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MEMORANDUM

To: Board of Governors

From: J. Ben Watkins III

Date: August 7, 2023

Re: University of North Florida Student Housing Project

As required by Section 1010.62, Florida Statutes, the Division of Bond Finance ("DBF") has reviewed and analyzed the information provided in connection with the University of North Florida's ("UNF") proposed financing of the construction of a new student housing facility on its main campus, to be designated its Honors College Residential Hall (the "Project"). DBF has also reviewed the Board of Governors ("BOG") staff analysis of the Project, which DBF believes satisfactorily addresses the relevant aspects of the proposed financing. Additionally, there is one aspect of the Project, the security structure, mentioned in the BOG staff analysis, which DBF would like to provide context for the BOG to consider in its evaluation of the Project.

As discussed in the BOG staff analysis, UNF's outstanding housing system debt (the "DSO Debt"), has been issued through one of its direct support organizations, the University of North Florida Financing Corporation (the "Financing Corporation"). However, the Project will be financed with proceeds from tax-exempt, fixed-rate, bonds issued by DBF (the "Bonds"). Any future housing system debt is expected to be issued by DBF on a parity basis with the Bonds. This will require a short-term bifurcation of the finances of the housing system and the revenues pledged to the DSO Debt and the Bonds, but it will not impact UNF's operation of its housing system. Issuance through DBF will allow UNF to take advantage of DBF's expertise and contractual relationships and allows for consistent management of debt across the State University System. As the issuer of all debt for the State of Florida and its agencies, including the BOG, DBF fills the roles of financial advisor and disclosure counsel and its contracts with professionals and service providers (bond counsel, trustee, registrar/paying agent, rating agencies, etc.) have substantially lower costs on transactional and ongoing bases based on frequency/volume. Additionally, DBF will assume on-going debt management functions, including maintenance of ratings, continuing disclosure, arbitrage compliance, and monitoring refunding opportunities.

The BOG Debt Management Guidelines (the "Guidelines") articulate a preference for bonds secured by a system pledge comprised of multiple facilities within a system, rather than stand-alone project finance. The Guidelines also state a general preference for bonds to be equally and ratably secured by the revenues pledged to the payment of any outstanding bonds of a particular bond program. The DSO Debt has first lien on the net revenues generated by the existing

housing system facilities. While the DSO Debt is outstanding, the Bonds will have a first lien on the net revenues of the Project and additional facilities subsequently added to the housing system and a second lien on the net revenues of the existing housing system facilities. This structure allows the Bonds to be secured with a system pledge rather than stand-alone project finance. Importantly, the Financing Corporation has closed its lien on UNF's existing housing system, and has covenanted that, so long as the Bonds or any bonds issued on a parity therewith remain outstanding, it will not issue additional debt on a parity with the DSO Debt or to refund the outstanding DSO Debt. Additionally, the BOG resolution specifically authorizes DBF to subsequently issue bonds to refund the DSO Debt. At such time as the DSO Debt matures or is refunded with bonds issued by DBF, all of UNF's housing system debt will be secured on a parity basis and with a first lien on the net revenues of the housing system.

cc: Raymond Rodrigues, Chancellor, Board of Governors
Kevin Pichard, Director, Finance and Facilities, Board of Governors
John B. Hale, P.E., Associate Vice President, University of North Florida
Scott Bennett, Vice President, University of North Florida