

STATE BOARD OF EDUCATION

November 16, 2004

SUBJECT: A Resolution of the State Board of Education Authorizing the Issuance of Revenue Bonds by the Florida Gulf Coast University Financing Corporation, Inc. to Finance Phase VII of the North Lake Village Student Residences on the Campus of Florida Gulf Coast University.

UNIVERSITY AFFECTED: Florida Gulf Coast University

PROPOSED BOARD ACTION

Approve the financing plan and adopt a resolution authorizing the issuance of variable rate, tax-exempt revenue bonds by the Florida Gulf Coast University Financing Corporation, in an amount not to exceed \$8,000,000, to finance the cost of construction of Phase VII of the North Lake Village student residence complex, on the campus of Florida Gulf Coast University. Authorize the Chair, the Vice Chair, the Deputy Commissioner of Finance and Operations, and other authorized representatives of the State Board of Education to execute the necessary contractual documents related to the financing of the project.

AUTHORITY FOR STATE BOARD OF EDUCATION ACTION

Chapter 2004-268, Section 10, Item 26, and Section 11, Item 38, Laws of Florida; and Section 1010.60(2), Florida Statutes.

BACKGROUND INFORMATION

Florida Gulf Coast University requests approval for the Florida Gulf Coast University Financing Corporation, a direct support organization, to issue variable rate, tax-exempt revenue bonds in an amount not to exceed \$8,000,000 to finance the construction of Phase VII of the North Lake Village student residence complex. The proposed facility will be a 288-bed apartment style addition to the Florida Gulf Coast University housing system and will be located adjacent to North Lake Village, Phases I through VI, on the campus of Florida Gulf Coast University. The total project cost is estimated to be \$7,466,166 and will be funded from bond proceeds and interest earnings.

The Florida Gulf Coast University Board of Trustees, at its October 6, 2004 meeting, approved the proposed Student Housing Phase VII project and the financing thereof. The construction and financing of the project were also approved by the Florida Legislature in the 2004 General Appropriations Act, Chapter 2004-268, Section 10, Item 26, and in Section 11, Item 38, Laws of Florida.

Supporting Documentation Included: Requesting Resolution
Project Summary
Financial Plans
Summary of Master Ground Lease
Summary of Master Operating Lease

Other Support Documents Available: Proposed Master Ground Lease
Proposed Master Operating Lease
Pro Forma Financial Statements
Estimated Debt Service Schedules

Facilitator/Presenter: Jeanine Blomberg

A RESOLUTION APPROVING THE ISSUANCE BY THE FLORIDA GULF COAST UNIVERSITY FINANCING CORPORATION (THE "FINANCING CORPORATION"), A UNIVERSITY DIRECT SUPPORT ORGANIZATION, OF ITS HOUSING SYSTEM REVENUE BONDS, SERIES 2004, IN AN AMOUNT NOT TO EXCEED \$8,000,000; AUTHORIZING THE CHAIR, VICE CHAIR AND STAFF TO TAKE FURTHER ACTIONS CONSISTENT WITH THE RESOLUTION; AND PROVIDING AN EFFECTIVE DATE.

The duly acting and appointed State Board of Education (the "State Board of Education") of the State of Florida (the "State") at a meeting duly held pursuant to notice and a quorum being present, do hereby make the following resolutions:

BE IT RESOLVED:

1. Findings. The State Board of Education hereby finds as follows:

(A) The Legislature of the State has approved the Project (as hereinafter defined) in the General Appropriations Act for fiscal year 2004-2005, Chapter 2004-268, Laws of Florida.

(B) The Financing Corporation was incorporated by The Florida Gulf Coast University Board of Trustees (the "University Board") to provide direct support to Florida Gulf Coast University (the "University") and designated as a "University Direct Support Organization" by the University Board pursuant to §1004.28, Florida Statutes (2003).

(C) The University Board has requested that the Financing Corporation issue its Housing System Revenue Bonds, Series 2004 in an amount not to exceed \$8,000,000 (the "Bonds") to finance (i) a new 288-bed student residence facility (the "Project"), (ii) capitalized interest and (iii) certain costs relating to the Bonds. The foregoing plan to finance the Project, capitalized interest and costs relating to the Bonds, is collectively referred to herein as the "Financing Plan."

(D) The State Board of Education declares that the Project will serve a public purpose by providing housing facilities at the University.

2. Approval of the Project. The State Board of Education hereby approves financing of the Project by the Financing Corporation for use by the University.

3. Approval of the Bonds. The State Board of Education hereby approves issuance of the Bonds by the Financing Corporation for the purposes described herein, in an amount not to exceed \$8,000,000, said Bonds to have a final maturity not to exceed thirty (30) years from the date thereof and at an interest rate or rates acceptable to the Financing Corporation. This approval is subject to the understanding that (i) the Bonds shall be secured by housing system revenues under an operating lease and an indenture and (ii) the proceeds of the Bonds shall be used exclusively to fund the Financing Plan.

4. Representations of the University. The University acknowledges that use of variable interest rate financing involves the assumption of risk associated with an increase in interest rates. Accordingly, the University has agreed to take appropriate actions to reduce such risk including:

(A) Closely monitoring the variable interest rate market to ensure rapid response to changes in interest rates.

(B) Use of interest rate caps or swap transactions in at least the same proportion as existed for the housing system prior to the proposed bond sale, if financial conditions warrant.

(C) Maintenance of sufficient fund balance within the housing system to provide for payment of extraordinary operating expenses and, if necessary, payment of debt service.

(D) Approval of rate increases as appropriate to maintain coverage ratios.

5. Repealing Clause. All resolutions of the State Board of Education, or parts thereof, in conflict with the provisions herein contained, to the extent they conflict herewith, are, to the extent of such conflict, hereby superseded and repealed.

6. Authorization of Further Actions Consistent Herewith. The members of the State Board of Education, attorneys, or other agents or employees of the State Board of Education are hereby authorized and directed to do all acts and things required of them by this resolution or desirable or consistent with the requirements hereof, to assure the full, punctual and complete performance of all the terms, covenants and agreements contained in the Bonds and this resolution including execution of such documents, certificates, contracts and legal opinions and other material delivered in connection with construction, sale or leasing of the Project for use by the University, the issuance of the Bonds or as necessary to preserve the tax-exemption thereon, in such form and content as the Chair, Vice Chair or authorized officers executing the same deem necessary, desirable or appropriate.

7. Effective Date. This resolution shall become effective immediately upon passage.

STATE BOARD OF EDUCATION
Project Summary
Florida Gulf Coast University
Residence Life Enhancement Project
Student Housing Phase VII (North Lake Village)

- Project Type :** The proposed Student Housing Phase VII of the Residence Life Enhancement Project, North Lake Village, will provide an additional 288 beds to the existing Phase I through Phase VI, and will provide additional opportunities for Florida Gulf Coast University students to live on campus.
- The project will be financed from variable rate, tax-exempt bonds issued by the Florida Gulf Coast University Financing Corporation in an amount not to exceed \$8,000,000. Construction of the project will be administered by the Florida Gulf Coast University Financing Corporation under the supervision of Florida Gulf Coast University, which is consistent with construction of previous university housing phases.
- Facility Site Location:** The proposed Student Housing Phase VII will be located on the northern portion of the main campus of Florida Gulf Coast University in Fort Myers, Florida. Phase VII will be built adjacent to the existing Phases I through VI, and utilize inter-connected parking, common areas and amenities.
- The proposed project is included in the 2002 Campus Master Plan Update adopted by the Florida Gulf Coast University Board of Trustees at its October 10, 2002, meeting.
- Student Market:** The primary targeted market for Phase VII will be traditional single, undergraduate, graduate, and professional students with particular emphasis on the University's growing "first time in college" student population.
- Physical Description:** The proposed Student Housing Phase VII will consist of four three-story buildings and a central one-story activity center. Phase VII is planned to serve students with private bedrooms in a four single bedroom apartment with bath, living, and kitchen facilities in each apartment. Each apartment will be fully furnished and wired with Cable television and each bedroom will be wired to the campus network. It is anticipated that the facility will consist of approximately 75,000 gross square feet, with maintenance closets/janitorial closets/mechanical rooms and elevator space. Approximately 200 resident parking spaces will also be a part of this project.
- Pledged Revenues:** Housing system revenues will be pledged for the payment of debt service obligations. These revenues are derived primarily from rental income, damage deposit forfeitures, summer special event rentals and other miscellaneous collections after deducting operating expenses. These revenues will be used by the Financing Corporation to pay all expenses associated with the Housing System, including debt service. Currently, student housing rent is \$2,210 per student, per academic term, and will be

increased to \$2,558 by Year 2010-2011. Student housing rent for Summer Term is currently \$1,105 per bed.

The Series 2004 Bonds will be issued on parity with the outstanding Florida Gulf Coast University Financing Corporation Revenue Bonds, Series 2003, which currently have an outstanding principal amount of \$47,500,000.

Debt Service Coverage: The estimated debt service coverage ratio for fiscal Year 2005-2006 for the proposed Student Housing Phase VII project is 3.13, and 1.45 for the entire housing system. These ratios are calculated based on a debt service payment of interest for six months. The estimated debt service coverage ratio for fiscal Year 2006-2007 for the Student Housing Phase VII project is 1.41, and 1.44 for the entire housing system. These ratios are calculated based on principal and interest payments for twelve months. The estimated debt service is calculated at an interest rate of 6% through the maturity date of July 1, 2034.

Current Housing Facilities: The housing system at Florida Gulf Coast University currently provides approximately 1,624 rentable beds. The proposed Student Housing Phase VII will have a capacity of approximately 288 beds and will increase the total rentable beds to 1,902 by Fall 2005. Additional student residences are in the pre-planning stages and will consist of an additional 3,000 beds to be located in an additional student residence village.

Summary of Pro Forma: The proposed Phase VII housing project is based on estimated 2005-2006 rental rates of \$2,210 per bed (single bedroom), per term. Phase VII will generate significant additional revenues for the housing system through its operations. The 2003-2004 revenues from operations for Phases I through VI were \$5,857,701, with expenses of \$2,097,582, for net revenues from operations of \$3,760,119. In 2005-2006, the projected revenues from operations for Phases I through VII is \$8,079,108, with operating expenses of \$2,942,390, for net revenues from operations of \$5,136,718.

To compensate for the operating costs and debt service costs to the housing system, a series of rent increases of 2% to 5% are planned every two years. However, this may need to be adjusted as conditions warrant. Additional expenses assessed the housing system will be addressed through these planned rent increases, depending on general economic conditions, which resulted in a 2% rate increase this year. Student housing rates are currently \$2,210 per bed, per semester, and will be increased to \$2,558 per bed, per semester, by 2010-2011.

Demand Analysis: Florida Gulf Coast University continues to enjoy strong demand by new students with current enrollment increases in excess of 8%. Since the establishment of the housing system in 1998-1999, average occupancy rates have ranged from 82% to 100%. For the Fall 2004 semester, the average occupancy rate is 95%.

Student enrollment has increased from 2,585 in 1997-1998 to 5,965 for 2004-2005. Approximately 25% of the enrolled students live on campus. The first-time-in-college student enrollment has grown from 864 in the Fall of 2002 to 966 in the Fall 2004 semester.

The facilities also house both summer conference personnel and youth camp participants. Through the expansion of Housing options, the University will be able to better serve the varied needs of its students.

Planned Opening Date: It is anticipated that Student Housing Phase VII will be open for occupancy in August 2005.

STATE BOARD OF EDUCATION
Analysis of the Financial Plan for Florida Gulf Coast University Student Housing, Phase VII
for Fiscal Year 2005-2006

(Student Housing System)

| <u>Sources of Funds</u> | | <u>Basis for Amounts</u> |
|--|---------------------|--|
| Bond Sale Amount | \$ 8,000,000 | Series 2004 Bond amount based on a variable, tax-exempt interest rate of 6% for 30 years issued by the Florida Gulf Coast University Financing Corporation. |
| Less: Cost of Issuance | \$ (139,866) | Based on estimated costs. |
| Plus: Interest Earnings (Construction Trust Fund) | \$ 86,032 | Estimate is based on net bond proceeds on deposit with trustee, invested for 12 months at an interest rate of 2.5%, considering equal monthly draws. |
| Total Sources of Funds | \$ 7,946,166 | |
| | | |
| <u>Uses of Funds</u> | | |
| Project Cost | \$ 7,466,166 | Cost of design, construction, and equipment. The project cost is \$25,924 per bed and \$86 per gross square foot. This is comparable to the project cost of FGCU Student Housing, Phase VI, of \$26,883 per bed or \$99 per gross square foot. |
| Debt Service Reserve Account | N/A | Variable rate financing does not require a debt service reserve fund. |
| Estimated Interest to be Paid During Construction (Capitalized Interest) | \$ 480,000 | This represents 12 months of capitalized interest to be paid from bond proceeds at an interest rate of 6%. |
| Total Uses of Funds | \$ 7,946,166 | |
| | | |
| <u>Debt Service Coverage - Fiscal Year 2005-2006</u> | | |
| Operating Revenue - FGCU Housing System | \$ 8,079,108 | The total includes projected revenues from rentals for Phases I through VII, based on an occupancy rate of 95% for the first full year of operation (Fiscal Year 2005-2006). |
| Less: Operating Costs | \$ (2,942,390) | Projected operating costs for Phases I through VII during Fiscal Year 2005-2006. |
| Revenue Available for Debt Service From Housing System Revenue | \$ 5,136,718 | Net revenue available for debt service from operations in Fiscal Year 2005-2006. |
| Debt Service | | |
| Total Debt Service - Series 2003 Bond | \$ 3,312,700 | |
| Total Debt Service - Series 2004 Bond | \$ 240,000 | Debt service payment for the Series 2004 Revenue Bonds represents six months of interest for the first year of operation, Fiscal Year 2005-2006. |
| Total Combined Debt Service for Fiscal Year 2005-2006 | \$ 3,552,700 | |
| | | |
| Debt Service Coverage Ratio | 1.45 | The debt service coverage ratio for Fiscal Year 2006-2007 is 1.44 and is based on a full annual debt service payment for the Series 2004 Bonds. |

* The financial analysis is based upon information provided by Florida Gulf Coast University Financing Corporation.

STATE BOARD OF EDUCATION
Analysis of the Financial Plan for Florida Gulf Coast University Student Housing, Phase VII
for Fiscal Year 2005-2006

(Student Housing, Phase VII)

| <u>Sources of Funds</u> | <u>Basis for Amounts</u> | |
|--|--------------------------|---|
| Bond Sale Amount | \$ 8,000,000 | Series 2004 Bond amount based on a variable, tax-exempt interest rate of 6% for 30 years issued by the Florida Gulf Coast University Financing Corporation. |
| Less: Cost of Issuance | \$ (139,866) | Based on estimated costs. |
| Plus: Interest Earnings (Construction Trust Fund) | \$ 86,032 | Estimate is based on net bond proceeds on deposit with trustee, invested for 12 months at an interest rate of 2.5%, considering equal monthly draws. |
| Total Sources of Funds | \$ 7,946,166 | |

| <u>Uses of Funds</u> | | |
|--|---------------------|---|
| Project Cost | \$ 7,466,166 | Cost of design, construction, and equipment. The project cost is \$25,924 per bed and \$86 per gross square foot. This is comparable to the project cost of FGCU Student Housing, Phase VI, of \$26,883 per bed and \$99 per gross square foot. |
| Debt Service Reserve Account | N/A | Variable rate financing does not require a debt service reserve fund. |
| Estimated Interest to be Paid During Construction (Capitalized Interest) | \$ 480,000 | This represents 12 months of capitalized interest to be paid from bond proceeds at an interest rate of 6%. |
| Total Uses of Funds | \$ 7,946,166 | |

Debt Service Coverage - Fiscal Year 2005-2006

| | | |
|--|---------------------|--|
| Operating Revenue | \$ 1,180,858 | Based on projected revenues from rentals. This represents the first full year of operation (Fiscal Year 2005-2006). |
| Less: Operating Costs | <u>\$ (430,065)</u> | Projected operating costs for the first full year of operation (Fiscal Year 2005-2006), based upon the first full year of operation of prior Student Residences Phases I through VI. |
| Revenue Available for Debt Service From Housing System Revenue | <u>\$ 750,793</u> | Net revenue available for debt service from operations, Fiscal Year 2005-2006. |
| Total Debt Service 2005-2006 - Interest Only | \$ 240,000 | Debt service payment for the Series 2004 Revenue Bonds represents six months of interest for the first year of operation, Fiscal Year 2005-2006, |
| Debt Service Coverage Ratio | 3.13 | The debt service coverage ratio for Fiscal Year 2006-2007 is 1.41 and is based on a full annual debt service payment. |

* The financial analysis is based upon information provided by Florida Gulf Coast University Financing Corporation.

**SUMMARY OF AMENDED AND RESTATED MASTER CAPITAL PROJECTS
OPERATING LEASE (“Master Operating Lease”),
DATED DECEMBER 1, 2004**

Master Operating Lease

Florida Gulf Coast University Financing Corporation, as Lessor, shall lease to The Florida Gulf Coast University Board of Trustees, as Lessee, acting for and on behalf of Florida Gulf Coast University, its possessory interests in the Capital Projects, Existing Improvements, Land and Personal Property (collectively, the “Premises”). (All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto under the Master Operating Lease)

Termination. The Master Operating Lease shall terminate on the later of: (a) December 1, 2034, or (b) the date on which all Bonds and any obligations under any Related Financing Documents secured thereby are fully paid and canceled; unless sooner terminated as provided herein. Notwithstanding the foregoing, under no circumstance shall the Master Operating Lease extend beyond the term of the Lessee’s Lease Agreement with the State of Florida Board of Trustees of the Internal Improvement Trust Fund described in the Master Ground Lease Agreement of even date therewith.

Lease Payments:

(a) Base Rent. The Lessee shall pay all amounts due and payable under the Bonds, any Additional Parity Obligations, and all amounts required to be paid to any person pursuant to the Related Financing Documents.

(b) Additional Rent. The Lessee shall pay all expenses associated with the ownership, operation and rental of the Premises.

Insurance. The Lessee shall maintain, at its expense, such insurance coverages and limits as provided by Chapter 284, Florida Statutes, Parts I and II. Additionally, Lessor shall obtain and maintain at all times during the term of the Master Operating Lease at its expense, such “umbrella” insurance coverage satisfactory to the Lessee.

Utilities. The Lessee shall pay all charges for heat, air conditioning, water, gas, electricity and other utilities used in connection with the Premises.

Assignment and Subletting. The Lessee shall not have the right to assign the Master Operating Lease or any interest therein, or to sublet any portion of the Premises other than to an agency or instrumentality of the State of Florida without the prior express written consent of Financing Corporation; provided, however, the Lessee may let or sublet the apartments located on the Premises

or any part thereof or any right or privilege pertaining thereto, to students, faculty and staff members of the University.

Inspection. The Lessee shall permit the Lessor or the agents of the Lessor upon reasonable notice to enter upon the Premises between the hours of 9:00 a.m. and 5:00 p.m. on business days to inspect the Premises; provided, however, that the Lessor shall not unreasonably interfere with the Lessee's or its sublessees' use of the Premises.

Option to Purchase. The Lessee shall have the right to purchase the leased Improvements and Personal Property, such option to be exercised by the Lessee giving not less than sixty (60) days notice in writing to the Lessor.

Default. In the event of a failure to perform any covenant required to be performed by such party under the terms and provisions of the Master Operating Lease, and such failure shall continue unremedied or uncorrected for a period of thirty (30) days after written notice to such party by the other party hereto, specifying such failure, such party shall be in default. If the Lessee fails to make any payment required under the Master Operating Lease, and if such failure to pay continues unremedied for a period of thirty (30) days from the date of written notice to Lessee specifying such failure, the Lessee shall be in default under the Master Operating Lease. Subject to certain limitations on termination, the Master Operating Lease may be terminated at the option of the non-defaulting party upon giving written notice stating that the Master Operating Lease and the term thereby demised shall expire and terminate on the date specified in such notice (which shall be no earlier than five (5) days after receipt of such notice by the defaulting party.

Pledge of Net Revenues. The Lessee has pledged the Net Revenues as security for payment of Lease Payment obligations under the Master Operating Lease. The Lessee shall not issue any obligations in the future having a lien on the Net Revenues that is superior to the holders of the Bonds and any Additional Parity Obligations to be issued from time to time.

Rate Covenant. The Lessee agrees to charge each year such rates and fees as are necessary to produce Net Revenues sufficient to pay one-hundred twenty percent (120%) of (i) the Principal Component and the Interest Component of the Base Rent due under the Master Operating Lease during such year, and (ii) any Additional Parity Obligations.

Security for the Bonds. Notwithstanding any other provision in the Operating Lease, amounts held in the Housing System Account may only be pledged to secure Bonds issued to finance capital improvements relating to the Housing System and amounts held in the Parking System Account may only be pledged to secure Bonds issued to finance capital improvements relating to the Parking System.

Separate accounts shall be created in the Revenue Fund for (i) revenues of the Housing System and (ii) revenues of the Parking System.

Parity Debt. The Lessee will not incur any other obligations, except under the conditions and in the manner provided in the Master Operating Lease, payable from the Net Revenues, nor voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge, having priority to or being on a parity with the lien of the Master Operating Lease and the interest thereon upon the Net Revenues.

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**SUMMARY OF AMENDED AND RESTATED MASTER CAPITAL PROJECTS
GROUND LEASE AGREEMENT, (“Master Ground Lease Agreement”),
DATED DECEMBER 1, 2004**

Certain interests in land shall be subleased to the Florida Gulf Coast University Financing Corporation for the acquisition, construction, and financing of certain capital projects, from time to time. (All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto under the Master Ground Lease Agreement)

Leased Premises. The Lessor has subleased to Lessee a portion of Lessor’s leasehold interest under a lease agreement for Lease No. 4051, dated November 15, 1994 (the “Lease Agreement”), as amended and modified, between Lessor and the State of Florida Board of Trustees of the Internal Improvement Trust Fund (the “Board of Trustees”), in that certain real property lying in Lee County, Florida, all as more particularly described in Exhibit “A” attached to the Master Ground Lease and made a part thereof by reference (the “Leased Premises”).

Termination. The Master Ground Lease Agreement shall terminate on the later of December 1, 2034 or the date that all Bonds and any obligations under any Related Financing Documents (as defined in the Operating Lease) are fully paid and cancelled and may not extend beyond the term of the University Board’s Lease Agreement with the Board of Trustees of the Internal Improvement Trust Fund of the State of Florida. Notwithstanding the foregoing, under no circumstance shall the Master Ground Lease Agreement extend beyond the term of the Lease Agreement.

Rental. During the term of the Master Ground Lease Agreement, rent shall be payable by Lessee to the Lessor at the rate of One Dollar (\$1.00) per year.

Ownership of Improvements and Surrender of Leased Premises. The Lessee shall have title to all improvements made to the Leased Premises and upon the termination of the Master Ground Lease Agreement title to all such improvements shall thereupon vest in the University Board.

Insurance. The Lessor shall maintain, at its expense, such insurance coverages and limits as provided by Chapter 284, Florida Statutes, Parts I and II. Additionally, Lessee shall obtain and maintain at all times during the term of the Master Ground Lease Agreement at its expense, such “umbrella” insurance coverage satisfactory to the Lessee.

Assignment, Subletting and Mortgaging of Leasehold Interest. The Lessee shall not have the right to assign the Master Ground Lease Agreement, or any portion thereof, or to sublease all or any portion of the Leased Premises without the written consent of the Lessor; provided however, if necessary to secure any Bonds, to the extent such is legally permissible, there may be granted a mortgage or security interest in the Lessee's rights thereunder and the Master Ground Lease Agreement may be assigned pursuant thereto.

Default by the Financing Corporation. Each of the following events shall be deemed a default by the Lessee and a breach of the Master Ground Lease Agreement:

1. Failure to pay, when due, any rent or portion thereof, or any other sum which the Lessee is obligated to pay under the terms of the Master Ground Lease Agreement, and such sums remain unpaid for a period of thirty (30) days after receipt of written notice by Lessee from the Lessor;
2. Any assignment of the Master Ground Lease Agreement in violation of thereof;
3. Unauthorized use the Leased Premises and/or Existing Improvements, and such use shall continue for a period of fifteen (15) days after the Lessor shall have given written notice to the Lessee to desist from such use;
4. Abandonment by the Lessee of the Leased Premises and/or Existing Improvements;
5. Granting of a mortgage by the Lessee on the Leased Premises in violation of the Master Ground Lease Agreement;
6. Failure by the Lessee to comply with any other covenant or condition of the Master Ground Lease Agreement and such failure to comply shall continue for a period of fifteen (15) days after receipt of written notice thereof by Lessee from the Lessor; and
7. A default by the Lessee in the performance of any covenant or condition of the Master Operating Lease on its part to be observed and performed as lessor thereunder.

Remedies of the Lessor. Upon the occurrence of any event of default under the Master Ground Lease Agreement, the Lessor may terminate Master Ground Lease Agreement by written notice to Lessee and reenter upon and take possession of the Leased Premises, shall entitle the Lessor to assume all of Lessee's right, title and interest in and to the athletic facilities system, as well as all structures and improvements on the Leased Premises, and the furniture, furnishings, fixtures and equipment therein or thereon and, the Lessor shall be entitled to collect from the Lessee any and all costs, including reasonable attorney's fees, which the Lessor may incur by reason of the Lessee's default under the Master Ground Lease Agreement.