or liable, either directly or indirectly, for any financial or other obligation of CHF under the bond documents, including without limitation, the payment of any portion of the principal of, interest on, or redemption premium, if any, of the bonds.</p> <p>UNCW will not guarantee or otherwise be obligated to financially support CHF’s repayment obligations on the bonds.</p>
5. Ground Lease Term	<p>The Ground Lease Agreement will provide that UNCW will lease the Leased Property to CHF to build and own the Project for a term not to exceed 50 years or until the date on which the bonds have been paid in full, whichever comes first.</p>
6. Ownership of Improvements	<p>CHF will own the improvements comprising the Project for the duration of the Ground Lease Agreement.</p> <p>At the expiration or earlier termination of the Ground Lease Agreement, the Leased Property will revert to UNCW and ownership of the Project will be transferred to UNCW free and clear of all liens and encumbrances, without any contribution or compensation. At the expiration or termination of the Ground Lease Agreement, the Project must be in good and operable condition, subject to the age and reasonable wear and tear of the buildings.</p>
7. Anticipated Related Project Agreements	<p>UNCW anticipates entering into a management agreement with CHF regarding the maintenance and operation of the Project by UNCW. In addition, CHF will enter into a development agreement with the Developer regarding the design and construction of the Project.</p>
8. Ground Lease Rent to UNCW	<p>The Ground Lease Agreement will provide that UNCW will be entitled to be paid rent in an amount equal to the net available cash flow from the Project which will equal the amount of project revenue remaining after payment of all expenses, debt service, and required reserves related to the Project including renewal and replacement, lifecycle reserves, and IT renewal and replacement.</p>
9. Option to Purchase	<p>The Ground Lease Agreement will provide UNCW or its associated entity the option to purchase the Project and terminate the Ground Lease</p>

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	Agreement at a purchase price equal to the amount necessary to pay off the bonds. The bonds will be subject to optional redemption after ten years.
10. Advisory Committee Structure and Controls	The Ground Lease Agreement will provide that UNCW and CHF will establish an Advisory Committee made up of representatives of CHF and UNCW, to facilitate information exchange and coordination of the parties to support the management, occupancy, operation and maintenance of the Project.
11. Operating Budget	The Ground Lease Agreement will provide that UNCW will develop an annual operating budget, which will include rental fee rates for the Project. The operating budget will be subject to approval by the Advisory Committee. The Advisory Committee may not withhold approval of the operating budget if it meets the debt service coverage ratio required in the bond documents.
12. Permitted Use	The Ground Lease Agreement will provide that the Project can be used solely for the operation of a student housing facility to serve enrolled students, faculty and staff of UNCW and people attending any programs, clinics, or camps hosted, presented or held by UNCW, one of its associated entities, any other UNC System institution or university, or any other group or organization on UNCW's campus, whose presence is deemed desirable by UNCW to the effective provision of UNCW's programs and services.
13. Rental Fees	<p>The Ground Lease Agreement will provide that the student tenants will be charged rental fees approved by UNCW, provided however that such rental fees will not be less than the amount needed for CHF to pay all operating expenses and debt service on the bonds and to comply with the rate covenant under the financing documents.</p> <p>Annual increases in rental fees for years beyond the opening year of each phase of the Project are subject to UNCW's approval and the requirements of the bond documents; UNCW's approval will not be unreasonably withheld if the increase is required in order to meet debt service coverage due to operating expense increase. CHF will be obligated in its financing agreements to maintain a debt service coverage ratio of at least 1.20 times.</p>
14. Preliminary Construction Plans and Contracts	Pursuant to the terms of a Pre-Development Agreement between UNCW and the Developer, the Developer has provided conceptual plans for the Project.
15. University Review of Final Design and Construction Documents	<p>The Ground Lease Agreement will provide that UNCW will approve the final plans and specifications for the construction of the Project and the terms of all related design and construction contracts and change orders thereto.</p> <p>In accordance with the terms of the Ground Lease Agreement, UNCW and CHF will agree upon a plan and schedule for the preparation, delivery, review, comment, revision and finalization of design and construction documents to verify compliance with the requirements of the Project Agreements, applicable laws and permits and requirements for design and construction of the Project consistent with the Request for Proposal (RFP) and the Best and Final Offer (BAFO). The Developer must design and</p>

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	construct the Project to the specifications, standards, and quality required by UNCW and in accordance with all applicable state and local laws, rules, ordinances and requirements.
16. Failure to Deliver Student Housing Facility On Schedule	If the Project is not delivered on time, the Ground Lease Agreement will provide that temporary housing will be arranged for the contracted tenants. Responsibility for making such arrangements and making upfront payments, regardless of ultimate responsibility to pay, will be assigned to the Developer.
17. UNCW Covenants	<p>UNCW may construct or otherwise sponsor any additional housing facilities on or off campus, including facilities beyond the replacement of the same number of beds of existing University housing facilities, provided that the Project has maintained a debt service coverage ratio of at least 1.20 times during the immediately preceding two years and certain other agreed upon reports are furnished demonstrating that the construction of any such additional housing facilities will not have an adverse effect on the financial success of the Project.</p> <p>UNCW will also be asked not to direct or assign on a priority basis students to its existing housing facilities in preference over the Project, other than to meet special program needs under its current policies, such as freshman housing or honors housing.</p> <p>These provisions are not anticipated to interfere with UNCW's ability to provide necessary student facilities or implement its campus master plan.</p>
18. Default	The Ground Lease Agreement will contain specific Events of Default. UNCW will have, as a remedy for certain material Events of Default, the right to terminate the Ground Lease Agreement and take possession and occupancy of the Project. UNCW's rights upon the occurrence of an Event of Default will be subject to reasonable notice and cure periods, and default provisions will be tailored so that termination of the lease is a last resort option. The Ground Lease Agreement will also provide the bond trustee with step-in rights to cure a default and protect the bondholders' investment in the Project.
19. Mortgaging the Leasehold	The Ground Lease Agreement will permit CHF to mortgage its leasehold interest as security for the bonds on terms approved by UNCW.
20. Mortgages and Other Liens	No liens will encumber the State of North Carolina's fee interest in the Leased Property. CHF may place liens against its leasehold interest solely to secure the initial financing of each phase of the Project and any refinancing of the outstanding principal balance thereof. Any refunding/refinance of such initial debt shall be subject to UNCW's approval.
21. Mortgagee Rights	Ground Lease Agreement will contain provisions giving the bond trustee, as mortgagee of CHF, sufficient mortgagee protection provisions to allow it to cure CHF's defaults, to assume title to the CHF's leasehold interest through foreclosure of deed in lieu of foreclosure, and to otherwise reasonably protect its interests, provided that in no event shall the Ground Lease be conveyed during or after foreclosure to a party that is not a tax

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	exempt entity acceptable to UNCW and which will maintain the tax exempt nature of all tax exempt debt.
22. Other Terms	This Term Sheet does not include all terms contemplated to be in the Ground Lease Agreement and related Project Agreements. Other terms shall be incorporated into the Ground Lease Agreement and/or related Project Agreements, including terms stated in the RFP as modified in the documents consistent with the parties' intentions.

III. Related Project Agreements	
1. Development Agreements	<p>A Development Agreement will be entered into by Developer and CHF at financial closing for Phase I.</p> <p>The Development Agreement will require UNCW's approval of change orders, construction progress payment, and other material aspects of the Project. The agreement will include UNCW's participation in regular meetings regarding the progress of the Project and addressing any concerns of UNCW regarding the Project.</p> <p>All agreements and contracts with the Contractors, Architect, and Engineer will be between the Developer and the respective party. This will include a guaranteed maximum price (GMP) contract between the Developer and the Contractor for the construction of the Project.</p>
2. Management Agreement	<p>UNCW and CHF will enter into a Management Agreement whereby UNCW will operate and manage the Project, for which services it will be fully reimbursed as an operating expense to the project. UNCW's operational and management responsibilities are to be defined in the Management Agreement between UNCW and CHF, and are anticipated to include, but not limited to:</p> <ul style="list-style-type: none"> Residence Life: marketing, assignments, billing, collections, programming Security Custodial Services and Trash Disposal Facility Maintenance Grounds and Landscaping Information Technology Management Asset Management <p>The flow of funds for the Project will be defined in the Management Agreement and in the CHF financing agreements.</p>
3. Dining Facility /Convenience Store	The Project is anticipated to include approximately 3,500 square feet of space to be used for student dining or a convenience store that will be leased by CHF to UNCW or UNCW's food service provider. The dining or

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	convenience store square footage may change slightly as project design is finalized.
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**RESOLUTION OF THE BOARD OF GOVERNORS OF THE
UNIVERSITY OF NORTH CAROLINA SYSTEM DELEGATING
THE AUTHORITY TO THE UNIVERSITY OF NORTH
CAROLINA AT WILMINGTON TO ENTER INTO A GROUND
LEASE AGREEMENT WITH COLLEGIATE HOUSING
FOUNDATION, OR AN AFFILIATED ENTITY, AND RELATED
AGREEMENTS WITH RESPECT TO THE DEVELOPMENT OF A
STUDENT HOUSING VILLAGE DESCRIBED HEREIN;
PROVIDING AN EFFECTIVE DATE.**

WHEREAS, by Chapter 116 of the General Statutes of North Carolina (the “Act”), the Board of Governors of the University of North Carolina System (the “UNC Board of Governors”) is vested with general control and supervision of the constituent institutions, as defined in the Act, which includes the University of North Carolina Wilmington (“UNCW”); and

WHEREAS, the UNC Board of Governors is authorized under G.S.116-198.34 (1) to designate real property held by a constituent institution as a "Millennial Campus" of the institution, (2) to provide for the acquisition and construction of projects located on the Millennial Campus, and (3) to enter into contracts and agreements related to the acquisition and construction of such projects; and

WHEREAS, at the request of the Board of Trustees of UNCW (the “UNCW Board”), the UNC Board of Governors previously designated a portion of UNCW’s campus as a Millennial Campus to facilitate the development of a new student housing village which will include the development of approximately 1,800 beds and the construction of related parking and related infrastructure improvements on a portion of UNCW’s Millennial Campus (the “Project Site”).

WHEREAS, UNCW conducted a competitive selection process which included a request for qualifications followed by a request for proposals process to solicit public-private partnership proposals for the development of the Project and has selected the development team of Balfour Beatty Campus Solutions (“BBCS”); and

WHEREAS, the Project will be jointly developed by BBCS and Collegiate Housing Foundation, a national not-for-profit 501(c)(3) organization, or an affiliated entity (“CHF”) and BBCS in order to take advantage of tax exempt financing available for the Project; and

WHEREAS, UNCW now seeks authorization from the UNC Board of Governors (1) to ground lease the Project Site to CHF; and (2) to authorize certain UNCW officials, to enter into those agreements anticipated by the ground lease that are necessary to bring the Project to completion; and

NOW, THEREFORE, BE IT RESOLVED by the UNC Board of Governors as follows:

Section 1. **Authorization of the Ground Lease Agreement.** The authority to enter into a Ground Lease Agreement with CHF is hereby delegated to the Chancellor of UNCW, or the Chancellor’s designee (the “Authorized Officer”). The form and content of such Ground Lease Agreement shall be consistent with the material terms and provisions of the term sheet made available to the UNC Board of Governors and shall be in a form acceptable to the Authorized Officer.

Section 2. **General Authorization.** UNCW, by and through its Authorized Officer, is hereby delegated the authority, to enter into those agreements anticipated by the ground lease that are necessary to bring the Project to completion.

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Section 3. ***Conflicting Provisions.*** All resolutions or parts thereof of the Board of Governors in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

Section 4. ***Effective Date.*** This Resolution is effective immediately on the date of its adoption.

PASSED, ADOPTED, AND APPROVED this 27th day of July, 2018.

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STATE OF NORTH CAROLINA)		SECRETARY'S CERTIFICATE
)	SS:	OF AUTHENTICATION
COUNTY OF ORANGE)		

I, ANDREA POOLE, Senior Associate Vice President and Secretary of the University of North Carolina System, *DO HEREBY CERTIFY* that (1) the foregoing is a full, true and correct copy of the approving resolution adopted by the Board of Governors of the University of North Carolina System at its meeting on July 27, 2018 and appearing in the minutes of such meeting, (2) notice of the meeting of the Board of Governors of the University of North Carolina System held on July 27, 2018 was sent to each member of the Board, and (3) a quorum was present at the meeting on July 27, 2018 at which time the foregoing Resolution was adopted.

WITNESS, my hand and the seal of the University of North Carolina System this 27th day of July, 2018.

[SEAL]

ANDREA POOLE
Senior Associate Vice President and Secretary
University of North Carolina

UNCW STUDENT VILLAGE

P3 INDUSTRY CONTEXT & PERSPECTIVE
PRESENTED TO THE UNC BOARD OF GOVERNORS

BRAD NOYES - EXECUTIVE VICE PRESIDENT
JULY 2018



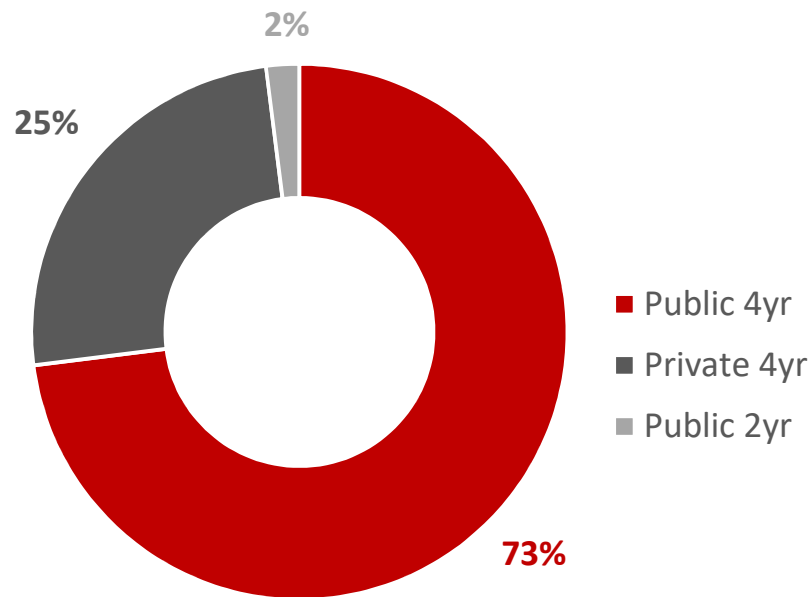
BRAILSFORD & DUNLAVEY

INSPIRE. EMPOWER. ADVANCE.

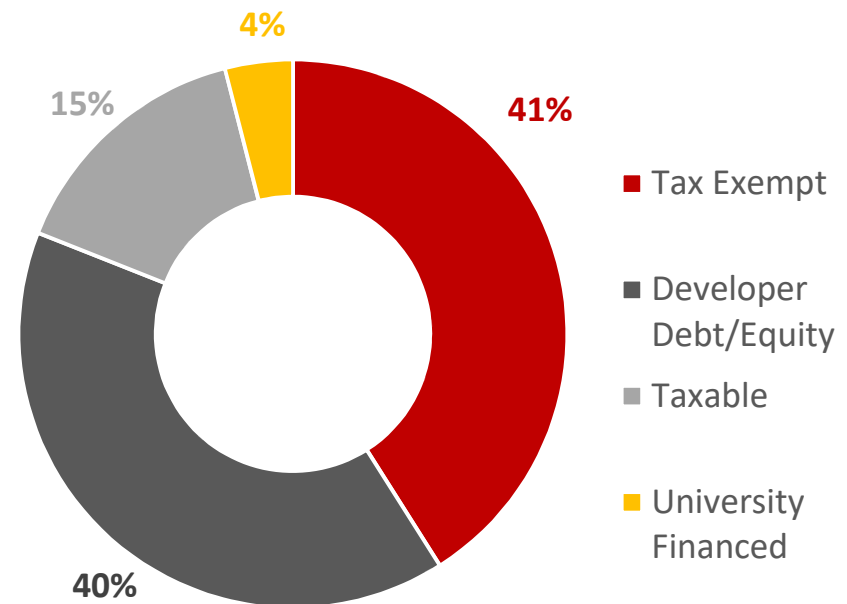
P3 Industry Trends

- 19 P3 housing projects closed in 2017.
- Average closing value in 2017 was \$86.9 million.

% of P3 Projects by Institution Type



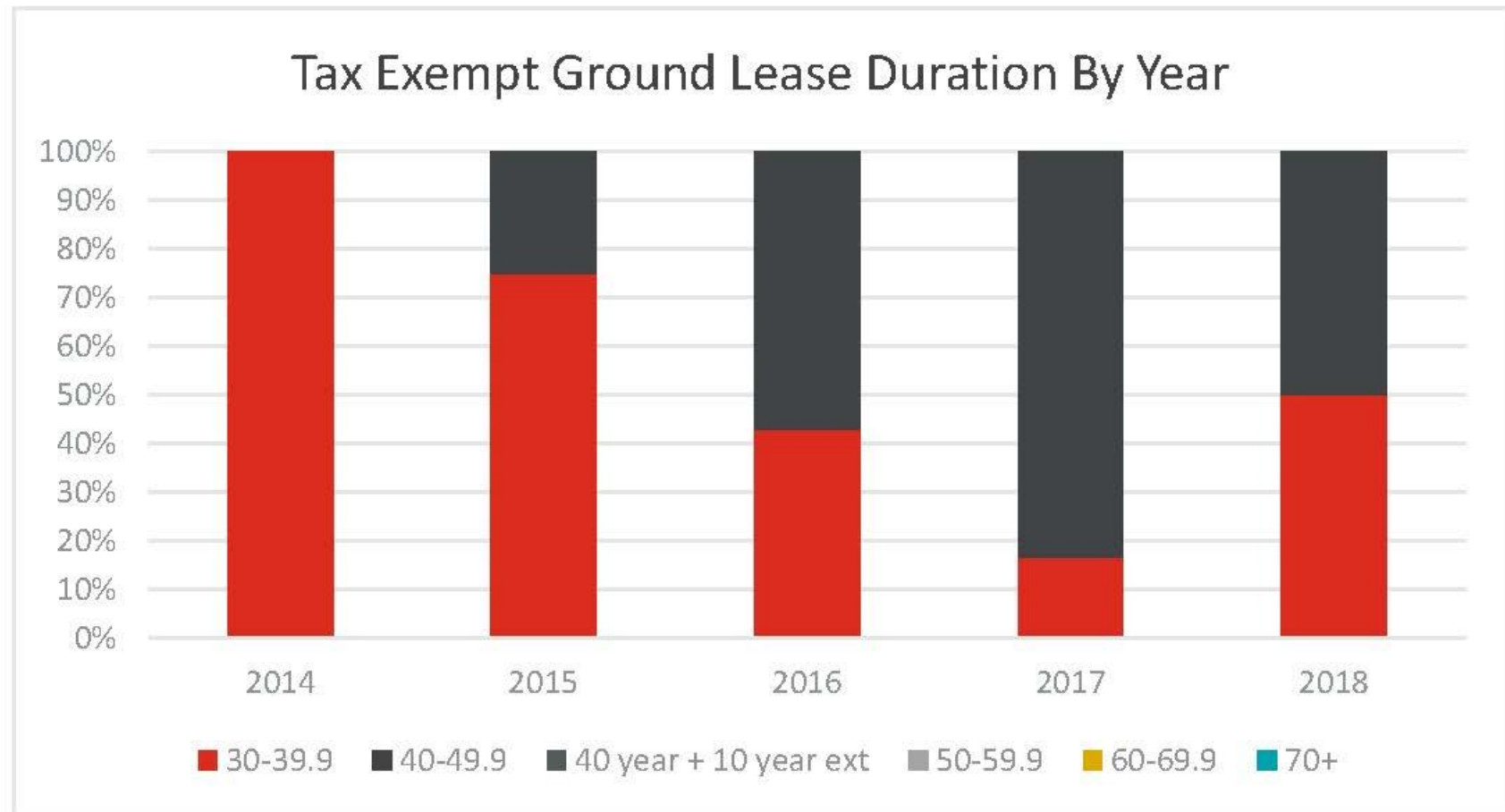
% of P3 Projects by Financial Structure



P3 Industry Trends



P3 Industry Trends



P3 Industry Trends

Typical Ground Lease Terms for Tax-Exempt 501(c)(3) Model

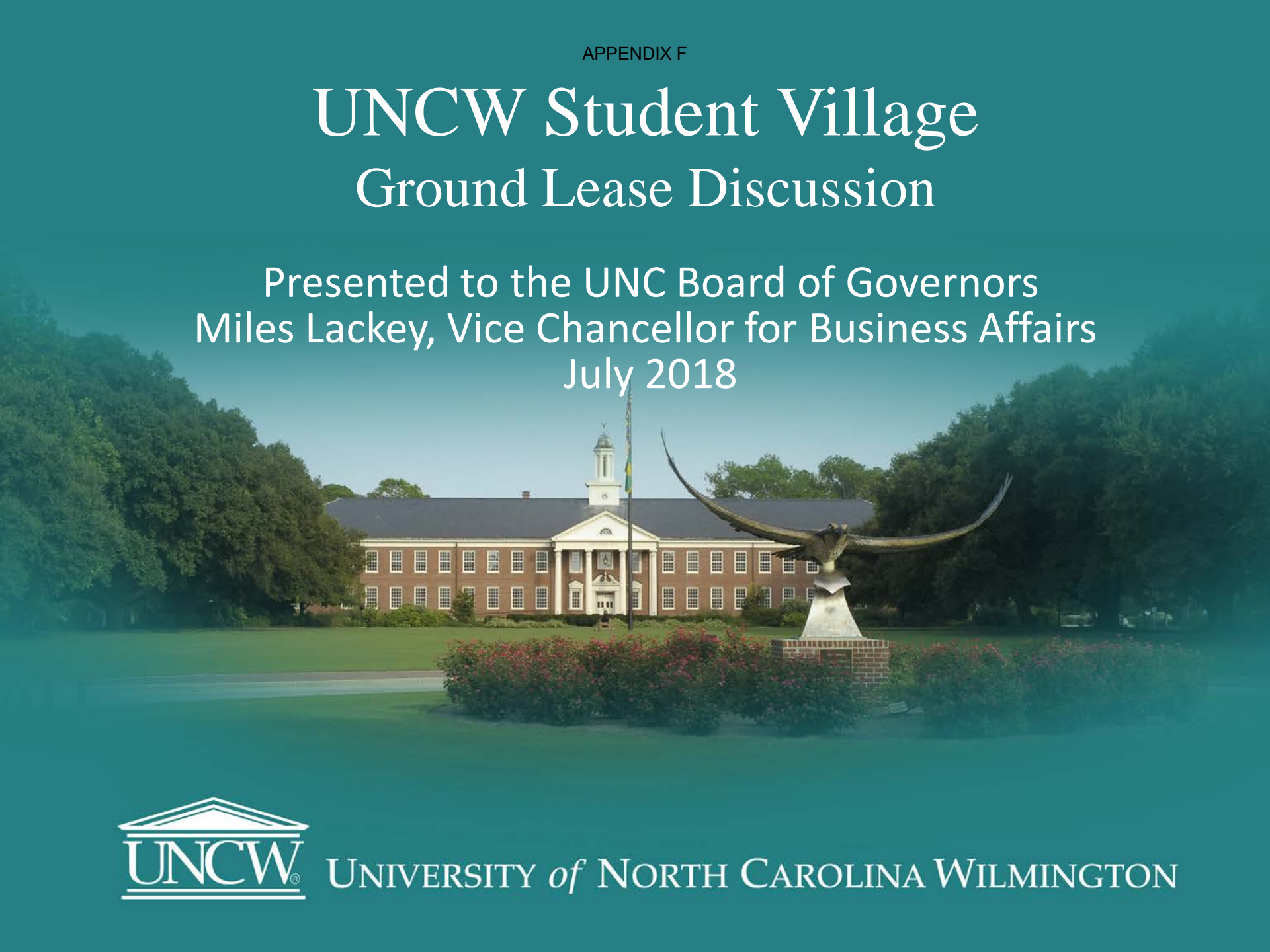
UNC Wilmington

- Tax-exempt financing is non-recourse to the University
- Ground Lease term for duration of financing, typically 38-45 years
- Obligates 501(c)(3) owner to enter into agreements for development and management of the project.
- Establishes University control over annual budgets, including student rents
- Improvements transferred to University free and clear at termination or expiration of Ground Lease
- Ground rent paid to University in amount of net available cash flow
- University review and approval required for all design and construction documents, contracts, and change orders
- No liens may encumber University's fee interest in the leased property



UNCW Student Village Ground Lease Discussion

Presented to the UNC Board of Governors
Miles Lackey, Vice Chancellor for Business Affairs
July 2018



UNIVERSITY *of* NORTH CAROLINA WILMINGTON

P3 Value Proposition

<u>Project Goals & Objectives</u>	<u>Proposed P3 Project</u>	<u>Rationale</u>
Limit the project's financing impact to the University and preserve debt capacity	✓	Project-finance structure and off-balance sheet treatment may reduce financing impact
Maintain student affordability by keeping rates as low as possible	✓	Faster project delivery and longer amortization period allow for lower rental rates
Leverage private sector expertise and efficiencies to reduce project costs	✓	Experienced development team utilizes industry knowledge and national presence to provide lower costs
Develop a comprehensive solution for meeting UNCW's long-term housing needs	✓	Large-scale, multi-phase approach enables an efficient and holistic development approach
Accelerate delivery time period so as to limit impact of rising construction costs	✓	Structure shifts portion of delivery risk to private sector and reduces timeframe for completion

Project Overview



- Approximately 1,800 beds in a dynamic Student Village
- Two-phase delivery in Fall 2020 and Fall 2021
- \$121 million development budget (Not including financing costs)
- Project financed and owned by the Collegiate Housing Foundation (CHF) through tax-exempt debt

Project Team

Balfour Beatty
Campus Solutions
Developer

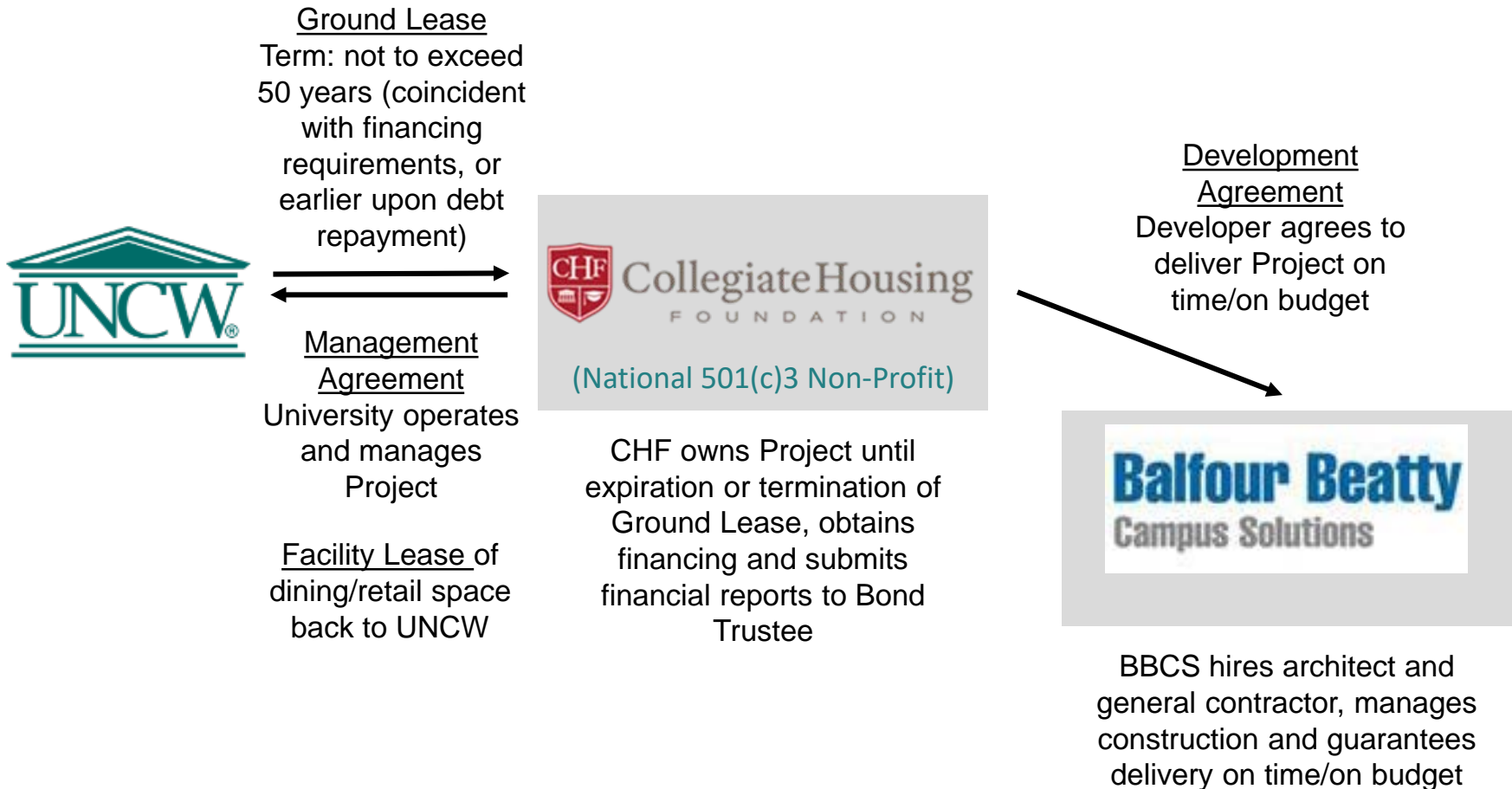

CLARK NEXSEN
Design Team

Balfour Beatty
Construction
General Contractor

 **RBC**
Capital
Markets
Underwriter

 **Collegiate Housing**
FOUNDATION
Owner of Improvements

P3 Project Deal Structure



Ground Lease Agreement

- Provide CHF with leasehold interest in the project site
- Allow CHF to obtain project financing
- Obligate CHF to develop the Student Village and own the improvements for the duration of the ground lease
- Establish terms for the ongoing governance of the Student Village
- Provide for UNCW's right to approve plans and specifications for the Student Village

Related Project Agreements

- UNCW will not be a signatory, but will retain oversight of design and construction through the Ground Lease Agreement.
- Obligate BBCS for the on-time and on-budget delivery of the Student Village
- Enable BBCS to engage the General Contractor, leading to a Guaranteed Maximum Price (GMP)

Related Project Agreements

- Obligate UNCW to operate and manage the Student Village on behalf of CHF, to the same standards as UNCW housing
- Provide that UNCW will be reimbursed for its services as an operating expense to the project
- Set annual budgeting and capital improvement planning procedures

Ground Lease Terms

Ground Lease Agreement Material Terms:

Lessor:	UNCW
Lessee:	Collegiate Housing Foundation (CHF)
Ground Lease Term:	Not to exceed 50 years
Financing:	100% long-term debt issued for the benefit of CHF Project financing is non-recourse to UNCW
Improvements:	Four residential buildings, not exceeding five above-ground floors, including: - Approximately 1,800 student housing beds in pod-style and suite-style units - Approximately 3,500 SF of dining space
Owner of Improvements During Lease Term:	CHF
Owner of Improvements Upon Lease Expiration:	UNCW

Ground Lease Terms (Cont.)

Ground Lease Agreement Material Terms:

Land Rent:	Net available cash flow
Net Available Cash Flow:	<p>Net available cash flow is produced from the project annually, and is projected to average approximately \$940,000 annually in the first 10 years.</p> <p>Net available cash flow is the result of rents from student tenants and non-rent revenues (including conference revenues, fees, fines, etc.), following payment of debt service, operating expenses, and required reserves. Net available cash flows are driven by the financing requirement to meet a minimum 1.20x debt coverage ratio.</p>
Exit Provisions:	<p>UNCW, or its associated entity, will have the option, following year 10, to purchase the improvements and terminate the Ground Lease Agreement at a price equal to the amount necessary to pay off the bonds.</p> <p>UNCW will also have the right to terminate the Ground Lease Agreement and take possession of the improvements as a remedy for certain Events of Default.</p>

Timeline

Date	Milestone
July 27, 2018	Board of Governors delegates authority to UNCW for Ground Lease Agreement and related Project Agreements
September 2018	Design development complete
November 2018	BBCS to state a guaranteed maximum price (GMP)
November/December 2018	Targeted financial close Ground Lease and Project Agreements executed concurrently
January 2019	Begin construction of Phase I
May 2020	Begin demolition of University Apartments and construction of Phase II
August 2020	Phase I ready for move-in
August 2021	Phase II ready for move-in



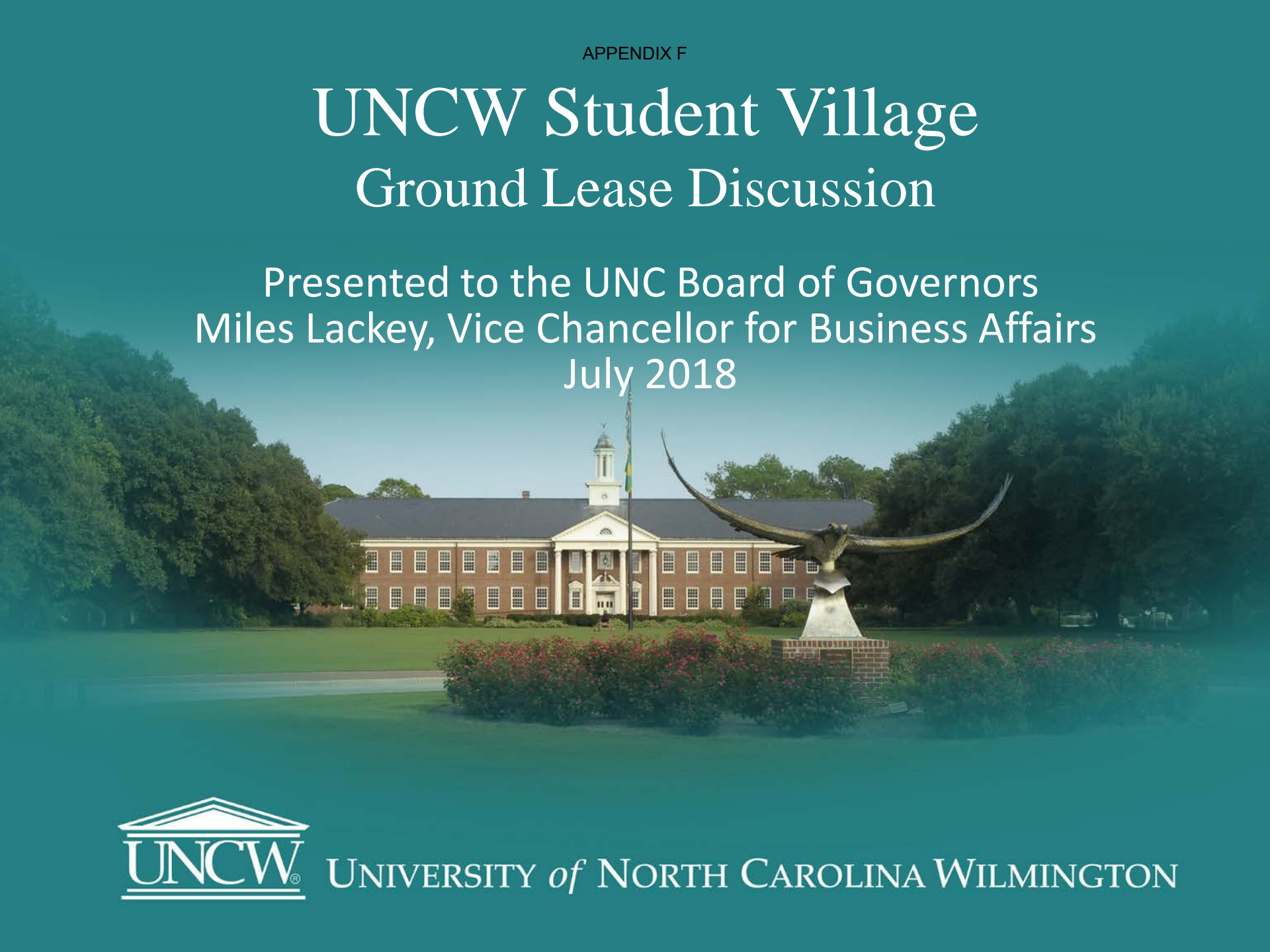
Campus Action Request

Section 1. ***Authorization of the Ground Lease Agreement.*** The authority to enter into a Ground Lease Agreement with CHF is hereby delegated to the Chancellor of UNCW, or the Chancellor's designee (the "Authorized Officer"). The form and content of such Ground Lease Agreement shall be consistent with the material terms and provisions of the term sheet made available to the UNC Board of Governors and shall be in a form acceptable to the Authorized Officer.

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UNCW Student Village Ground Lease Discussion

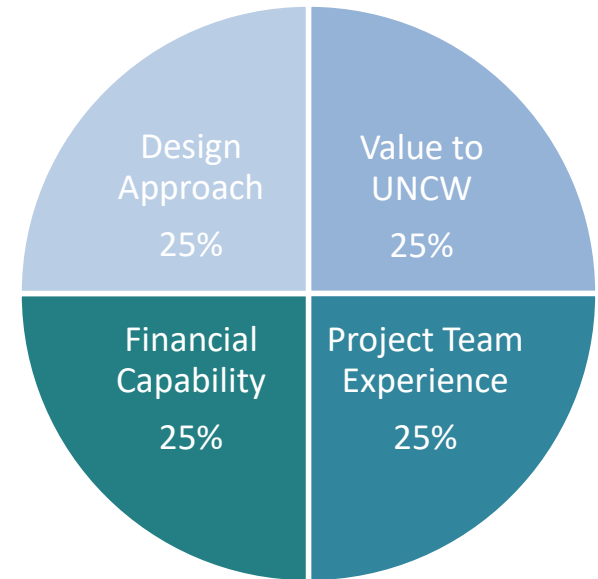
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Due Diligence Process

- **Request for Qualifications (RFQ)**
 - Timeframe: Issued July 2017
 - Objective: Solicit responses from experienced P3 development firms
 - Outcome: Nine (9) submittals received; five (5) firms were short-listed
- **Request for Proposals (RFP)**
 - Timeframe: Issued Sept. 2017
 - Objective: Provide detailed objectives and specifications that would allow UNCW to evaluate design and deal options
 - Outcome: Two firms selected for negotiation
- **Best and Final Offers (BAFO)**
 - Timeframe: Dec. 2017 through Feb. 2018
 - Objective: Maximize value by engaging directly with finalists
 - Outcome: Balfour Beatty Campus Solutions



UNCW 6-Member Selection Team	2 – Housing & Residence Life 2 – Finance 2 – Facilities
Advisors	UNCW General Counsel UNCW Procurement Brailsford & Dunlavey First Tryon Advisors



Project Background

Target Area Existing Conditions



- Planning Process
 - Housing Master Plan completed in 2017
 - 1,587 students completed the housing survey
- Student Housing Needs
 - Projected 1,386-bed housing shortage by Fall 2021
 - Existing unit configurations are misaligned with market
- Opportunity
 - Deliver a dynamic new student village featuring pod-style and suite-style unit configurations
 - Remove University Apartments to better align supply with demand