University of Central Florida

Purchasing Department

ADDENDUM

IMPORTANT DOCUMENT – INVITATION TO NEGOTIATE ADDENDUM

ITB NUMBER: 1701JCPS OPENING DATE & TIME: August 18, 2017; 3:30pm EDT

ITB TITLE: Refinancing of the UCF Health Facilities Corporation; Capital Improvement Revenue Bonds (UCF Health Services Campus at Lake Nona, Project), Series 2007

ADDENDUM NUMBER: 3 ADDENDUM DATE: August 10, 2017

The purpose of this addendum is to answer the second round of questions submitted before the August 9th deadline. Please refer to the attached continuation pages.

PLEASE ACKNOWLEDGE RECEIPT OF THIS ADDENDUM AND RETURN IT WITH YOUR BID. FAILURE TO SIGN AND RETURN WITH YOUR BID COULD RESULT IN REJECTION OF YOUR BID.

____________________________ ____________________________________

PROPOSERS SIGNATURE PRINT OR TYPE PROPOSER'S NAME

____________________________ ____________________________________

COMPANY NAME EMAIL ADDRESS

Answers to Questions

1. Vendor Question: The OS for the existing bonds states that the CBA to appropriate the pledged revenues is subject to prior payment obligations. Please detail the amounts and terms of the prior payment obligations.
   Response: There are no prior payment obligations.

2. Vendor Question: We understand that the security is Indirect Cost Revenues from contributions and grants. We understand that these are revenues not readily identified with a particular project or activity but are necessary for general operations and activities. Please confirm this definition is correct.
   These are revenues are not readily identified with a particular project or activity but are reimbursement costs charged to contracts and grants to help recover the costs the university cost to support the contracts and grants.

3. Vendor Question: Your Exhibit Q49 shows total UCF C&G Revenues and then deducts non-indirect cost revenues to come up with total C&G Indirect Cost Revenues. You also provide details of total C&G revenues on several of your exhibits; however, we cannot tell from the information provided how many grants provide the Indirect Cost Revenues that secure the debt. A credit strength would be the number and the diversity of the C&G Revenues but we need to confirm number of grants and contributions that provide the Indirect Cost Revenues. Are you able to provide details of the number and duration of the grants that make up Indirect Cost Revenues?
   See Q1-Grants Breakout and Q13-Outstanding Grants.

4. Vendor Question: It is our understanding that the lender will receive a direct pledge of the full amount of the University's C&G indirect cost revenues, not just the amount of C&G revenues that is transferred from the University to the DSO to pay debt service. We also understand that the lender's pledge of, and lien on, those revenues is documented in the Operating Lease Agreement. However, in that Agreement, "Pledged Revenues" is defined (on Page 2) as follows: "Lessor's indirect cost revenues and available fund balance received by the Lessor from Federal, State and private research and grants contracts." Since the Lessor is the DSO, this definition is defining Pledged Revenues as only the DSO's indirect cost revenues, rather than the full amount of indirect cost revenues received by the Lessee (University). Also, in Section 6(d) of the Lease Agreement, it states that, "the Lessee covenants and agrees to appropriate in its annual budget, by amendment, if necessary, from Pledged Revenues, amounts sufficient to pay amounts due under the Operating Lease not being paid from other amounts as the same shall become due. ……… No lien upon or pledge of such Pledged Revenues shall be in effect until such monies are budgeted and appropriated." Again, the ITN indicates that the "Note will be secured solely by the University's indirect cost revenues received by the University from Federal, State and private grants." We understand this to mean we will receive a direct pledge of, and lien upon, this full revenue source. However, the Operating Lease Agreement restricts that pledge and lien to only

the amounts of those revenues that are transferred to the DSO, and only to the extent that those amounts are budgeted and appropriated by the University.

Response: Everyone is reading the old documentation correctly but the ITN properly reflects how the loan will be secured **going forward**. The University's obligation to make a payment to the DSO under **a new amended** operating agreement will be secured by a lien on the indirect cost revenues the University receives from Federal, State and private grants. The university is legally authorized to secure its obligation to the DSO with these revenues pursuant to section 1010.62 of Florida Statutes. The University will budget an amount of the indirect cost revenues each fiscal year and deposit the full amount of principal and interest in the debt service account of the DSO on each July 1. The University's obligation to make its payment to the DSO is only limited to the availability of indirect cost revenues. The reference to the budget process is only an acknowledgement that the University must budget and appropriate funds as part of its budget process but is not a limitation on its payment obligation. The debt is not a general obligation of the University but is limited to the amount of indirect cost revenues it receives. The debt service account can be established by the DSO and held by the lender. The DSO in turn can only pledge the money it receives from the University so it will pledge all amounts in the debt service account.

5. Vendor Question: The RFP states that the 2017 note will be secured solely by University's indirect cost revenues received by the University from Federal, State and private grants and that the university is legally authorized to secure the Notes with the revenues to be pledged pursuant to section 1010.62 of Florida Statutes. The RFP does not reference the lease agreement or the covenant to budget and appropriate from pledged revenues. Therefore, can you confirm whether or not debt service will still be subject to the annual appropriation of pledged revenues or if there will be a direct lien on such revenues not subject to annual appropriations.

   Response: See response to question 4 above.

6. Vendor Question: Is the annual lease payment appropriated first from the $18,235,494 in Pledged Revenues (for 2016) prior to appropriations for any other expenses of UCF? If not, please detail what expenses are paid prior to the lease payment.

   Response: Annual lease payments will be set aside from accumulated net revenues before the actual fiscal year begins since the principal payment will be due on the first day of the fiscal year.

7. Vendor Question: Please provide a breakout of all other expenses paid from the Pledged Revenues in addition to the lease payment.

   Response: Outside of debt service approximately, 40% of the indirect revenues have been spent on compensation and the rest on various equipment and other operational expenses.

8. Vendor Question: Please confirm the ABT of 1.5x MADS as mentioned in the RFP is correct and Section 26 of the Operating Lease Agreement will be adjusted accordingly.
   Response: Confirmed.

9. Vendor Question: Please confirm that the Lessor, under Section 24 of the Operating Lease Agreement, can take possession of the Leased Property and relet it and this Operating Lease Agreement will be assigned to the Lender.
   Response: The DSO and the Lender will have rights to cause the University to appropriate the indirect cost revenues. The building is not collateral in the financing

10. Vendor Question: Original Documents continue to be referred to in previous discussion. Please confirm that the terms and conditions on the proposed financing will be on the same terms as that for the existing 2007 series debt being refinanced.
    Response: Outside of an amended Operating Agreement, the terms and conditions are those proposed in the ITN and addendums

11. Vendor Question: When looking at the Pledge Revenue reconciliation, is there a way for us to back into the $98.8MM noted as Non-Indirect Costs Revenue; is there concern the amount reimbursable at this point may reduce and more reliance on UCF to cover the non-indirect cost revenues?
    Response: See attachment Q49-Pledged Revenue Reconciliation. The amount reimbursable is negotiated with contracting entities on a regular basis. There is no concern from that standpoint.

12. Vendor Question: Has the underlying property which is the subject of the assigned Operating Lease been pledged to support any other debt instruments or encumbered in any way?
    Response: No, the underlying property has not be pledged to support any other debt instrument.

13. Vendor Question: When looking at the historical and projected debt service coverage, are there any non-cash items included in the total O&M figure (depreciation/amortization, etc.), or any nonrecurring items; footnote 3 indicates the calculation was for the benefit of the Board of Governors, is there a threshold they are requiring? What were the drivers of the total O&M increasing from 2015-2017 causing the net calculation to fall below 1x?
    Response: There is not non-cash items included in the debt service coverage amounts, however, there could be some nonrecurring items. The Board of Governors requires a coverage ratio of at least 1.2. There were large nonrecurring purchases from the use of accumulated cash made during the years the net coverage dipped below 1.0.

14. Vendor Question: Will the original 2007 Bond Documents be amended to reflect the 2017 transaction, but substantially left the same, or will there be any material changes to covenants or key provisions? If so, what will those changes be?
Response: See response to #10.

15. Vendor Question: When UCF states that funds are deposited on July 1 is that for current year debt service (which would mostly be paid the same day) or does it include the principal amortization of the following year (due in precisely 1 year)?
Response: No, the deposited funds will not include the principal amortization for the following year.

16. Vendor Question: What is UCF's cognizant agency? Could you provide a history of the ICR rate, including current rate and when it's up for renegotiation (or review)?
Response: Unsure what is meant by "cognizant agency". There is no single ICR rate. Rates are negotiated regularly with the contracting entities.

17. Vendor Question: When you aggregate all awards by federal agency (or other source), from where is UCF getting most of its grants and contract revenue (by amount and % total)? From which agency is the "Gold Salmon" largest award that was mentioned in Q41?
Response: See Q29c-Agencies Providing Grants and Q29a-% of Grants by Source

18. Vendor Question: Is the ABT of 1.50x MADS noted in the ITN section I (additional debt covenants) new since Series 2007 Bonds? In the Operating Lease dtd June 1, 2007 (Section 26), the Additional Parity Debt section cited an ABT of 1.20x MADS, with certain revenue adjustments permitted if ABT were between 1.10x and 1.25x MADS.
    a. The time period for measuring Pledged Revenues also differs. The 2007 time period for measuring Pledged Revenues is 12 consecutive months out of preceding **18** months. The time period cited in the ITN is 12 consecutive months out of preceding **24** months. Please confirm which measurement period is correct, and if changed, what the rationale is for changing it.

Response: Yes, the 1.5 times is new. a. The 12 out of 24 months is correct. This gives the university more time to calculate the numbers.