

MEMORANDUM

TO: Jennifer Condon
Dawn Rodriguez

FROM: Ken Artin

DATE: August 4, 2025

RE: Analysis of Management of Risk under Proposed Ground Subleases related to USF
Fletcher District P3 Project

The University has asked for a memorandum describing the provisions that will protect the University in the event of a material default under the various agreements and ground subleases the University will be entering into related to the development of the USF Fletcher District P3 Project (the "Project"). The first phase of the proposed Project will develop approximately 27 acres of approximately 138 acres of undeveloped land located north of Fletcher Avenue at the site of USF's former golf course into a mixed-use project that will benefit all members of the University community – students, faculty, and other employees, alumni, and local partners. The Project will deliver multiple asset types including undergraduate student housing ("Student Housing"); multi-family housing focusing on faculty and staff, graduate students, lifelong learners and other community members seeking to increase their connection to the University ("Multi-Family Housing"); a hotel and conference center ("Hotel and Conference"); retail/restaurant space to support active living in the district environment ("Retail/Restaurant"); a University-developed academic research building ("USF-Developed Asset"); together with green/recreational spaces and the corresponding infrastructure including appropriate surface parking. Pursuant to an Invitation to Negotiate (the "ITN") the University solicited proposals from developers related to the development of a mixed-use development on the University's former golf course on its Tampa campus. We have reviewed the requirements of the ITN, the term sheets related to the various ground subleases that has been negotiated between the University and ACE Fletcher, LLC (the "Master Developer") whose members are Capstone Development Partners, Capstone Communities, Aureate Development and Ellison Development ("ACE"). While no agreement can be drafted to eliminate all risk, the parameters set forth in the Term Sheet describing the terms of the Master Development Agreement and the terms of the various ground subleases have attempted to place the University in a neutral position

with respect to most of the risks associated with the development and asset maintenance of the Project. As currently structured ACE will be responsible to design, build and finance all major infrastructure including water, wastewater, roads, landscape, gas, street lighting and stormwater improvements needed to support the first phase of development of the District. The cost of the infrastructure will be allocated to the various Project components and financed by each ground sublessee as part of the related improvements. Each ground sublessee will enter into a guaranteed maximum price construction contract, which will provide for a guaranteed price for the applicable component of the Project and a fixed delivery date of the applicable component of the Project. Likewise, ACE will also enter into a guaranteed maximum price construction contract, which will provide for a guaranteed project price and a fixed delivery date of the infrastructure. Cost overruns will be the responsibility of each contractor and a delayed delivery of certain time sensitive components, like Student Housing, will require the payment of liquidated damages.

USF will cause to be established a master set of covenants regarding the operation and maintenance of lands within the District and the establishment of the property association to operate and maintain the common areas and infrastructure within the District. All ground sublease agreements will be subject to the Master Declaration. The property association will maintain the infrastructure and the common areas, including the parks and stormwater improvements and assess each sublessee and the University a portion of the costs of such services.

Once constructed, the not-for-profit owner (the "NPO") of the Student Housing component of the Project will operate and maintain the facilities, however, the owner will enter into a support and administrative services agreement with USF pursuant to which USF will provide certain services to the NPO including residential education programming; security, safety, emergency response; marketing, room assignments, and student financial administration for the Student Housing component. Occupancy risk will remain with the NPO and will be managed through a number of measures. The debt to be issued on behalf of the NPO will be non-recourse to the University, secured solely by the revenues of the Project. In addition, the debt holders will be granted a first lien leasehold mortgage on the NPO's leasehold interest. In the event the Project does not perform as expected, the debt holders will have the right to replace the NPO owner and bring in a new operator to operate the Project. There will be no university guarantees or preferential rights granted to the NPO owner by the University. The University will have no liability with respect to the financing for Student Housing component of the Project.

Similarly, Project components constructed by equity owners such as the Hotel and Conference component and the Retail/Restaurant component will be responsible for the operation and maintenance of their respective improvements. Occupancy risk will remain with those equity owners subject to the rights of their investors and lenders. Equity interests and debt will be non-recourse to the University, secured solely by the revenues of the Project. In addition, the debt holders will be granted a first lien leasehold mortgage on the equity owner's leasehold interest. In the event the financed assets do not perform as expected, the debt holders will have the right to replace the equity owner and bring in a new owner to operate the respective

component of the Project. There will be no university guarantees or preferential rights granted to the equity owner, their investors or their lenders by the University. The University will have no liability with respect to the financing for Hotel and Conference component or the Retail/Restaurant component of the Project.

An example of the events of default under each ground sublease and the remedies available to the University would include some or all of the following:

(i) Any payment of Rent or any other sums required to be paid to the University pursuant to the Sublease, shall at any time be in arrears and unpaid within ten (10) Business Days after receipt of written notice from the University that such amount is past due; or

(ii) Any payment required to be made by the sublessee pursuant to the terms of the ground sublease, shall at any time be in arrears and unpaid within fifteen (15) Business Days after receipt of written notice from the University that such amount is past due; or

(iii) Should there shall be any default on the part of the ground sublessee in the observance or performance of any of the other covenants, agreements or conditions of the ground sublease on the part of the ground sublessee to be kept and performed, and such default shall continue for thirty (30) days after notice thereof in writing to the ground sublessee; provided, however, that if such default is of a nature that it cannot be reasonably cured within such thirty (30) day period, then the ground sublessee shall have such time as is reasonably required to cure such default; provided that such reasonable time period shall not exceed 180 days and provided further that the ground sublessee commences the cure within such thirty (30) day period and is diligently pursuing completion of such cure; or

(iv) Regarding the Student Housing component of the Project, failure by the ground sublessee to operate and maintain the Student Housing facilities such that it is safe and secure for occupancy by eligible student residents and the continuance of any such failure for a period of thirty (30) days after written notice thereof is given by the University to the ground sublessee and the holder of any leasehold mortgage encumbering the ground sublessee's leasehold interest thereunder; or

(v) Failure of the ground sublessee to commence construction by a pre-determined date and complete construction within the time periods set forth in the ground sublessee; or

(vi) the ground sublessee shall file a petition in bankruptcy or be adjudicated bankrupt or file any petition or answer seeking a reorganization, liquidation, dissolution or a similar relief for itself under any present or future federal, state or other statute, law or regulation related to bankruptcy, or make an assignment for the benefit of creditors; or

(vii) Any trustees, receiver or liquidator of the ground sublessee shall be appointed and any action, suit or proceeding be instituted by or against the ground sublessee in such preceding or action shall not have been dismissed within sixty (60) days after such appointment; or

(viii) The leasehold estate shall be taken (by any governmental entity other than by Landlord) by execution or other process of law; or

(ix) A transfer of the ground sublessee's interest in the ground sublease except as permitted by the terms of the ground sublease or without the prior written consent of the University; or

(x) Cessation of operations or abandonment of the facilities that are subject to the applicable ground sublease.

Each ground sublease will also provide that upon the occurrence of an event of default and depending on the nature of the event of default, the University's rights under the ground sublease may include the University's right to cure the event of default, the right to receive an assignment of contracts with contractors, subcontractors, vendors and consultants, the right to terminate the ground sublease and the right to take possession and occupancy of any improvements under the respective sublease. As is typical in debt financed projects, the lender, or in this case, the bond trustee will have rights under the ground sublease to step in on behalf of the bondholders to cure a default of the ground sublessee and in certain instances replace the ground sublessee with another not-for-profit organization. The University as the administrator of the student housing will be able to monitor the occupancy risk for the Project.

The various rights and remedies will depend on the nature of the default and the effects of a force majeure event. For instance, a breach of a covenant to provide financial information may not include the right to terminate the ground sublease, but the failure to timely pay ground rent, timely complete the building or to operate the Project pursuant to the terms of the ground sublease would include termination rights. With components financed by a NPO owner ground rent is payable from the net cashflow of the Project. In the event the Project should generate insufficient revenues to pay operating costs or debt service payments the University is not responsible to pay any deficit. The bondholders must look solely to the facilities to recover their investment.

The retail component of the Student Housing facilities may be financed, operated and managed by the NPO or the entity that will own and operate the Retail/Restaurant component of the Project. The University will have no financial responsibility with respect to the retail space.