

April 23, 2020

Vice Chancellor for Fiscal Affairs and Treasurer  
Office of Fiscal Affairs  
Board of Regents of the University System of Georgia  
270 Washington Street, SW  
Atlanta, Georgia 30334

Dear Vice Chancellor:

On March 27, 2020, Corvias Campus Living – USG, LLC (“Corvias”) provided a written proposal to The Board of Regents of the University System of Georgia (the “BOR”) to preserve the financial health of the P3 housing program (the “P3 Program”) created pursuant to that Amended and Restated Master Concession Agreement for the Leasing and Development of Student Housing (Phase 1) dated May 13, 2015, as amended (the “MCA”). Capitalized terms used in this letter that are not otherwise defined shall have the meanings provided for under the MCA.

A copy of the proposal is attached hereto as Exhibit “A” and was developed by Corvias and its ownership to protect the P3 Program in light of the lack of summer revenue expected due to the current pandemic crisis and to also ensure the P3 Program is properly funded going into the 2020 fall academic semester. Under the proposal, a Corvias affiliate would inject approximately \$5 million of private funds into the program for the summer academic semester in the form of a simple use agreement with the BOR. No funds of the BOR are necessary to implement the proposal. The BOR has stated it has no use for such beds, so the proposal provides private funding for the P3 Program without the typical expense side relating to operations incurred by the BOR or Corvias.

Unfortunately, the BOR rejected this proposal pursuant to a letter dated, April 13, 2020, attached hereto as Exhibit “B”, whereby the BOR acknowledged that the proposal would improve the financial health of the P3 Program by specifically stating that the proposal would improve the debt service coverage ratio for the P3 Program. The BOR decision is not reasonable and we have received no sound basis for such rejection. The only reason provided to date for the rejection of the proposal is that the BOR does not need any additional student housing for the summer, a reason which is completely irrelevant to the goals of the proposal. The proposal provides economic benefits to the BOR, Corvias and the Noteholders without obligating the BOR to undertake any additional services at the student housing under the P3 Program during the summer academic semester. The BOR decision will result in the P3 Program being in jeopardy of being downgraded which could cause a default under Project Indebtedness and put at risk certain student facing operations in the P3 Program.

This letter serves as a formal written notice under Section 11.4 of the MCA that a “Dispute” exists between Corvias and the BOR regarding the implementation of the proposal and a written request that Unassisted Negotiations commence as of this date, April 23, 2020.

As we have conveyed to Tracey Cook, Executive Vice Chancellor for Strategic and Fiscal Affairs, and Edward Tate, Vice Chancellor of Legal Affairs, in a teleconference that took place on Friday April 17, 2020, the rejection of the proposal puts Corvias in the unenviable position of notifying the Project Indebtedness noteholders that the BOR has blocked a proposal which infuses private capital into the P3 Program without asking the BOR to change any of terms of the MCA or any Operative Agreements. The proposal could be implemented simply by executing the standard use agreement that the BOR utilizes for Summer Usage.

We urge you to reconsider the rejection of the proposal and to work directly with Corvias to allow for the injection of private capital into the P3 Program.

We would request a meeting to occur via teleconference, Friday, April 24, 2020, at 2:00 p.m. EST to further Unassisted Negotiations. If the BOR does not want to conduct Unassisted Negotiations, please let us know in writing as soon as possible, so that we may commence with Mediation pursuant to Section 11.4.2 of the MCA.

Sincerely,

Corvias Campus Living – USG, LLC



By: John G. Picerne  
Its: President

cc: Edward Tate, Vice Chancellor for Legal Affairs

***CORVIAS - USG P3 HOUSING******SUMMER REVENUE PROPOSAL TO ADDRESS COVID-19***

Corvias, LLC (“Corvias”) has been exploring creative ways to (1) infuse capital into the existing P3 student housing program with the University System of Georgia (“USG”) during very challenging economic times and (2) to provide methods to donate P3 student housing for the summer term to USG, the State of Georgia and/or local communities to address needs that arise relating to the COVID-19 pandemic.

Corvias Campus Living – USG, LLC (the “Concessionaire”) and The Board of Regents of the University System of Georgia (the “BOR”) are parties to a master concession agreement relating to the construction, financing and operation of student housing facilities (the “P3 Program”) on the campuses of nine institutions (each an “Institution”) in the USG system. The Concessionaire issued the approximately \$540 million of notes (the “Notes”) to finance the construction of the P3 Program.

Given the current crisis relating to the COVID-19 pandemic, the ability to generate summer revenue at the P3 student housing is greatly compromised and it is doubtful that any meaningful housing revenue will result from the P3 Program unless a creative solution is implemented. **Corvias has that creative solution.** Specifically, Corvias and its affiliates are exploring ways to lease such beds directly or to provide such beds to the USG Foundation through a charitable contribution. While the exact use of such beds is still uncertain and can be determined by the BOR, a number of options exist and Corvias can be very flexible in how such beds are utilized.

In any event, under this proposal, Corvias would infuse approximately \$5.47 million over an agreed pay-in schedule over the summer months either directly through a Use Agreement with the BOR or, alternatively, through a restricted charitable gift or gifts to the USG Foundation (or a specific campus affiliated foundation), who would in turn enter into a Use Agreement with the BOR. **The actual use of the housing can be very flexible and determined by the BOR.** The key is to infuse capital into the P3 Program in a manner that provides economic stability and optimal flexibility regarding the use for USG, the State or local communities to address COVID-19 issues. Potential uses could include providing beds to the State of Georgia or local officials in dealing with challenges surrounding the COVID-19 pandemic, or, in the hopeful event that the pandemic has passed, to provide below-cost affordable or free student housing to students that may have been economically strained during the current crisis, a result which could potentially create future demand for summer student housing in future years. Provided that extraordinary operating expenses are not incurred by Corvias relating to the use of the housing, USG/BOR can have the ultimate control in the use of

the housing during the summer term. **In the event that P3 Program housing beds are needed prior to the summer term, Corvias can implement this proposal in place for the remainder of the spring term crossing into the summer term working with the BOR to identify beds and facilities that will not be utilized by students remaining in the P3 Program beds or by students transferred from BOR Retained Housing into P3 Program beds.**

Below you will find a summary of two financial models:

(1) Base Case Scenario and Revenue Flow – This scenario assumes no summer revenue and simply lets the beds sit vacant until a market develops in the fall semester.

(2) Corvias Capital Infusion Scenario and Revenue Flow – This scenario provides for an approximately \$5.47 million infusion of capital either directly through Corvias or an affiliate, or, indirectly, through a restricted gift through the USG Foundation or another campus affiliated foundation. Corvias is flexible regarding the infusion of capital and is willing to work with the BOR on the optimal structure to meet the goals of this scenario.

### BASE CASE SCENARIO AND REVENUE FLOW

Under the Base Case Analysis, there is no additional infusion of capital into the program. Given the current economic conditions, we expect summer revenue to be non-existent. The current pro forma model anticipates [\$1.9 million] of summer revenue between May and June 2020. Without such revenue, below is a chart outlining the resulting financial implications.

<b>Summer Revenue</b>	
<i>FY20 Summer (04/15-05/30)</i>	\$ -
<b>FY20' Disbursements to the BOR/Reinvestment</b>	
<i>Retained Services</i>	\$ 10,351,323
<i>Contingent Rent Deposit <sup>(1)</sup></i>	275,735
<i>Reinvestment Reserve Deposit</i>	275,735
<hr/> <i>Total Disbursements</i> <hr/>	<hr/> \$ 10,902,793 <hr/>
<b>FY21 Potential Cash Shortfalls</b>	
<i>FY21 Projected Utilization of Reserves</i>	\$ (2,112,274)
<b>Debt Service Coverage Ratio</b>	
<i>FY20 FYE DCR</i>	1.08 x

<sup>(1)</sup> - Trapped due to the failure to achieve minimum DSCR of 1.20x

Under the Base Case, the debt service coverage ratio for the P3 Program will fall to a 1.08x ratio. The rating agency is already asking very pointed questions regarding the impact of the COVID-19 crisis on the P3 Program and the Base Case simply

exacerbates the economic cash flows for the P3 Program. The loss of summer revenue will result in tapping existing reserve funds in excess of \$2.1 million. While the P3 Program will have a net cash flow and result in a Contingent Rent deposit and Reinvestment Reserve deposit of approximately \$275,000, each, the BOR will not receive the Contingent Rent payment. Those funds will be trapped in the Contingent Rent Distribution Account until the P3 Program meets the required financial covenant tests contained in the note purchase documents. The Base Case is certainly not an optimal financial strategy for the P3 Program if a viable alternative exists.

### CORVIAS CAPITAL INFUSION AND REVENUE FLOW

Under the Capital Infusion Scenario, Corvias, directly or indirectly, will infuse approximately \$5.47 million into the P3 Program as described above and provide flexibility to USG, the State and/or local officials regarding how such P3 beds are utilized. Below is a chart outlining the financial implication of the additional capital infusion.

<b>Summer Revenue</b>	
<i>FY20 Summer (04/15-05/30)</i>	\$ 5,468,478
<b>FY20' Disbursements to the BOR/Reinvestment</b>	
<i>Retained Services</i>	\$ 11,171,595
<i>Contingent Rent Deposit <sup>(1)</sup></i>	649,158
<i>Reinvestment Reserve Deposit</i>	649,158
<i>Total Disbursements</i>	<u>\$ 12,469,911</u>
<b>FY21 Potential Cash Shortfalls</b>	
<i>FY21 Projected Utilization of Reserves</i>	\$ -
<b>Debt Service Coverage Ratio</b>	
<i>FY20 FYE DCR</i>	1.20 x

<sup>(1)</sup> - Trapped due to the failure to achieve minimum DSCR of 1.20x

As you can see, this scenario results in the program continuing operations in a financially stable manner without the need for withdrawals from reserves for operating expenses or debt service (assuming the use does not create extraordinary operating expenses). This scenario allows Corvias to meet its financial covenants with noteholders regarding the release of not only Corvias previously earned fees and distributions, but will also result in a total of approximately \$1,469,430 in payments to the BOR, as follows:

Additional Retained Services Fees: \$820,272 (15% of the capital infusion revenue provided by Corvias)

Contingent Rate: \$649,158

Total Payments to BOR: \$1,469,430

In addition, the P3 Program will deposit \$649,158 into the Reinvestment Reserve, which will improve the long-term viability of the P3 Program's future capital program

Finally, and importantly, this scenario does not trap any of the BOR Contingent Rent and results in a debt service coverage ratio of 1.2x coverage.

### SUMMARY

These are very challenging times for every aspect of our economy and there are stresses on essential government services. Corvias has developed a creative proposal to make available student housing beds that would otherwise be vacant to help USG or the State of Georgia address potential COVID-19 needs. The exact use of the beds can be determined by USG. Corvias is ready to assist with operational assistance as well. The key is to quickly develop an economic plan for the infusion of capital. The result will be a win-win for all parties: USG will have available beds to assist in the COVID-19 crisis; the P3 Program will have a healthy balance sheet; Corvias will meet its financial covenants with its noteholders; and the BOR/USG will receive approximately \$1.4M in additional Retained Services, Contingent Rent and Reinvestment Reserves. If we are all fortunate and the COVID-19 pandemic has run its course, the plan stays in effect and USG can utilize the beds to provide below-cost or free student housing to students that have otherwise been impacted by the financial stress associated with the pandemic. Below is a final comparison chart showing the two options and the benefit to the BOR.

	Base Case	Corvias Capital Infusion	Variance
<b>Summer Revenue</b>			
<i>FY20 Summer (04/15-05/30)</i>	\$ -	\$ 5,468,478	\$ 5,468,478
<b>FY20' Disbursements to the BOR/Reinvestment</b>			
<i>Retained Services</i>	\$ 10,351,323	\$ 11,171,595	\$ 820,272
<i>Contingent Rent Deposit <sup>(1)</sup></i>	275,735	649,158	373,423
<i>Reinvestment Reserve Deposit</i>	275,735	649,158	373,423
<b>Total Disbursements</b>	<b>\$ 10,902,793</b>	<b>\$ 12,469,911</b>	<b>\$ 1,567,118</b>
<b>FY21 Potential Cash Shortfalls</b>			
<i>FY21 Projected Utilization of Reserves</i>	\$ (2,112,274)	\$ -	\$ 2,112,274
<b>Debt Service Coverage Ratio</b>			
<i>FY20 FYE DCR</i>	1.08 x	1.20 x	0.12 x

<sup>(1)</sup> - Base Case Contingent Rent trapped due to the failure to achieve minimum DSCR of 1.20x

Corvias looks forward to working with the BOR in our partnership during the challenging times and are available to answer any additional questions you may have. Corvias is able to implement this proposal very swiftly and in a flexible manner for all parties.

Exhibit B



**BOARD OF REGENTS OF  
THE UNIVERSITY SYSTEM OF GEORGIA**

TRACEY COOK  
EXECUTIVE VICE CHANCELLOR FOR STRATEGY AND FISCAL AFFAIRS  
270 WASHINGTON STREET, S.W.  
ATLANTA, GEORGIA 30334

404.962.3233 PHONE  
TRACEY.COOK@USG.EDU

April 13, 2020

Mr. Chris Wilson  
Corvias Campus Living - USG, LLC  
1405 South Country Trail, Suite 530  
East Greenwich, RI 02818

Dear Mr. Wilson,

This letter is in response Corvias' recent proposal titled "Corvias - USG P3 Housing Summer Revenue Proposal to Address COVID-19."

Thank you for the options presented during this Public Health Emergency and your offer to the USG to make housing available to us for the summer either through a Corvias affiliate purchasing Corvias summer housing stock from Corvias or via a directed gift to the USG Foundation directing the USG Foundation to purchase summer housing stock from Corvias. We understand and appreciate that either option would have the benefit of improving Corvias' debt service coverage ratio.

Nevertheless, as our institutions will only be offering remote instruction for the summer, we do not currently have a need for additional student housing for the summer and therefore do not plan to pursue the Corvias Capital Infusion Scenario included in your proposal.

Sincerely,

A handwritten signature in black ink that reads "Tracey Cook". The signature is written in a cursive, flowing style.

Tracey Cook  
Executive Vice Chancellor for Strategy and Fiscal Affairs

Cc: Teresa MacCartney  
Edward Tate