

**APPROVAL OF CONTINGENT LEASE AND
GIFT TRANSACTION FOR COBBLESTONE MANOR**
A Recommendation

1. **Division and Department:** Operation and Finance and University Advancement Divisions.

2. **Introduction:** Cobblestone Manor is a residential bed and breakfast facility operating on University Drive and is currently for sale. The Cobblestone Manor property is composed of approximately 1.5 acres of real property together with a 6,166 square foot building. The Mocerri Companies have expressed an interest in purchasing Cobblestone Manor, and has proposed the following transaction: the Mocerri Companies would purchase Cobblestone Manor (Purchase), then lease the facility to the University for two to three years (Lease), after which, the Mocerri Companies would gift Cobblestone Manor to the University (Gift). Some of the major components of the overall contingent transaction would include the following (Transaction):

- The Mocerri Companies will obtain a Phase I Environmental Assessment, the results of which must be satisfactory and acceptable to the University.
- The University entering into the Lease will be contingent upon the Mocerri Companies entering into a contemporaneous irrevocable gift agreement binding the Mocerri Companies and its successors and assigns (Gift Agreement).
- Rent payments on the proposed Lease are expected to be \$6,000 per month.
- During the term of the proposed Lease, the University will make capital improvements of approximately \$147,000 to the building so that it meets applicable building codes for use as a student residence; and said capital improvements may be characterized as rent or as a credit to the rent payments.
- Given the existing bookings for Cobblestone Manor, the University will not take possession of the property until after July 5, 2018. However, prior thereto, the University will have reasonable access for measurements and work that will not disrupt or disturb the guests of Cobblestone Manor.
- All of the furnishings and items used to run Cobblestone Manor as a bed and breakfast, such as dishes, sheets and towels will be included in the proposed Lease and proposed Gift.
- The University intends to use the majority of the leased space for Honors College student housing, who would be designated as "Mocerri Scholars".
- During the term of the proposed Lease, Cobblestone Manor will be renamed with a name mutually agreeable to the parties, which name may become the permanent name of the facility at the time the facility is gifted to the University. Signage will be updated and campus references will utilize the new name.

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The University estimates a monthly operating loss between \$2,000 and \$3,000 during the proposed Lease period based on current student housing rates and estimated operating costs for the facility. The loss will vary based on the summer occupancy rate and the number of residents.

3. **Previous Board Action:** None.
4. **Budget Implications:** Rent, capital improvements and estimated operating costs are as estimated above.
5. **Educational Implications:** Cobblestone Manor will be utilized as an extension of the Honors College, which will develop specific programming for this new venue as well as provide a unique housing opportunity.
6. **Personnel Implications:** None.
7. **University Reviews/Approvals:** This Transaction has been reviewed and recommended by the Vice President for University Advancement, the Chief Operating Officer, the Vice President for Finance and Administration and the President.
8. **Recommendation:**

RESOLVED, that the Board of Trustees approves moving forward with the Transaction on a contingent basis. The contingencies that must occur before the Transaction can be completed include:

- a. The Mocerri Companies must purchase Cobblestone Manor in fee simple.
- b. The terms and conditions contained in the Lease must include such representations, warranties, covenants and conditions customary and appropriate in similar leases and be acceptable to the University.
- c. The Lease must be acceptable to the Vice President for Legal Affairs and General Counsel, and be in compliance with the law and with University policies and regulations and conform to the legal standards of the Vice President for Legal Affairs and General Counsel.
- d. The terms and conditions contained in the Gift Agreement must be acceptable to the University.
- e. The Gift Agreement must be acceptable to the Vice President for Legal Affairs and General Counsel, and be in compliance with the law and with University policies and regulations and conform to the legal standards of the Vice President for Legal Affairs and General Counsel.
- f. The Gift Agreement must be made contemporaneously with the Lease.

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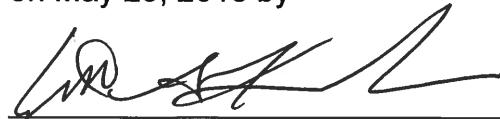
- g. The Gift will not be recognized as a completed gift by the University until fee simple title to Cobblestone Manor is delivered to the University; and, be it further

RESOLVED, that if the Transaction is completed, then the Board of Trustees authorizes the President, the Chief Operating Officer, and their respective designees, to perform all acts and deeds and to execute and deliver all contracts, instruments and documents required by these resolutions that are necessary, expedient and proper in connection with the Transaction and the ongoing administration of the Transaction; and, be it further

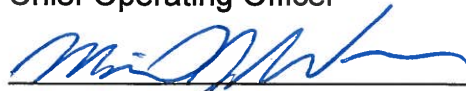
RESOLVED, that this Agendum, and these resolutions, are non-binding on the Board of Trustees and non-exclusive and are intended as an expression of the University's intentions to explore the potential Transaction described above. There has been no agreement reached regarding any material or essential term relative to the Transaction, and the University's participation in the Transaction must be effectuated by, and be pursuant and subject to, terms and conditions that will be contained in a Lease and Gift Agreement that are acceptable to the University. Neither this Agendum nor these resolutions are intended to be a legally binding instrument, do not create a contractual relationship of any kind, and shall not be construed to be a contract in any manner whatsoever. The University will not have any obligation to the Mocerri Companies until a formal, written, Lease and Gift Agreement satisfactory to the University's Vice President for Legal Affairs and General Counsel are executed by the University's duly authorized representative. The University hereby reserves the right to discontinue discussions regarding the potential Transaction upon oral or written notice at any time and without further obligation or consequence.

9. Attachments: None

Submitted to the President
on May 29, 2018 by



Scott G. Kunselman
Chief Operating Officer



Michael Westfall
Vice President
University Advancement

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Recommended on 5/30, 2018
to the Board of Trustees for Approval by



Ora Hirsh Pescovitz, M.D.
President