

USF FINANCING CORPORATION

MINUTES OF SPECIAL MEETING

BOARD OF DIRECTORS

MAY 5, 2022

A special meeting of the Board of Directors of the USF Financing Corporation was held on May 5, 2022 at the University of South Florida, 4202 E. Fowler Avenue, CGS 402, Tampa, Florida, pursuant to the Corporation's Bylaws, for the purpose of electing directors, authorizing the issuance of debt to finance the construction of student housing and student center facilities located on the Sarasota-Manatee Campus, appointing the independent auditor, approving the Corporation's annual financial plan, approving the revised USF Investment Policy, an INTO USF update, an internal audit update, and for the transaction of any other business that may properly come before the Board.

The meeting was held pursuant to Notice duly provided on April 29, 2022. A copy of the meeting Notice is attached to these minutes.

The meeting was called to order by Chair Simmons at 12:00 p.m.

The following directors, who constitute a quorum of the Board of Directors, were present:

Mr. Richard D. Smith
Mr. Jose E. Valiente
Ms. Erin Smith Aebel
Mr. Nick J. Trivunovich
Ms. Linda O. Simmons

The following persons were also present:

Mr. Richard J. Sobieray, Senior Vice President and CFO

Call to Order
and Roll Call

Mr. Fell L. Stubbs, Executive Director
Ms. Hilary Black, Senior Associate General Counsel
Ms. Dawn M. Rodriguez, Assistant Treasurer
Ms. Mary K. Benton, Accountant

Public Comments Subject
to Procedure for
Appearances before the
Board of Directors

Chair Simmons asked Mr. Stubbs if, under the Procedure for Appearances before the Board of Directors, any party had requested to appear before the Board. Mr. Stubbs stated that no notices requesting appearance before the Board were received in advance of the meeting.

Elect Director- USF
Financing Corporation
and USF Property
Corporation

Chair Simmons asked Mr. Stubbs to introduce the prospective new Board Member. Mr. Stubbs first stated that Mr. Richard Sobieray's appointment to the Board of Directors of the USF Financing Corporation and the USF Property Corporation will be proposed for approval to the USF Board of Trustees Governance Committee on May 24, 2022 and to the full BOT on June 15, 2022. Mr. Sobieray is well known to the Board as the University's Senior Vice President and Chief Financial Officer. Mr. Sobieray will fill vacancies on both Boards after the June 30th retirement of Mr. Nick Trivunovich, Vice President and Chief Financial Officer. Pursuant to the Bylaws, Mr. Sobieray will continue to serve so long as he is in the Chief Financial Officer position.

Chair Simmons asked for a motion to elect Mr. Richard Sobieray to serve as a member of the Board of Directors of the Corporation while he is in the Chief Financial Officer position effective upon approval by the Board of Trustees on June 15, 2022. The motion was duly made and seconded, and Mr. Richard Sobieray was unanimously elected to serve on the Board of Directors of the Corporation while in the Chief Financial Officer position, effective June 15, 2022.

Resolution: Authorize
Issuance of Debt to Finance
the Costs of Student
Housing and Student Center
Facilities on the Sarasota-
Manatee Campus

Chair Simmons asked Mr. Stubbs to introduce the resolution. Mr. Stubbs presented Resolution No. FC 05-05-22A for the issuance of debt by the Corporation in the amount of \$27 million, and in any event not to exceed \$30 million, for the purpose of financing the cost of student housing and student center facilities on the USF Sarasota-Manatee campus. Mr. Stubbs stated that the USF Board of Trustees is expected to approve the project on May 24, 2022 and the Florida Board of Governors is expected to consider the project for approval on September 13-14 2022.

Mr. Stubbs stated that the proposed project will consist of a mixed-use facility containing approximately 80,000 square feet of space, of which approximately 30,000 square feet will be allocated to a student center and the balance to a student housing facility. The student center portion of the project will be contained in a one- to two-story structure and will support student activities on campus. The student housing portion of the project will consist of a three- to four-story student housing facility, totaling 200 beds, above the student center. Design and construction of the project is expected to begin upon project approval in September of 2022 and to be completed in May of 2024.

Mr. Stubbs stated that the debt will be secured by a first lien on “System Revenues” pursuant to the terms of the Master Lease Purchase Agreement dated May 1, 2005 among the Corporation and The Bank of New York Trust Company, as Trustee, on parity with the lien granted to the holders of the outstanding Certificates of Participation which are currently outstanding in an aggregate principal amount of \$176,185,000. The currently outstanding Certificates hold “A1” and “A+” Moody’s and Standard & Poor’s credit ratings, respectively. With respect to the debt, it is also

anticipated that the University will pledge the activity and services fees allocable to the Sarasota-Manatee Campus to the student center portion of the project.

Mr. Stubbs stated that the debt will consist of a public bond offering, and will bear interest at a fixed, tax-exempt rate and mature not more than 30 years after issuance. The project has an estimated useful life that exceeds 40 years.

Mr. Stubbs reviewed the documents comprised in Appendix A of the Resolution that were distributed to the Board on April 29 for their review prior to this meeting. A study performed by Brailsford & Dunlavey, an external consulting firm engaged by the University, reported as of April 2022 an estimated demand of 226 beds growing to 232 beds by Fall 2024. Findings from this demand study conclude sufficient demand exists for new on-campus housing to conservatively support up to a 200- bed project on the USF Sarasota-Manatee campus. University leadership has prudently selected the proposed project size based on factors including demand and price sensitivity.

Mr. Stubbs stated that design and construction costs, including furniture, fixtures, and equipment are estimated at \$39 million- with the housing component estimated to cost \$21 million, the student center estimated to cost \$17 million, and a construction contingency of \$1 million (2.6%). The University will also include a \$2 million (5.3%) owner's contingency to mitigate current environmental risks such as supply chain disruptions and cost inflation. The total project cost is estimated to equal \$40,950,000 and will be funded through bond proceeds and a \$16,500,000 equity contribution from the University that will primarily pay for a significant portion of the student center project costs. Approximately \$2.25 million of the debt will fund capitalized interest during the construction period and cost of issuance

(\$300,000). The Corporation initiated a competitive procurement process for design and construction services in March 2022 and received proposals from four qualified, experienced firms. Final selection and award is expected in May 2022.

The Board discussed the proposed project and debt issuance. Ms. Aebel asked if the project design and construction firm selection process includes criteria for diversity. Mr. Stubbs responded affirmatively and stated that the University requires the selected firm to implement a plan for making a good faith effort to use the services of diverse businesses. The selected firm will work closely with the University's Office of Supplier Diversity to develop and monitor their plan

Chair Simmons noted that the \$2 million owner's contingency added to the project costs is extremely wise in the presence of current market challenges related to construction. Mr. Stubbs also noted that design and construction firms willing to provide early guaranteed maximum price are highly desirable for the same reason.

Mr. Smith agreed with the demand analysis in recognizing the University's objective of building a stronger campus community for the Sarasota-Manatee campus. Chair Simmons noted the success of the similar housing program on the St. Petersburg campus.

Chair Simmons asked if there were any other questions from the Board. Hearing none, Chair Simmons requested a motion to authorize the issuance of debt to finance the costs of student housing and student center facilities on the Sarasota-Manatee Campus. The motion was duly made and seconded, and the following was unanimously approved:

RESOLVED, Resolution FC 05-05-22A, which each director has read, is hereby adopted and the secretary is hereby ordered to attach a copy of the aforesaid resolution to the minutes of the meeting.

Resolution: Appoint
Independent Auditor

Chair Simmons asked Mr. Stubbs to introduce the resolution. Mr. Stubbs presented Resolution No. FC 05-05-22B for the annual engagement of an independent auditor. The Corporation Bylaws, as well as Section 1004.28 of the Florida Statutes, require that the Corporation engage an independent CPA firm to audit its accounts and records. Mr. Stubbs, as Executive Director of the Corporation, recommends the engagement of KPMG LLP to conduct the audit for fiscal year 2022. KPMG has audited the Corporation for 8 years starting in FY 2014 with a fee of \$60,000. KPMG provided an engagement letter on May 4 with a negotiated fee of \$71,400 for FY 2022. The FY 2022 fee increased five percent from \$68,000 in FY 2021. Mr. Stubbs stated that the five percent increase from FY 2021 is reasonable for auditing the Corporation's unique financial statements. Also, the FY 2022 engagement includes added analysis of changes in lease accounting standards required by GASB 87. Mr. Stubbs further stated that he believes KPMG is the most qualified firm in Tampa for the Corporation, considering the University's public and private bond issuance and credit ratings.

Mr. Valiente asked if we have a partner rotation requirement. Mr. Stubbs stated that the 5-year rotation requirement is limited to the Audit Manager and does not affect Lori Nissen as partner-in-charge.

Chair Simmons asked if there were any questions from the Board. Hearing none, she requested a motion to appoint KPMG LLP as auditor of the Corporation.

The motion was duly made and seconded, and the following was unanimously approved:

RESOLVED, Resolution FC 05-05-22B, which each director has read, is hereby adopted and the secretary is hereby ordered to attach a copy of the aforesaid resolution to the minutes of the meeting.

Resolution: Approve
Corporation FY 2023
Financial Plan

Chair Simmons asked Mr. Stubbs to introduce the next resolution. Mr. Stubbs asked Ms. Rodriguez to present the resolution. Ms. Rodriguez presented Resolution No. FC-05-05-22C and stated that the Board was provided with a copy of the FY 2023 Financial Plan on April 29, 2022. The Financial Plan will be presented to the USF Board of Trustees Finance Committee on May 24, 2022. Ms. Rodriguez stated that the Corporation's statutory mission is to support the University as its financing arm and is expected to provide low cost, low risk, long-term financing for the University's major capital projects. She reviewed the Corporation's Key Initiatives that will materially impact the Corporation in FY 2023:

(1) Anticipated \$27 million USF Housing and Student Center project to be located on the Sarasota-Manatee Campus, as described earlier in the meeting.

(2) The \$42 million USF Research Park Laboratory and Office Building received a Certificate of Occupancy in February 2022.

(3) Protect USF's "AA" credit ratings. The Corporation will make presentations to Moody's and Standard & Poor's in connection with the issuance of new public debt described above.

(4) Direct oversight of DSOs and Auxiliaries to ensure maintenance of pledged revenues, debt services coverage ratios and reserves.

(5) Compliance with debt covenants including IRS rules on tax exempt bonds and required reporting on EMMA.

(6) Operating losses for INTO USF over the past two years total \$2.7 million, erasing shareholder's equity and adversely affecting liquidity. Negotiations are underway and may result in a nonoperating expense or transfer expense. The Financial Plan does not reflect a loss for FY 2023 due to uncertainty.

She also reviewed the Corporation's opportunities that might affect the FY 2023 Financial Plan:

(1) USF's borrowing rates have been affected by changes in market conditions and the rising yield curve.

(2) The Corporation is closely monitoring risks to the housing system project described above, specifically supply chain disruptions and cost inflation. The University will fund a \$2 million owner's contingency to mitigate some of these risks.

(3) Implementation of GASB 87, Leases, is not yet reflected in the Financial Plan, but is expected to have a net zero impact to the Corporation's Net Assets and Net Operating Profit.

Ms. Rodriguez noted that the major long-term goal of the of Corporation beyond FY 2023 is to continue to work with the University and campus leaders to assist with structuring new debt programs or restructure existing programs to meet their needs.

Chair Simmons asked if there were any questions from the Board. Mr. Valiente asked how the Corporation funds operations. Ms. Rodriguez stated that annual management fees collected from USF DSOs and Auxiliaries fund operations.

Mr. Smith asked for more details about the FY 2023 Financial Plan not reflecting a loss for INTO USF due to uncertainty. Ms. Rodriguez stated that the Corporation would be recording losses later in the year, if appropriate, once INTO USF negotiations are concluded. These figures will be reflected in the Corporation's mid-year forecast that will be provided to the Board in January or February.

Hearing no other questions, Chair Simmons requested a motion to approve the Corporation's Fiscal Year 2023 Financial Plan as presented. The motion was duly made and seconded, and the following was unanimously approved:

RESOLVED, Resolution FC 05-05-22C, which each director has read, is hereby adopted and the secretary is hereby ordered to attach a copy of the aforesaid resolution to the minutes of the meeting.

Chair Simmons asked Mr. Stubbs to describe a resolution to approve changes to the USF Investment Policy. Mr. Stubbs stated that the amended USF Investment Policy was approved by the USF Board of Trustees on March 8, 2022. The policy provides for the management of three distinct types of University investment portfolios: A University portfolio, a Foundation endowment portfolio and DSO portfolios. The policy's minimum and maximum investment limits were creating challenges for the University's investment of State funds in compliance with Florida Statutes. The minimum Foreign Equity investment requirement was removed and the cap on investments in U.S. Equities was also removed. The updated BOT policy gives DSOs latitude to maintain and determine their portfolio asset allocations.

Hearing no other questions, Chair Simmons requested a motion to approve changes to the USF Investment Policy as presented. The motion was duly made and seconded, and was unanimously approved.

Approve the Revised USF
Investment Policy

INTO USF Update-
Invoking Dispute
Resolution Process

Chair Simmons asked Ms. Black to provide an update on INTO USF. Ms. Black stated that USF has been monitoring INTO USF, Inc.'s financial performance for several years. USF has determined to act on its right to terminate pursuant to Article 8 of the University Services Agreement due to INTO USF, Inc. becoming insolvent and unable to pay its debts as they fall due, and due to INTO USF, Inc.'s demonstration of a material adverse position where insolvency is unavoidable. USF served a termination notice dated April 21, 2022 to INTO USF, Inc. A dispute has since arisen based on the refusal of INTO USA, LLC, as subsequently assigned to INTO USF LP, to accept the termination notice. Mr. Stubbs stated that it is in the best interest of USF Financing Corporation, as 50% stockholder of INTO USF, Inc., to now invoke the dispute resolution process. Ms. Black noted that once the dispute resolution process is invoked, the parties have 30 days to negotiate a resolution before going to mediation. Ms. Black stated that the Board would need to put forth a motion to approve invoking the dispute resolution process pursuant to Article 8 of the Stockholder Agreement.

Mr. Valiente asked if the entity has consistently incurred significant losses, and it was explained that USF benefitted at the beginning of the partnership with an increase in international students at the University, however, the University believes that pathway model no longer works.

Hearing no other questions, Chair Simmons requested a motion to approve invoking the dispute resolution process with INTO USF, Inc., as presented. The motion was duly made and seconded, and was unanimously approved.

Mr. Stubbs then asked the Board to approve the engagement of Oscher Consulting, PA, a firm providing support services and financial analysis to the legal

INTO USF Update-
Approve Forensic
Accounting
Engagement

community, to provide an insolvency analysis and assistance during the dispute resolution process with INTO USF, Inc.

Ms. Aebel stated that she has known Steven Oscher, the Managing Director of Oscher Consulting, PA, for 20 years and emphasized his positive industry reputation.

Mr. Trivunovich asked how this engagement would be funded. Mr. Stubbs stated that the Corporation has unrestricted funds available to pay for Oscher Consulting services.

Mr. Valiente asked if the cost of this engagement would be capped or open-ended. Mr. Stubbs stated that the engagement cost would be contained to defined scope and resources.

Hearing no other questions, Chair Simmons requested a motion to approve the approve the engagement of Oscher Consulting, PA, as presented. The motion was duly made and seconded, and was unanimously approved.

Mr. Stubbs stated that the Financing Corporation has been a 50% stockholder of INTO USF, Inc. since 2010. By virtue of the stockholder's agreement, the Financing Corporation appoints 3 of the 6 board members to represent the interests of the Financing Corporation and USF. Mr. Stubbs proposed the appointment of Ms. Jennifer Condon, Associate Vice President and Controller, to the INTO USF, Inc. Board to replace Mr. Nick Trivunovich, Vice President and Chief Financial Officer, upon his June 30th retirement.

Chair Simmons asked for a motion to elect Ms. Jennifer Condon to serve as a member of the INTO USF, Inc. Board. The motion was duly made and seconded,

INTO USF Update-
Approve Director

and Ms. Jennifer Condon was unanimously elected to serve on the INTO USF, Inc. Board.

Internal Audit
Update

Chair Simmons asked Mr. Stubbs to provide the internal audit update. Mr. Stubbs stated that the Florida Board of Governors engaged Crowe LLP to perform an audit of all State University System DSOs (USF has 14). The audit is progressing and is now considered in fieldwork. Crowe is currently reviewing the Internal Control Questionnaires (ICQs) provided by the DSOs. USF Financing Corporation and USF Property Corporation submitted its 11 ICQs to Crowe in December. Crowe will report any findings in the coming months. A comprehensive report including all SUS DSOs will be reported to the Florida Board of Governors.

Mr. Valiente asked how the University is paying for the Crowe internal audit. Mr. Trivunovich stated that the cost will be divided between the University DSOs based on the amount of time the audit firm spent with each DSO.

Other Business

Chair Simmons asked if there were any other items for the Board's consideration. Mr. Stubbs stated that the University is in the development process for an on-campus football stadium. The Corporation is the University's dedicated financing arm and may come before the Board during the next fiscal year for consideration of a public/private bond placement to finance a portion of the project. Mr. Trivunovich stated that the University is working to define revenue pledges and identify revenue streams.

Hearing no further items, Chair Simmons thanked the Board for their support and participation at this special meeting.

Adjournment

There being no further business to come before the Board, the meeting was adjourned on motion duly made and carried at 2:00 p.m.

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Linda Simmons

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Linda O. Simmons, Chair

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Richard D Smith

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Richard D. Smith, Secretary/Treasurer