



Housing Project – Phase III

December 17, 2020

Appalachian's Housing Stock – Phase III Impact

Phase III Highlights

Max. New Beds*

750

Beds Taken Offline

1,485

Completion Date

Fall 2022

Fall 2019 (Before Phase I)



Fall 2021 (After Phase II)



Fall 2022 (After Phase III)

Housing Facilities

20

Housing Facilities

22

Housing Facilities

18

Max. Bed Capacity *

5,679

Max. Bed Capacity *

6,919

Max. Bed Capacity *

6,184

Estimated Demand**

6,785

Estimated Demand**

7,176

*Bed numbers are based on design capacity and may differ slightly from actual number of beds made available.

**Estimated demand for both FY2019 and FY2022 is based on MGT Consulting's report issued January 9, 2020.

Revisiting App State's Rationale for the P3 Project

Original Goals & Objectives	What's Changed for Phase III?	Comments
Protect student affordability and accessibility	<ul style="list-style-type: none"> ▪ Market more sensitive to demand risk for nonrecourse financings ▪ Bond insurance more expensive ▪ Credit spreads wider (i.e, bond yields now higher) 	<ul style="list-style-type: none"> ▪ Phase III no longer viable under original structure given higher costs ▪ Proposed lease structure would reduce debt service by \$1.65mm, reducing pressure on occupancy & rental rates
Limit the project's credit impact to the University and preserve debt capacity	<ul style="list-style-type: none"> ▪ Using original structure for Phase III would have required App State to accept risks not contemplated by the Board's original approval ▪ <u><i>Changes would have applied to all three phases, not just Phase III</i></u> 	<ul style="list-style-type: none"> ▪ Moody's views P3 structure as direct debt of App State ▪ Proposed lease structure would reduce total borrowing, accelerate amortization, and improve liquidity, reducing credit impact over time
Develop comprehensive, multi-phased approach	<ul style="list-style-type: none"> ▪ No change 	<ul style="list-style-type: none"> ▪ Preserves efficiencies of original, multi-phased plan
Accelerate delivery	<ul style="list-style-type: none"> ▪ No change 	<ul style="list-style-type: none"> ▪ Preserves original timeline & avoids remobilization costs/risks
Leverage private sector expertise and efficiencies	<ul style="list-style-type: none"> ▪ No change 	<ul style="list-style-type: none"> ▪ Preserves benefits of competitive procurement process & transfer of delivery risk

Snapshot Comparison – Phases I & II vs. Proposed Phase III

	Phase I & II Structure	Proposed Phase III Structure
<u>Generally</u>		
Owner, Ground Lease Tenant & Borrower	Beyond Boone, LLC (sub. of unaffiliated 501(c)(3) org.)	Appalachian Transformation, LLC (sub. of Appalachian Student Housing Corp.)
Development Team	Rise & Choate	Same
Operator	Appalachian State University	Same
Real Estate Security	Leasehold Deed of Trust	Same
Recourse to App State	None	Limited (Master Lease to App State)
Source of Repayment	Project Revenue	Project Revenue, ASHC Support Payments & Housing System Revenues
Ground Lease Term	50 Years	35 Years
Development Risk	Assumed by Rise & Choate	Same
<u>Financing Comparison</u>		
Rating	BBB- (Underlying)	A1 (Implied)
Total Financing Budget	Approximately \$89.1 Million	Approximately \$75 Million
Effective Interest Rate	Approximately 4.75%	Less than 2.10%
Average Ann. D/S	Approximately \$5.1 Million	Approximately \$3.4 Million
Financing Term	40 Years	30 Years (Initial Committed Term of 7 Years)
Debt Service Reserve	Approximately \$5 Million	None
Purchase Price (2028)	Approximately \$80 Million	Approximately \$64 Million

Proposed Structural Changes to Phase III – Final Considerations

Broader Source of Repayment under Master Lease Leads to Stronger Credit, Lower Debt Service & More Favorable Covenants

Master Lease for Phase III Avoids Renegotiating and Assuming Similar Risks for Phases I & II

Lower Debt Service Will Provide More Operating Margin to Absorb Disruptions, Meet Covenants & Help Preserve Cash

Even If Demand Flattens, Phase III Will Improve Operating Efficiency, Limit Long-Term CapEx Liabilities & Optimize Bed Mix

APPENDIX F

Appalachian State University
Development of Student Commons
~~501(c)(3) Tax Exempt Bond Model~~ Term Sheet

October 2018, Amended December 2020

Appalachian State University (“Appalachian”) is requesting authority to negotiate and enter into ~~a~~-Ground Lease Agreement(s) to facilitate the development of student housing facilities, structured and surface parking, and related infrastructure, as described herein, on substantially the terms set forth in this Term Sheet.

I. Project Overview	
1. Project	<p>An on-campus student housing development consisting of approximately 2,100 beds of student housing, parking, dining, and related infrastructure (“the Project”). The Project will be financed and owned by Beyond Boone, LLC (“Beyond”), which is a non-profit subsidiary of Beyond Owners Group, Inc., a Pennsylvania-based 501(c)(3) non-profit corporation whose purpose is to support other charitable organizations, by, among other things, owning and managing student housing. The Project will be developed in three phases:</p> <p><u>Phase I:</u> Approximately 600 student housing beds, approximately 475 parking spaces in a structured parking garage, approximately 100 surface parking spaces, a convenience-oriented dining facility, and related demolition and infrastructure construction to be available Fall 2020. Concurrent development of approximately 320<u>322</u> beds replacing Winkler Hall.</p> <p><u>Phase II:</u> Approximately 500<u>640</u> student housing beds, approximately 160<u>47</u> surface parking spaces, the demolition of 312 beds, and related demolition and infrastructure construction to be available Fall 2021.</p> <p><u>Phase III:</u> Approximately 680<u>750</u> student housing beds, approximately 185<u>275</u> surface parking spaces, and related demolition and infrastructure construction to be available Fall 2022.</p> <p><u>Phases I & II of the Project are owned and have been financed by Beyond Boone, LLC (“Beyond”), which is a non-profit subsidiary of Beyond Owners Group, Inc., a Pennsylvania-based 501(c)(3) non-profit corporation whose purpose is to support other charitable organizations, by, among other things, owning and managing student housing.</u></p> <p><u>Phase III will be financed and owned by Appalachian Transformation LLC, a single-purpose, North Carolina limited liability company (the “Company”), the sole manager of which is Appalachian Student Housing Corporation (“ASHC”), a nonprofit corporation formed in August 1999 to develop, finance, prepare, provide, and supervise residential housing facilities for Appalachian.</u></p> <p>The number of beds, number and phasing of parking spaces, and square footage may change slightly as project design is finalized.</p>
2. Project Participants	<p>The developer will be RISE Boone, LLC, an affiliated entity of RISE Development, LLC which specializes in the development of higher education facilities and has developed in excess of 50,000 student beds (the “Developer”).</p>

	<p>The Developer’s project team, including designers, contractors, engineers, and consultants, will include the following firms, as represented in its response to Appalachian’s request for proposals:</p> <ul style="list-style-type: none"> - General Contractor: Choate Construction - Design Architect: Niles Bolton Associates - Design Consultant: Jenkins Peer Architects - Civil Engineer: Stanley D. Lindsey and Associates, Ltd. <p>The ground lessee <u>for Phases I and II</u> will be Beyond Boone, LLC (“Beyond”)-whose sole member will be Beyond Owner’s Group (“Beyond”). <u>The ground lessee for Phase III will be the Company.</u></p>
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II. Ground Lease

3. Ground Lease Agreement	<p>A Ground Lease Agreement will be <u>for Phases I & II was</u> entered into between Appalachian and Beyond at the financial closing for <u>each</u> Phase I. Leased property will includes building and parking garage footprints, plus non-exclusive easements for common areas and temporary construction easements (the “Leased Property”). Appalachian and Beyond intend to amend the Ground Lease Agreement at the financial closings for Phase II and Phase III to add sites for the Phase II and Phase III improvements. <u>Phases I and II”).</u></p> <p>The <u>A</u> Ground Lease Agreement will obligate <u>be entered into between Appalachian and the Company at the financial closing for Phase III (the “Phase III Ground Lease Agreement”).</u> The Lease property will include <u>building and parking space footprints, plus non-exclusive easements for common areas and temporary construction easements (collectively, the “Leased Property-Phase III”)</u></p> <p><u>The Ground Lease Agreement for Phases I and II obligates</u> Beyond to finance the development of <u>Phases I & II of</u> the Project, own <u>Phases I & II of</u> the Project, and enter into agreements providing for the design, construction, and management of <u>Phases I & II of</u> the Project.</p> <p>Concurrent with Phase I of the Project, Appalachian plans to pursue <u>pursued</u> the construction of an approximately 320-bed residence hall to replace the former Winkler Hall (the “Winkler Hall Replacement”) under the Ground Lease Agreement. Beyond will be <u>is</u> obligated to construct and initially own the Winkler Hall Replacement. Once constructed, the Winkler Hall Replacement will be acquired by Appalachian, subject to the terms of set forth in the following paragraph.</p> <p>The Ground Lease Agreement will establish <u>established</u> terms under which Appalachian will accept and purchase the Winkler Hall Replacement from Beyond following the completion of the Winkler Hall Replacement. After acquisition by Appalachian, the Winkler Hall Replacement will be released from the Ground Lease Agreement and the associated portion of the Leased</p>
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	<p>Property will revert to Appalachian. Collectively, the Project and the Winkler Hall Replacement are referred to as the “Projects.”</p> <p><u>The Phase III Ground Lease Agreement will obligate the Company to finance the development of Phase III, own Phase III, and enter into agreements providing for its design and construction and Appalachian’s management of Phase III.</u></p>
4. Financing	<p>100% of Project costs are to be <u>for Phases I and II were</u> financed with the proceeds of long-term debt issued for the benefit of Beyond.</p> <p>Appalachian shall not be obligated or liable, either directly or indirectly, for any financial or other obligation of Beyond under the bond documents for <u>Phases I & II of</u> the Project, including without limitation, the payment of any portion of the principal of, interest on, or redemption premium, if any, of the bonds.</p> <p>Appalachian will not guarantee or otherwise be obligated to financially support Beyond’s repayment obligations on the bonds <u>for Phases I & II.</u></p> <p>Construction of the Winkler Hall Replacement will be <u>was</u> financed by Beyond through a bank loan. Once the Winkler Hall Replacement has been completed and accepted by the State, Appalachian will purchase the Winkler Hall Replacement from Beyond using proceeds of Appalachian’s General Revenue Bonds, Series 2016C, which were previously authorized and issued to finance the Winkler Hall Replacement.</p> <p><u>100% of Phase III project costs are to be financed with the proceeds of a tax-exempt advance to the Company (the “2020 Loan”).</u></p> <p><u>To support the 2020 Loan, Appalachian, on behalf of the State, will lease the Phase III improvements from the Company for a term of 10 years (the “Master Lease”). Base rental payments under the Master Lease will equal the Company’s debt service requirements under the 2020 Loan, and the Company will collaterally assign its rights to receive such payments to the institution providing the 2020 Loan (the “2020 Lender”).</u></p> <p><u>Appalachian’s payment obligations under the Master Lease will be limited and will be payable solely from a defined basket of revenues, including (1) net revenues of Phase III, (2) support payments made by ASHC under a support agreement between ASHC and Appalachian, (3) ground lease payments made to Appalachian by Beyond in connection with Phases I & II, and (4) Appalachian’s housing system revenues after payment of Appalachian’s senior, general revenue bond debt. Appalachian will have the right to terminate the Master Lease if those funds are insufficient to meet its lease payment obligations.</u></p> <p><u>The 2020 Loan and the Master Lease will be structured with terms and documentation consistent with other affiliate foundation financings used across the UNC System.</u></p>
5. Ground Lease Term	<p>The Ground Lease Agreement will provide <u>for Phases I and II provides</u> that Appalachian will lease the Leased Property -Phases I & II to Beyond to build <u>Phases I & II of</u> the Project and own the Project <u>those Phases</u> for a</p>

	<p>term not to exceed 50 years or until the date on which the bonds <u>for those Phases</u> have been paid in full, whichever comes first.</p> <p><u>The Phase III Ground Lease Agreement will provide that Appalachian will lease the Lease Property-Phase III to the Company to build and own Phase III of the Project for a term not to exceed 35 years or until the date on which the 2020 Loan has been paid in full, whichever comes first.</u></p>
6. Ownership of Improvements	<p>Beyond will own the improvements comprising <u>Phases I & II of</u> the Project for the duration of the Ground Lease Agreement except that the Winkler Hall Replacement will be owned by Beyond until acceptance by the State and purchase by Appalachian.</p> <p><u>The Company will own the improvements comprising Phase III of the Project for the duration of the Phase III Ground Lease Agreement.</u></p> <p>At the expiration or earlier termination of the each Ground Lease Agreement, the <u>applicable</u> Leased Property will revert to Appalachian and ownership <u>of that portion</u> of the Project will be transferred to Appalachian free and clear of all liens and encumbrances, without any contribution or compensation. At the expiration or termination of the each Ground Lease Agreement, <u>the applicable portion of</u> the Project must be in good and operable condition, subject to the age and reasonable wear and tear of the buildings. <u>In each instance, the reversion of the Project to Appalachian will be conditioned on the State's approval and acceptance of the Projects.</u></p>
7. Anticipated Related Project Agreements	<p>Beyond<u>Beyond</u> has entered into a development agreement with the Developer regarding the design and construction of Phases I & II of the Project. In addition, Appalachian has entered into a management agreement with Beyond regarding the operation of Phases I and II of the Project.</p> <p><u>The Company</u> will enter into a development agreement with the Developer regarding the design and construction of <u>Phase III of the Projects</u>Project. In addition, Appalachian anticipates entering into ause and management agreement<u>agreements</u> with Beyond<u>the Company</u> regarding the operation of <u>Phase III of the Project-</u>(the "Use Agreement").</p>
8. Ground Lease Rent to Appalachian	<p>The<u>For Phases I and II, the</u> Ground Lease Agreement will provide<u>provides</u> that Appalachian will be entitled to be paid rent in an amount equal to the surplus cash flow from <u>Phases I & II of</u> the Project, which will equal the amount of project revenue remaining after payment of all expenses, debt service, and reserves related to <u>those Phases of</u> the Project.</p> <p><u>For Phase III, the Company will make nominal ground rent payments to Appalachian.</u></p>
9. Option to Purchase	<p>The<u>For Phases I and II, the</u> Ground Lease Agreement will provide<u>provides</u> Appalachian or its associated entity the option to purchase the Project and terminate the Ground Lease Agreement at a purchase price equal to the amount necessary to pay off the long-term debt issued for the benefit of Beyond and during a period of time that complies with the requirements of the bond documents.</p>

	<p>Upon completion of construction and acceptance of the Winkler Hall Replacement by Appalachian, subject to the terms of the Ground Lease Agreement, Appalachian will purchase the Winkler Hall Replacement from Beyond.</p> <p><u>For Phase III, the Phase III Ground Lease Agreement and Use Agreement (collectively, the “Phase III Lease Documents”) will provide Appalachian the option to purchase Phase III of the Project and terminate the Phase III Ground Lease Agreement at any time at a purchase price equal to the amount necessary to repay the 2020 Loan.</u></p>
10. Advisory Committee Structure and Controls	<p>The<u>For Phases I & II, the</u> Ground Lease Agreement will provide<u>provides</u> that Appalachian and Beyond will establish an Advisory Committee or similar structure made up of representatives of Beyond and Appalachian, to facilitate information exchange and coordination between the parties to support the management, marketing, occupancy, operation, and maintenance of <u>Phases I and II of</u> the Project.</p> <p><u>Under the Phase III Lease Documents and related agreements, Appalachian will assume the obligation to provide for the management, marketing, occupancy, operation and maintenance of Phase III of the Project.</u></p>
11. Operating Budget	<p>The<u>For Phases I and II, the</u> Ground Lease Agreement will provide that Appalachian will develop an annual operating budget for the Project subject to approval by the Advisory Committee. The Advisory Committee may not unreasonably withhold approval of the operating budget if it meets the debt service coverage ratio required in the bond documents.</p> <p><u>The Phase III Lease Documents will provide that Appalachian will develop an annual operating budget for Phase III of the Project.</u></p>
12. Permitted Use	<p>The<u>For Phases I and II, the</u> Ground Lease Agreement will provide that the Project can be used solely to serve the institutional purposes of Appalachian by accommodating students, faculty and staff of Appalachian and people attending programs presented by Appalachian or another organization on Appalachian’s campus.</p> <p><u>The Phase III Lease Documents will provide that Appalachian will use Phase III solely to serve its institutional purposes in compliance with all requirements necessary to preserve the 2020 Loan’s tax-exempt treatment.</u></p>
13. Rental Fees	<p>The<u>For Phases I and II, the</u> Ground Lease Agreement will provide that the student tenants <u>of Phases I & II</u> of the Project will be charged fees approved by Appalachian, provided that such fees will not be less than the amount needed for Beyond to pay all operating expenses, reserves, and debt service on the bonds issued for the benefit of Beyond and to comply with the rate covenant under the financing documents.</p> <p><u>The Phase III Lease Documents will provide that the student tenants of Phase III of the Project will be charged fees approved by Appalachian, provided that such fees will not be less than the amount needed for the Company to pay all operating expenses, reserves, and debt service on the</u></p>

	<p><u>2020 Loan and to comply with the rate covenant under the financing documents.</u></p> <p>Annual increases in rental fees for years beyond the opening year of each phase of the Project are subject to Appalachian's approval and the requirements of the bond documents: <u>(Phases I and II) or loan documents (Phase III)</u>; Appalachian's approval will not be unreasonably withheld if the increase is required in order to meet debt service coverage due to operating expense increase.</p>
14. Preliminary Construction Plans and Contracts	Pursuant to the terms of a Pre-Development Agreement between Appalachian 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 Appalachian will be entitled to 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, Appalachian and Beyond <u>(Phases I and II) or the Company (Phase III)</u> 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 related project agreements, applicable laws and permits, and requirements for design and construction of the Projects consistent with the RFP and the Developer's Best and Final Offer (BAFO). The Developer must design, obtain permits and approvals, and construct the Project to the specifications, standards, and quality acceptable to Appalachian and in accordance with all applicable state and local laws, rules, ordinances and requirements.</p>
16. Failure to Deliver Student Housing Facility On Schedule	If <u>any phase of</u> the Project is not delivered on time, the <u>applicable</u> 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. Appalachian Covenants	Appalachian will be asked to treat the Project as part of its student housing program on an equal basis with its other student housing facilities, including the marketing and promotion of the Project and the provision of services to student residents of the Project in the same manner as its other student housing facilities.
18. Default	The <u>Each</u> Ground Lease Agreement will contain specific Events of Default. Appalachian 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 <u>applicable portion of the</u> Project. Appalachian'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

	<p>For Phases I & II, the Ground Lease Agreement will also provide the bond trustee with step-in rights to cure a default and protect the bondholders' investment in <u>Phases I and II of</u> the Project.</p> <p><u>The Phase III Lease Documents will also provide the 2020 Lender with similar step-in rights to cure a default and protect the 2020 Lender's interest in Phase III of the Project, subject to the terms and conditions of the Ground Lease Agreement.</u></p>
19. Mortgaging the Leasehold	<p>The Ground Lease Agreement will permit Beyond to mortgage its leasehold interest in <u>Phases I and II of</u> the Project as security for the bonds on terms approved by Appalachian. <u>The Phase III Lease Documents will permit the Company to mortgage its leasehold interest in Phase III of the Project as security for the 2020 Loan on terms approved by Appalachian.</u></p>
20. Mortgages and Other Liens	<p>No liens will encumber the State of North Carolina's fee interest. Beyond may place liens against its leasehold interest solely to secure the initial financing of each phase<u>Phases I and II</u> of the Project and any refinancing of the outstanding principal balance thereof. <u>Similarly, the Company may place liens against its leasehold interest solely to secure the initial financing of Phase III of the Project and any refinancing of the outstanding principal balance thereof.</u> Any refunding/refinance of such initial debt shall be subject to Appalachian's approval.</p>
21. Mortgagee Rights	<p>The<u>For Phases I and II, the</u> Ground Lease Agreement will contain provisions giving the bond trustee, as mortgagee of Beyond, sufficient mortgagee protection provisions to allow it to cure Beyond's defaults, to assume title to Beyond's leasehold interest through foreclosure or 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-exempt entity acceptable to Appalachian and which will maintain the tax-exempt nature of all tax-exempt debt.</p> <p><u>The Phase III Ground Lease Agreement will contain provisions giving the 2020 Lender, as mortgagee of the Company, sufficient mortgagee protection provisions to allow it to cure the Company's defaults, to assume title to the Company's leasehold interest through foreclosure or deed in lieu of foreclosure, and to otherwise reasonably protect its interests, provided that in no event shall the Phase III Ground Lease be conveyed during or after foreclosure to a party that is not a tax-exempt entity acceptable to Appalachian and which will maintain the tax-exempt nature of all tax-exempt debt.</u></p>
22. Other Terms	<p>This Term Sheet does not include all terms contemplated to be in the Ground Lease Agreement, <u>the Phase III Lease Documents,</u> and related Project Agreements.<u>project agreements.</u> Other terms shall be incorporated into the <u>applicable</u> Ground Lease Agreement and/or related project agreements, including rights to be retained by Appalachian and terms stated in the RFP, as modified in the documents consistent with the parties' intentions.</p>

III. Related Project Agreements	
1. Development Agreements	<p>A Development Agreement will be entered into by Developer and Beyond at financial closing for Phase<u>Phases I and II</u>.</p> <p>The<u>A separate</u> Development Agreement <u>will be entered into by Developer and the Company at financial closing for Phase III.</u></p> <p><u>Each Development Agreements</u> will require Appalachian's approval of change orders, construction progress payments, and other material aspects of the <u>applicable portion of the</u> Project. The agreement<u>agreements</u> will include Appalachian's participation in regular meetings regarding the progress of the Project and addressing any concerns of Appalachian regarding the Project.</p> <p>All agreements and contracts with the Contractors and Architects 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 <u>(Phases I and II)</u>	<p>Appalachian will contract<u>has contracted</u> with Beyond to provide certain operating and management services for <u>Phases I & II of</u> the Project (the "Management Agreement"), for which services Appalachian will be reimbursed from project revenues as an operating expense to the Project.</p> <p>Appalachian's operational and management responsibilities are to be defined in the Management Agreement, and are anticipated to include:</p> <ul style="list-style-type: none"> - Residence life (marketing, assignments, billing, collections, and programming) - Security - Custodial services and trash disposal - Facility maintenance - Grounds and landscaping - Information technology management <p>Asset management <u>of Phases I & II</u> of the Project will be a responsibility of Beyond, including:</p> <ul style="list-style-type: none"> - Fulfilling reporting requirements and maintaining compliance with covenants defined in financing documents - Overseeing repairs and capital improvements over the lifecycle of the assets <p>The payment of operating expenses for <u>Phases I & II of</u> the Project will be set out in the Management Agreement.</p>
3. <u>Use Agreement (Phase III)</u>	<p><u>Under the Use Agreement, Appalachian will contract with the Company to provide for all aspects of the operation and management of Phase III of the Project, including maintenance and repair.</u></p> <p><u>Appalachian will be reimbursed for its management services from project revenues as an operating expense to Phase III of the Project, and appropriate reserves will be established and funded from project revenues</u></p>

	<p><u>on an on-going basis to ensure adequate funds to maintain and reinvest in Phase III over its lifecycle.</u></p> <p><u>The payment of operating expenses for Phase III of the Project will be set out in the Use Agreement.</u></p>
3.4. Dining Facility / Convenience Store	<p>ThePhase I of the Project is anticipated to include<u>included</u> approximately 2,874 square feet of space to be used for a dining facility that will be made available to Appalachian or Appalachian's food service provider, subject to restrictions associated with tax exempt debt. The dining facility square footage may change slightly as project design is finalized.</p>
4.5. Parking Garage	<p>ThePhase I of the Project will include<u>included</u> a parking garage with approximately 475 spaces that will be leased by Beyond to Appalachian under a triple-net lease for a period of ten years (the "Parking Deck Lease"). Appalachian will operate the parking garage as part of its parking system and will retain all revenues and pay all expenses associated with the parking garage's operation. Appalachian will use revenues from its parking system to pay all amounts due under the Parking Deck Lease. Appalachian's annual lease payments under the Parking Deck Lease will be<u>are</u> treated as Project revenue and pledged to secure repayment of the bonds. The number of parking spaces in the garage may change slightly as the project design is finalized.</p>

**RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF
NORTH CAROLINA SYSTEM DELEGATING THE AUTHORITY TO
APPALACHIAN STATE UNIVERSITY TO ENTER INTO A GROUND LEASE
AGREEMENT WITH APPALACHIAN STUDENT HOUSING CORPORATION
OR ITS AFFILIATE AND RELATED AGREEMENTS WITH RESPECT TO THE
DEVELOPMENT OF PHASE III OF THE STUDENT HOUSING VILLAGE
DESCRIBED HEREIN**

WHEREAS, by Chapter 116 of the General Statutes of North Carolina, the Board of Governors (the “Board”) of the University of North Carolina System (the “UNC System”) is vested with general control and supervision of the constituent institutions of the UNC System, including Appalachian State University (“Appalachian”);

WHEREAS, the Board is authorized under the Millennial Campuses Financing Act, Article 21B of Chapter 116 of the General Statutes (the “Act”), (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;

WHEREAS, the Board, pursuant to the Act, by resolution adopted on September 9, 2016, designated an 87.96-acre area of Appalachian as a Millennial Campus (the “Millennial Campus”);

WHEREAS, the Board of Trustees (the “Board of Trustees”) of Appalachian previously approved the use of a public-private partnership to develop an on-campus student housing village consisting of approximately 2,100 beds of student housing, parking, dining, and related infrastructure, to be developed and constructed in three phases (the “Project”) on Appalachian’s Millennial Campus;

WHEREAS, Appalachian subsequently contracted for the Project to be jointly developed in three phases by the development team of RISE Boone, LLC, an affiliated entity of RISE Development, LLC (“RISE”), that specializes in the development of higher education facilities, and financed and owned by Beyond Boone, LLC, whose sole member is the Beyond Group, a national nonprofit organization (“Beyond”) in order to take advantage of tax-exempt financing available for the Project;

WHEREAS, Appalachian entered into a Ground Lease Agreement, as amended, with Beyond pursuant to which Beyond was obligated to construct Phases I and II of the Project;

WHEREAS, RISE and Beyond have successfully developed Phase I of the Project and are currently in the process of completing Phase II of the Project;

WHEREAS, Phase III of the Project will consist of the development and construction of an approximately 750-bed student housing facility and approximately 275 surface parking spaces (collectively, “Phase III”), which will be located on Appalachian’s Millennial campus (the “Phase III Site”);

WHEREAS, Appalachian has requested the Appalachian Student Housing Corporation (“ASHC”) or an affiliate of ASHC to enter into a ground lease with Appalachian and to be the ground lease tenant and owner of Phase III of the Project in order to take advantage of favorable financial terms available to complete Phase III the Project;

WHEREAS, in order to facilitate the financing of Phase III, ASHC intends to create a separate, single purpose limited liability company of which ASCH will be the sole member, to be known as Appalachian Transformation LLC, a North Carolina limited liability company (the "Company");

WHEREAS, Appalachian proposes to enter into a Ground Lease Agreement (the "Ground Lease") with the Company, as lessee, with respect to the Phase III Site pursuant to which the Company will cause to be constructed Phase III of the Project;

WHEREAS, the Company, as lessor, and Appalachian, as lessee, will enter into a Lease Agreement (the "Lease"), whereby the Company will lease to Appalachian, for a term not to exceed ten years, the Phase III Site and all improvements thereon, and whereby Appalachian will agree to pay Base Rentals and any Additional Rentals (as those terms are defined in the Use Agreement, hereinafter defined) to the Company;

WHEREAS, the value of Phase III of the Project being acquired by Appalachian pursuant to the Lease will be approximately \$75,000,000;

WHEREAS, Appalachian will operate and manage Phase III of the Project under the terms of a Use Agreement (the "Use Agreement") between Appalachian and the Company, whereby Appalachian will agree to operate and manage Phase III of the Project as part of its campus operations and whereby Appalachian will agree to make Base Rentals and any Additional Rentals as described in the Use Agreement, to be paid from revenues of Phase III of the Project, all moneys received by Appalachian in connection with or as a result of its ownership and operation of the existing residence halls on the Appalachian campus after payment of any General Revenue Bonds that financed assets in the housing system, and certain support payments made to Appalachian by ASHC;

WHEREAS, Appalachian will cooperate with the Company in its efforts to finance the acquisition, construction, furnishing, and equipping of Phase III of the Project with proceeds of an advance made to the Company by PNC Bank, National Association (the "Lender");

WHEREAS, the Company expects to finance the costs for the acquisition, construction, furnishing, and equipping of Phase III of the Project, and such financing will be repaid from the Base Rentals paid by Appalachian under the Lease and the Use Agreement;

WHEREAS, the Base Rentals will be in an amount of the debt service payments on the financing, and the Company will assign its rights to receive such Base Rentals under the Lease to the Lender; and

WHEREAS, to further secure its obligation under the Assignment, the Company will execute and deliver a Leasehold Deed of Trust, Security Agreement, Assignment of Rents and Leases and Fixture Filing (the "Deed of Trust") to the deed of trust trustee named therein for the benefit of the Lender, and the Lease will be subordinate to the lien created by the Deed of Trust;

NOW, THEREFORE, BE IT RESOLVED by the Board of Governors of the University of North Carolina System as follows:

Section 1. Authorization of Ground Lease, Lease and Use Agreement. The authority to enter into a Ground Lease with the Company is hereby delegated to the Chancellor of Appalachian, or the Chancellor's designee (the "Authorized Officer"). The form and content of such Ground Lease shall be

consistent with the material terms and provisions of the description of the transaction made available to the UNC Board of Governors and shall be in a form acceptable to the Authorized Officer.

Section 2. General Authorization. Appalachian, 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 Phase III of the Project to completion, including the Lease and the Use Agreement (collectively, the “Related Documents”), and the same hereby are in all respects authorized, approved and confirmed, and the Chancellor and the Vice Chancellor for Business Affairs of Appalachian (individually or collectively, the “Authorized Officers”) be and they hereby are authorized, empowered and directed to execute, approve and deliver the Ground Lease and the Related Documents, as applicable, including necessary counterparts, in substantially the form and content as to them seem necessary, desirable or appropriate, and that from and after the execution and delivery of the Ground Lease and the Related Documents, the Authorized Officers are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Ground Lease, the Related Documents and the transactions contemplated thereby, including the financing by the Company of Phase III of the Project.

Section 3. General Authority. From and after the execution and delivery of the documents hereinabove authorized, the Authorized Officers are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of such documents as executed, and are further authorized to take any and all further actions to execute and deliver any and all other documents as may be necessary to complete the transaction contemplated by the Ground Lease and the Related Documents and the execution and delivery of the financing for Phase III of the Project.

Section 4. Conflicting Provisions. All resolutions or parts thereof of the Board in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

Section 5. Effective Date. This Resolution is effective on its adoption.

The foregoing Resolution was duly adopted by the Board at a regular meeting of the Board held on the 17th day of December, 2020.