

NORTH FLORIDA INNOVATION LABS
THE UNIVERSITY FINANCNG FOUNDATION
TERM SHEET

REGARDING DEVELOPMENT OF EDA FUNDED FACILITY

PROPERTY:	The 3.51 acre parcel within the Innovation Park of Tallahassee on which the Facility will be located. The Property is owned by the State of Florida and subject to a prime ground lease with LCRDA as tenant (the “Prime Ground Lease”).
FACILITY:	North Florida Innovation Labs building currently planned and under design as a 40,000 square foot building containing space for business incubation and acceleration, education/training for entrepreneurs, research and development and workforce development, and associated ancillary assets such as parking, utilities and onsite amenities as required.
LCRDA:	Leon County Research and Development Authority
FACILITY TENANT:	Innovation Park TLH, Inc DBA North Florida Innovation Labs - the organization formed to operate the North Florida Innovation Labs whose mission includes the nurturing and education of early-stage companies and the commercialization of intellectual property from the higher education institutions in Tallahassee and other locally created technologies. Innovation Park TLH has applied for federal 501(c)(3) status and that application is pending.
TUFF:	A limited liability company owned entirely by The University Financing Foundation, Inc. TUFF is a nationally chartered 501(c)(3) whose mission is to provide facilities and

equipment to institutions of education and research at below the cost of market

EDA GRANT:

A Financial Assistance Award of \$10,214,022 awarded on September 17, 2020, to LCRDA by the U.S. Economic Development Administration under the Economic Adjustment Program and titled “High-Tech Business Incubator”

Transaction Structure:

TUFF will sublease the Property from LCRDA, pursuant to a sublease (the “Ground Sublease”) that passes essentially all benefits and burdens of the Prime Ground Lease to TUFF. The Ground Sublease will require TUFF to develop the Facility for use by Facility Tenant subject to the ground lease conditions and any existing contracts and conditions to which LCRDA is subject.

LCRDA will make available to TUFF, for the benefit of Facility Tenant, an amount that includes the EDA Grant and all other currently existing raised capital (the “Cost-Reduction Fund”). These amounts will be applied to Facility Tenant’s rent obligation, resulting in significant pre-paid rent and a commensurate reduction in Facility Tenant’s annual rent. The Master Lease rental payment will be a function of the amount of capital that TUFF invests and TUFF will provide both partial prepayment and full prepayment options for Facility Tenant as additional capital is raised.

TUFF will develop the Facility and enter into a Master Lease with the Facility Tenant. TUFF will be required to deliver the Facility to Facility Tenant to the exact programming requirements of Facility Tenant at a date specified in the Facility Lease TUFF will assume all risks of development as well as all contracts for development which LCRDA or Facility Tenant have entered into. No additional fees are paid to TUFF beyond the provision of capital; however, traditional development management fees will be payable to a provider chosen by TUFF to supplement the construction oversight work of the previously engaged architect.

The real value of TUFF’s involvement reaches beyond the provision of capital to bridge the funding shortfall and the development of the Facility. TUFF’s experience is extensive in the creation of innovation ecosystems. After delivery of the Facility to the Facility Tenant, TUFF will strongly recommend and expect to remain involved in the advancement of the Innovation

Park and North Florida Innovation Labs. TUFF provides a menu of services that can be applied to ensure that the capital invested by EDA, FSURF, IA and TUFF reaches its full potential and is transformative to the Tallahassee community.

TUFF provides facility operation and management services which goes beyond simple waste management and maintenance. Property management also includes technical programming aimed at producing collaboration amongst entrepreneurs and scientists both at the Facility as well as the broader community. Property management fees are payable on a per foot basis as part of operating expenses of the facility.

Additional TUFF services include consulting services for a fixed fee which provide support to LCRDA and Facility Tenant regarding enhancement of the revenue sources at the Facility which may include traditional real estate leasing, event management, cooperative programs and sponsorships with and by industry and enhancement to the existing membership program. These services are optional but highly recommended to create the vibrant, transformative innovation ecosystem in Tallahassee which we all expect.

TUFF Investment: TUFF will invest in the Facility an amount necessary to cover the difference between Total Development Costs and the amount of the Cost Reduction Fund, up to \$8,000,000. The source of this investment will be TUFF's own resources. Facility Tenant may choose to retain some of the Cost Reduction Fund for establishment of a start-up and ongoing operating reserve and instead use the TUFF investment for Development Costs (including equipment included in the Development Cost budget) but in no case can the TUFF Investment exceed \$8,000,000.

Ground Sublease At closing of financing and prior to the start of construction, LCRDA (as Ground Sub-Landlord) will enter into a Ground Sublease with TUFF (as Ground Sub-Tenant).

Lease Term: Fifty (50) years

Ground Rent: \$1, payable from TUFF to LCRDA at closing. The lease rate is set at a nominal amount to facilitate lower Master Lease rent

payments, reducing the financial burden on Facility Tenant.

Contribution of
Project Funds and
Development
Authority:

TUFF and LCRDA will work with EDA to determine the appropriate manner in which the Cost Reduction Fund can be applied to the Project. Mechanisms which could produce the desired results include: 1) TUFF becoming a co-applicant with LCRDA and the grant go directly to TUFF, 2) LCRDA contribute the Cost Reduction Fund as a ground leasehold improvement allowance, 3) LCRDA contribute the Cost Reduction Fund to Facility Tenant and Facility Tenant provide to TUFF as pre-paid rent, 4) or other mechanism agreed upon and approved by all parties. LCRDA acknowledges that these funds will be the first funds expended on development costs. The Ground Sublease will obligate TUFF to discharge all responsibilities and obligations to deliver the project as outlined in the existing agreements between LCRDA and the EDA, FSURF and IA. Upon contribution to the project, TUFF will become the responsible party for the Cost Reduction Fund. Any failure to comply with EDA requirements will be TUFF's responsibility to remedy.

Consistent with
Prime Ground
Lease:

All applicable terms under LCRDA's Prime Ground Lease with the State of Florida would be incorporated in the Ground Sublease to TUFF, formalizing TUFF's obligation to comply with all requirements of that Prime Ground Lease as well as compliance with restrictions on the Cost Reduction Fund, the Innovation Park Covenants and Restrictions, PUD, and Development Agreement with City of Tallahassee.

Master Lease:

At closing of financing, prior to the start of construction, and simultaneously with the execution of the Ground Sublease, the Facility Tenant shall master lease the Property from TUFF on the following terms:

Lease Term: Thirty (30) years

Initial Base Rent: Initial Base Rent will be a function of the TUFF Investment times a return on TUFF invested capital of 6%, amortized over 30 years.

To promote financial health for Facility Tenant during the start up phase of the operations, two (or more) mechanisms can be integrated into the annual rent calculation for both the Initial Base Rent and ongoing annual rent:

- 1) **Sculpting of the rent curve.** TUFF will shape the amortization of the principal to reflect lower amortization and annual cost in the early years escalating over time. The Initial Base Rent will reflect a lower amount than if the amortization was straight line. Annual rent thereafter would increase at an agreed upon amount.
- 2) **Deferral of rent.** The Master Lease will allow Facility Tenant to defer rent payments and accrued interest up to a pre-agreed amount (the "Maximum Deferral Amount"). Upon agreement with TUFF, Facility Tenant can defer a portion of annual rent ("Shortfall Amount"). Facility Tenant can defer rent in only the first three (3) years of the Master Lease term. Each consecutive year, the annual Shortfall Amount is added to the existing balance creating, with interest accruing at 6%, the Cumulative Shortfall Amount. Repayment of the Cumulative Shortfall Amount can occur at any earlier time, but (a) once the Cumulative Shortfall Amount reaches the Maximum Deferral

Amount, no further rent deferrals can be implemented and interest must be paid current in order to keep the Cumulative Shortfall Amount at or below the Maximum Deferral Amount; and (b) beginning with the start of the fifth year of the Master Lease term, any Cumulative Shortfall amount must be repaid based upon a five-year amortization schedule. Failure to pay interest on, or repay, the Cumulative Shortfall Amount as provided above will be a default under the Master Lease and would lead to termination of the Master Lease.

Operating Costs: Because rent is a function of the financing plan and associated cost, Facility Tenant shall pay all operating costs relating to the Property, including all insurance, real estate taxes (if applicable) and professional property management fees.

Maintenance and Repairs: Facility Tenant shall be responsible for all maintenance and repairs to the Property, including capital repairs and replacements.

Alterations: TUFF shall be entitled to review and approve the plans for any structural or significant non-structural alterations to the Property, which approval shall not be unreasonably withheld.

Additional Services:

In addition to the TUFF Investment, TUFF will offer the following services to Facility Tenant and LCRDA. Definition of and compensation for these services will be determined by the parties based on the level of service desired by Facility Tenant.

- Property and Operations Management
 - Costs are on a per foot basis for the level of services

- provided and included as operating expenses
- Estimated per foot costs are \$ _____
- Community and Activation Services
 - Macro Ecosystem Audit
 - Granular Insights
 - Analysis and Recommendations
 - Implementation
 - Costs are on a per foot basis for the level of services provided and included as operating expenses
 - Estimated per foot costs are \$ _____
- Revenue Creation Advisory
 - Membership programs
 - Grant identification and pursuit
 - Sponsorship programs
 - Event Based Fee programs
 - Cooperative Industry programs
 - Costs for these services are beyond the scope of this term sheet and would be contracted separately based on hourly and/or fixed fee arrangements
- Marketing and Leasing
 - If Facility Tenant agrees traditional real estate leasing is a viable means for revenue growth, TUFF can support marketing and leasing
 - Costs for these services are beyond the scope of this term sheet and would be traditional real estate brokerage marketing and leasing costs
- Future Development Services
 - Planning services
 - Horizontal development services
 - Vertical development services

- Our expectation is the success of the North Florida Innovation Labs will lead to future development and TUFF can provide both the pre-development planning services and horizontal and vertical development services for future growth.
- Costs for these services are beyond the scope of this term sheet and would be traditional real estate development costs.

Conveyance: At the end of the term of the Master Lease, assuming full compliance by the Facility Tenant (including full payment of any the Cumulative Shortfall Amount under the Master Lease), TUFF will reconvey the Facility and Property to either LCRDA or the Facility Tenant (as defined in advance) for nominal (\$1) consideration.

Partial Pre-Payment/

Early Termination: Throughout the term of the Master Lease, LCRDA or the Facility Tenant shall have the opportunity to terminate the lease for a fee. The fee amount will reflect:

The remaining principal value of the TUFF Investment, including full payment of the Cumulative Shortfall Amount under the Master Lease

Facility Tenant may also partially prepay the remaining TUFF Investment and Cumulative Shortfall Amount at anytime throughout the term of the Master Lease (but, with respect to the Cumulative Shortfall Amount, no later than as set forth above). Application of prepayment amount will first go towards the interest on the Cumulative Shortfall Amount, then the Cumulative Shortfall Amount, then any unpaid annual rent then the TUFF

investment. The remaining TUFF Investment will then be re-amortized over the remaining life of the Master Lease and annual rent decreased.

Broker Involvement: Neither TUFF, LCRDA, nor the Facility Tenant will be represented by a broker in this transaction.

DRAFT

This Term Sheet serves as an outline of a proposed transaction between TUFF, LCRDA, and the Facility Tenant and is non-binding and creates no legal obligations. The parties shall only be bound if and when formal documentation is executed and delivered. No party shall be under any duty or obligation to continue discussions, and any of them may terminate discussions at any time without liability to the other.

Accepted and Agreed To:

The University Financing Foundation, Inc.

By: _____
Name: _____
Title: _____
Date: _____

Leon County Research and Development Authority.

By: _____
Name: _____
Title: _____
Date: _____

Innovation Park TLH, Inc. DBA North Florida Innovation Labs

By: _____
Name: _____
Title: _____
Date: _____