

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.

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

⁽¹⁾ - 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.

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

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

⁽¹⁾ - 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.