

June 29, 2016

TO: Members of the Board of Trustees

FR: Scott A. Jordan 
Executive Vice President for Administration and Chief Financial Officer

Richard F. Orr 
Vice President and General Counsel

RE: Sale of the West Hartford Campus

RECOMMENDATION

The Administration recommends that it be authorized to negotiate and execute with the Town of West Hartford (the "Town") a Purchase & Sale Agreement for the sale of the University's West Hartford Campus (the "Property") to the Town in an amount of \$5,000,000 plus 90% of the proceeds of the Town's subsequent sale to a third party, as more fully described below. No further Board action will be required to make the final negotiated agreement binding.

This recommendation is embodied in a Board Resolution at the end of this Memorandum.

Contrary to some press reports, this proposal does not constitute a reduction in the sale price; rather, it is a different transaction. The value of the property depends on its use. Weiming Education Group ("WEG") agreed to pay \$12.6 million, but only in the event that the Town of West Hartford approved WEG's plans to open an international school for 500 tuition paying students. If the Town did not approve, WEG could have walked away and the University would have had to start again to seek a new buyer, with no guarantee of success, and facing the possibility of maintaining a vacant property at the cost of over \$600,000 per year. Following a public meeting in West Hartford, it was apparent that this scenario was a very real possibility.

Under the proposed transaction with the Town, the University is guaranteed a minimum purchase price of \$5 million and avoids the risk of paying to maintain vacant property. Moreover, if the Town does approve a use for which a buyer is willing to pay \$12.6 million – or any other amount – the University will, in effect, refund to the Town whatever the Town has paid and the University will receive 90% of the sale price, with the other 10% going to the Town.

The Administration believes that securing a minimum of \$5 million purchase price and avoiding the risk of long term maintenance costs justify sharing 10% of the purchase price with the Town.

BACKGROUND

On March 30, 2016, pursuant to a Board Resolution of the same day, the University provided notice to the Town that the University intended to sell the Property to WEG. This notice started a 45-day period that required the Town to notify the University of its intent to purchase the Property. That period ended on May 14, 2016.

By resolution on April 27, 2016 the Administration was further authorized by the Board to negotiate the terms of a Purchase & Sale Agreement for the sale of the Property to the Town provided that it was subject to final approval by the Board of Trustees.

On April 29, 2016 the Town requested an extension of time from May 14, 2016 until Friday, June 17, 2016 to notify the University of its intent to purchase the Property. The University agreed to this extension.

Negotiations with the Town of West Hartford

The Town staff and the Administration reached agreement on a term sheet for a sale to the Town on or about May 9, 2016.

At its meeting on May 16, 2016, the West Hartford Town Council ("Town Council") referred to the West Hartford Town Plan & Zoning Commission ("TPZ") a resolution authorizing the West Hartford Town Manager to enter into a Purchase & Sale Agreement with the University and to receive review comments from the TPZ. In the meantime, the University and the Town have exchanged drafts of a Purchase & Sale Agreement.

The TPZ met on June 6, 2016 and recommended approval of the Town Council resolution. At its regular meeting of Tuesday, June 14, 2016, the Town Council received the referral back from the TPZ, but tabled action on the resolution pending agreement on the final language of the Purchase & Sale Agreement.

As of the writing of this memorandum, the Administration believes that the remaining issues are not substantive and that they will be resolved in time to allow the Town Council to approve the transaction prior to the June 29, 2016 Board of Trustees meeting.

Suspension of Negotiations with WEG

Under Board Resolutions of March 30, 2016 and April 27, 2016, the University pursued a sale of the Property to WEG. At WEG's request those negotiations have been suspended in light of the proposed sale to the Town.

MATERIAL TERMS OF SALE TO TOWN

Today the Administration seeks the Board's approval of a Purchase & Sale Agreement containing the following material terms without further Board action:

Purchase Price

Five Million Dollars (\$5,000,000), and an additional Purchase Price such that that the University will receive 90% of any sales proceeds in the event the Town sells the Property to a third party any time before October 1, 2024. In that event, the economic effect would be as follows: the Town would receive a refund of the purchase price paid by the Town, the University would receive 90% of the price paid by the third party and the Town would receive 10% of that price.

If the Town decides to keep the Property for its use and does not sell before October 1, 2024, then the price remains at \$5,000,000.

Deposit/Balance of Purchase Price

The Town will make an initial Two Hundred Fifty Thousand Dollar (\$250,000) Deposit installment at the time of signing the Purchase & Sale Agreement. An additional Deposit of Seven Hundred Fifty Thousand Dollars (\$750,000) will be paid at the end of a 90-day due diligence period, unless the transaction is terminated as the result of the Town's due diligence.

At Closing, the Town will pay the balance of the Purchase Price, less the amount of the Deposit which will be Four Million Dollars (\$4,000,000.00), for a total Purchase Price of \$5,000,000.

Closing

The Closing and transfer of title will occur October 2, 2017. This allows the University to operate the Property before the University's move to Hartford, without having to lease the Property from the Town. There will, however, be provision for a lease back to the University in the event the Town wishes to close earlier.

Ballfields

The Property transferred to the Town includes the existing Ballfields area presently leased from the University by the Town. That lease will be extinguished when the Town takes title to the Ballfields.

RESOLUTION

For the reasons set forth above, the Administration recommends that the Board of Trustees adopt the following resolution:

BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE UNIVERSITY OF CONNECTICUT:

Section 1. The Board of Trustees reaffirms its authorization of the President or the President's designee (the "Administration") to negotiate and execute with the Town of West Hartford (the "Town") on the terms set forth in this Memorandum. This Resolution constitutes the final Board of Trustees approval required under Section 2 of the Board's April 27, 2016 Resolution for the Sale of the West Hartford Campus to the Town.

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