



Larry Hogan | Governor
 Boyd Rutherford | Lt. Governor
 R. Michael Gill | Secretary of Commerce
 Benjamin H. Wu | Deputy Secretary of Commerce

November 16, 2015

Mr. Chip Paucek, Chief Executive Officer
 Mr. David Leimenstoll, Senior Vice President, Finance
 Mr. Eric Thorpe, Vice President, Real Estate
 2U, Inc.
 8201 Corporate Drive, Suite 900
 Landover, Maryland 20785

SUBJECT: 2U, Inc. relocation and expansion project in Prince George's County, Maryland.

Dear Gentlemen:

The Maryland Department of Commerce (the "Department"), and Prince George's County (the "County") are pleased to support 2U, Inc. (the "Company") in its initiative to relocate and expand its headquarters operations in Prince George's County, Maryland (the "Project"). **This letter supersedes the Proposal Letter dated June 1, 2015.**

1. **THE SUBDIVISION.** This letter is intended to describe the major elements of the transaction and the assistance that may be offered to the Company for relocating and expanding the Project in Prince George's County, Maryland. These terms are not transferrable to any other subdivision.

2. **PROJECT DESCRIPTION.** As we understand the Project, the Company will retain and expand its existing headquarters operations in the County by relocating and leasing approximately 230,000 square feet of space over a three-year period at 7900 Harkins Road located in Lanham, Maryland, which is within the New Carrollton Transit Oriented Development (the "Project Site"). We understand costs associated with the Project are estimated at \$15,000,000 (the "Project Costs"). Additionally, the Company will retain 650 full-time permanent employees at the Project Site and hire an additional 950 full-time permanent employees, for a total of 1600 full-time permanent employees at the Project Site by December 31, 2020.

"Full-time" means that an employee works at least 1,800 hours in a 12-month period, is paid an hourly wage of at least 150% of the prevailing federal minimum wage and is eligible for an employer-subsidized health care benefits package. A new full-time permanent position at the Project Site would be a net new position to the State and would not include the movement of existing Company employees at other locations in the State or employees of a company acquired

Mr. Chip Paucek
Mr. David Leimenstoll
Mr. Eric Thorpe
November 16, 2015
Page 2 of 10

by the Company after this date, if the employee's place of employment immediately before the acquisition was elsewhere in the State.

We also understand the Company will use its best efforts to use Baltimore/Washington International Thurgood Marshall Airport and the Port of Baltimore for its shipping and transportation and Maryland contractors and construction workers for construction associated with the Project. Additionally, Maryland strongly supports our military personnel and encourages companies to use their best efforts to employ veterans.

Of course, any changes to the Project as outlined in this letter should be immediately brought to the Department's attention since they could affect the Department's proposed assistance for the Project.

3. **DEPARTMENT PARTICIPATION.** The Department is willing to consider providing the following assistance to enable the Company to complete the Project at the Project Site in Prince George's County, Maryland:

(a) **Conditional Loan** under the Maryland Economic Development Assistance Fund (the "Loan"):

Borrower:	2U, Inc., 2U Harkins Road LLC, or a related entity acceptable to the Department.
Amount:	\$2,000,000
Approval:	The Loan is subject to approval by the Secretary of the Department.
Purpose:	The proceeds of the Loan would be used to reimburse the Borrower's directly incurred Eligible Project Costs at the Project Site.
Eligible Project Costs:	Those costs associated with the Project that are eligible for reimbursement under the Maryland Economic Development Assistance Fund program. This would include the construction or acquisition of a building or real property and the acquisition, construction, or installation of machinery, equipment, furnishings, fixtures, leasehold improvements, site improvements, or infrastructure improvements at the Project Site.

Term:	The term of the Loan would be ten (10) years from disbursement.
Interest Rate:	Three percent (3%) fixed per annum.
Repayment:	All principal and accrued interest would be deferred over the term of the Loan. In the event that all of the Performance Criteria of the Loan are met over the term, all outstanding deferred principal and accrued interest would be forgiven at the end of the Loan term. In the event that any of the Performance Criteria are not met, the Loan would be repayable as described in the Conditions section.
Disbursement:	The Loan would be disbursed for up to 70% of the Borrower's directly incurred Eligible Project Costs at the Project Site.
Collateral:	To be determined based upon a financial and collateral review of the Borrower and the final structure of the Loan. As discussed at the April 17, 2014 and September 29, 2015 meetings, a Standby Letter of Credit or cash collateral assigned to the Department equal to 100% of the Loan Amount may be required to secure the Loan.
Guarantors:	To be determined based upon a financial and collateral review of the Borrower and the final structure of the Loan.
Conditions Precedent To Disbursement:	The Borrower shall provide evidence acceptable to the Department of: a) an executed lease at the Project Site with a minimum term of ten years for at least 150,000 square feet of space with the commitment to increase to 230,000 square feet of space within three years; b) minimum employment of 650 full-time permanent employees at the Project Site; c) incurred direct Eligible Project Costs, not otherwise reimbursed by the Landlord, of at least \$2,900,000 at the Project Site against which the Loan may be disbursed; and d) Prince George's

County's approval and funding of its incentive as described in Section 4 below.

Performance Criteria:

(1) The Borrower will employ at least 650 full-time permanent employees at the Project Site at all times during the term of the Loan.

(2) The Borrower will employ at least 1600 full-time permanent employees at the Project Site by December 31, 2020 and retain at least that amount for the remaining term of the Loan.

Full-time employment will be measured annually as of December 31st of each required year, with employment reports due to the Department by January 31st of the following year. Reports will begin the first December 31st following disbursement.

(3) The Borrower will have incurred or caused to-be-incurred a minimum of \$15,000,000 of Project Costs at the Project Site by December 31, 2017.

(4) The Borrower will retain its headquarters at the Project Site for the term of the Loan.

(5) The Borrower will initially lease a minimum of 150,000 square feet of space at the Project Site and increase its leased space to a minimum of 230,000 square feet by December 31, 2020 and maintain at least that amount of leased space at the Project Site for the remaining term of the Loan.

Conditions:

(A) If at any time during the term of the Loan, full-time permanent employment at the Project Site falls below 650 full-time permanent employees, all outstanding unpaid interest and principal under the Loan would be repaid.

(B) If the Borrower does not meet Performance Criteria (2), the Borrower would repay a pro-rata portion of the principal (\$2,105) and the associated portion of accrued interest due for every full-time permanent employee below 1600 but greater than

Mr. Chip Paucek
Mr. David Leimenstoll
Mr. Eric Thorpe
November 16, 2015
Page 5 of 10

649. Any such sum, less any amounts previously repaid, would be due no later than 90 days from the measurement date.

(C) If the Borrower does not meet Performance Criteria (3), (4) or (5), the Borrower would repay the Loan in full.

(D) The Loan must be documented and closed by December 31, 2016.

4. **PRINCE GEORGE'S COUNTY INCENTIVES.** The County is willing to consider providing the following assistance to enable the Company to complete the Project in Prince George's County, Maryland:

(a) **Financial Assistance.** Prince George's County has created an Economic Development Incentive Fund ("EDI Fund") to support job retention and attraction and economic development and redevelopment in Prince George's County. Prince George's County will offer a **\$1,500,000** conditional loan from the EDI Fund to enable the Company to complete the Project at the Project Site, subject to terms, conditions, and performance criteria that are generally consistent with the Department's financial assistance in all material respects. The EDI Fund assistance requires approval by the County Chief Administrative Officer and the Prince George's County Council.

It is the policy of Prince George's County to encourage and in some cases require businesses that accept financial assistance from the EDI Fund, and other economic development tools and incentives, to commit to specific goals or minimum requirements for local, small, and/or minority business enterprise (LSMBE) participation in the projects that are being supported by the financial assistance. Prince George's County endorses the goal of improving the quality of life for all citizens by strengthening the economic capacity of its local, small, and minority business communities. As a condition of assistance, the Company will be expected to enter into an agreement with the County to meet specified LSMBE goals and requirements.

(b) **Workforce Services.** The Workforce Services Division ("WSD") of Prince George's County Economic Development Corporation has the responsibility of developing integrated and comprehensive solutions to the workforce needs of County employers. The in-kind projected value of this assistance is **up to \$900 per job**. WSD will offer the following services for the Project at no cost to the Company:

- a. Customized Recruitment, Prescreening, and Assessment of job candidates;
- b. Customized On-the Job Training (can reimburse up to 50 percent of the employee's wages to cover the cost of training);
- c. Screening for various tax credit opportunities due to creating new employment; and

Mr. Chip Paucek
Mr. David Leimenstoll
Mr. Eric Thorpe
November 16, 2015
Page 6 of 10

d. Dedicated WSD Staff to provide these services.

(c) **Permit Assistance**. Prince George's County government will designate the 2U project as a priority project, and the Economic Development Corporation will facilitate 2U in obtaining necessary permits in a timeframe consistent with 2U's target dates and requirements. Working closely with the County Department of Permits, Inspections, and Enforcement (DPIE) and utilizing DPIE's peer review process, we have confidence in the ability to meet 2U's deadlines for completion of this project. This service is offered as a supplement to the Company's submission of permit applications and consists of liaison activities between the Company and permit review personnel.

Please contact Ms. Ebony Stocks, EDI Fund Business Development Specialist, Prince George's County Economic Development Corporation, at 301-583-4610 or email at epstocks@pgcedc.com, for additional information and to make application for these County programs of assistance.

5. **OTHER INCENTIVES**. In addition to the incentives described above, the State could provide, through the appropriate state and local governmental instrumentalities, certain other incentives to induce the Company to locate in the State, including:

(a) **Job Creation Tax Credit**. The Company could be eligible for a Job Creation Tax Credit if it establishes or expands a Maryland business facility that is primarily engaged in computer programming, data processing or other computer related services; the operation of central administrative offices or a company headquarters and the facility is located in a State priority funding area. The new or expanded facility may also qualify for the credit if it is primarily engaged in business services and is located in one of the following "priority funding areas": an incorporated municipality, within the Baltimore Beltway, within the Maryland portion of the Washington, D.C. Beltway, in a federal empowerment zone, in a Maryland Enterprise Zone, in a sustainable community as defined in Section 6.01 of the Department of Housing and Community Development ("DHCD") Article, in one area in a county designated by the county as a priority funding area, or in that portion of the port land use development zone that has been designated as an area appropriate for growth in the county comprehensive master plan.

To qualify for the job creation tax credit, most business entities must create at least 60 "qualified positions" (permanent newly created Maryland positions of at least 1,680 hours per year resulting from the establishment or expansion of a business facility in a single location in the state and paying at least 150% of the federal minimum wage) within a 2-year period. The 60 new job minimum is reduced to a 30 new job minimum if the aggregate annual payroll for the qualified positions exceeds 60 multiplied by the State's average annual salary. The 60 new job minimum is reduced to 25 new jobs if the facility is located in one of the "priority funding areas" listed above.

Mr. Chip Paucek
Mr. David Leimenstoll
Mr. Eric Thorpe
November 16, 2015
Page 7 of 10

Credit granted will be the lesser of \$1,000 or 2.5% of a year's wages for each new employee in a qualified position. If the new or expanded facility is located in a "revitalization area" (a federal empowerment zone, a Maryland Enterprise Zone, or a DHCD sustainable community), then the credit is increased to the lesser of \$1,500 or 5% of a year's wages for each employee in a qualified position.

The maximum credit allowed during any credit year for a single facility is \$1 million. The credit is allowed ratably, with 1/2 to be taken in the credit year and 1/2 taken in the following year (or carried forward, if necessary.) If, during the 3 years succeeding the credit year, the average number of qualified positions falls below the applicable minimum number of qualified positions, all credits shall be recaptured. If the number of qualified positions falls more than 5%, but not below the applicable minimum number of qualified positions, then the credit is recaptured in proportion to the decline in qualified employees.

(b) **Enterprise Zones.** The project is located in the Prince George's County Enterprise Zone. Special local property tax credits are available to businesses that construct new or substantially improve existing business properties in State Enterprise Zones (including federal empowerment zones). State tax credits and other benefits are also available to businesses locating or expanding in a Maryland Enterprise Zone. *Please contact Ms. Ebony Stocks for additional information concerning the Prince George's County Enterprise Zone.*

- **Property Tax Credit.** A ten-year local real property tax credit is available to businesses that build new or substantially improve existing business facilities in State enterprise zones. The credit is based on the difference between the "base year" real property assessment (the assessment in the year before improvement) and the assessment in the year after improvement of the real property. The amount of the property tax credit will be 80% of the tax on the difference between the base year assessment and the post-improvement assessment in each of the first five taxable years; 70% in the sixth year; 60% in the seventh year; 50% in the eighth year; 40% in the ninth year; and 30% in the tenth year.
- **State Tax Credit.** An income tax credit is available to businesses that create new, full-time (at least 35 hours per week) jobs paying at least 150% of federal minimum wage in an enterprise zone. If the new position is filled by an employee who is "economically disadvantaged", the business may take a credit of up to \$3,000 in the first year of employment, \$2,000 in the second year, and \$1,000 in the third year. If the employee filling a new position is not economically disadvantaged, the business may only take a \$1,000 credit in the first year. The term "economically disadvantaged" generally refers to an individual whose household income is 70% of the poverty rate. (This determination is made by the Department of Labor, Licensing and Regulation.)

Mr. Chip Paucek
Mr. David Leimenstoll
Mr. Eric Thorpe
November 16, 2015
Page 8 of 10

(c) **Maryland Research and Development (“R&D”) Tax Credit.** Companies that are eligible for the federal research and development tax credit may also be eligible for the Maryland Research and Development Tax Credits for qualified R&D activities conducted in Maryland. The basic credit is 3% of eligible expenses that do not exceed the Maryland Base Amount. The growth credit is 10% of the eligible expenses in excess of the Maryland Base Amount. Each credit is subject to an aggregate statewide ceiling of \$3 million. The Department will allocate the credits to businesses based on their applications, and businesses may claim their allocated tax credits on amended tax returns. A firm must submit an application to the Department by September 15th of the year following the taxable year in which the Maryland qualified research and development expenses were incurred.

(d) **Maryland Commuter Tax Credit.** Maryland employers that pay for part or all of eligible monthly commuting expenses for their employees can qualify for a tax credit equal to 50% of the cost of those expenses with a cap of \$50 per employee per month. This includes expenses incurred for monthly usage of bus or rail service provided by the Washington Metropolitan Area Transit Authority or the Maryland Mass Transit Administration, MARC trains and vanpools. The credit can be claimed against State income taxes, financial institution franchise taxes, or insurance premium taxes. When combined with federal tax incentives, this State tax credit allows employers to offer a new employee benefit for a fraction of the total cost. Please call the Maryland Mass Transit Administration at 410-767-8755 for more details.

(e) **Maryland Disability Employment Tax Credit.** The Maryland Disability Employment Tax Credit (“MDETC”) is a Maryland State tax credit that allows employers to claim credit for employees with disabilities.

- For the first taxable year, a credit is allowed in an amount equal to 30% of up to the first \$6,000 (\$1,800) of wages paid during the first year and 20% of up to the first \$6,000 (\$1,200) of wages paid during the second year of employment. Employers can also benefit from a tax credit for work-related childcare or transportation expenses paid by the employer. A credit of up to \$600 of the qualified childcare or transportation expenses incurred during the first year of employment and up to \$500 for the second year. The MDETC may be claimed concurrently with any available federal tax credits for which the employee may be eligible.

The Company must hire an individual with a disability and obtain a determination from the Division of Rehabilitation Services (“DORS”) of the Maryland State Department of Education, or the Maryland Department of Labor, Licensing, and Regulation for a disabled veteran, that the individual is a qualified employee with a disability. *Please contact the Department of Labor, Licensing and Regulations (“DLLR”) at 410-767-2047 for more details.*

Unless otherwise noted, please contact Mr. Mark Vulcan, Program Manager, Tax Incentives, Office of Finance Programs, Maryland Department of Commerce, at 410-767-6438,

Mr. Chip Paucek
Mr. David Leimenstoll
Mr. Eric Thorpe
November 16, 2015
Page 9 of 10

toll-free at 877-821-0099, or email at mark.vulcan@maryland.gov, for additional information concerning tax credits and to make application for the Job Creation Tax Credit.

6. **CONDITIONS**. The extension of financial assistance will be subject to the Department's and County's due diligence review of the Company's business and financial affairs and documentation satisfactory to the Department's, County's, and City's counsel. The Loan is subject to approval by all appropriate approval authorities. A later commitment for any financial assistance will be subject to the availability of funding and adequate appropriations, the payment of applicable fees, and compliance with all applicable state and federal laws.

Any public communication (i.e., letters to legislators, press releases, discussion with local media, tombstone ads, staged events with public officials) about the proposed Project must first be agreed to by the Department's Communications Office, at 410-767-6318, since erroneous or premature publicity could affect the composition of the incentives under discussion.

Recipients of the Department's financial assistance are prohibited from discriminating on the basis of race, color, sex, religion, or national or ethnic origin in the hiring of contractors (or permitting contractors to discriminate in hiring of subcontractors) for projects funded by that financial assistance. The recipient agrees to support the State's interest in expanding procurement opportunities for contractors and vendors who are minority business enterprises ("MBEs"). The recipient will designate an individual to identify procurement opportunities in the Project and to work cooperatively with the Department's Equal Opportunity Office to identify MBEs that have the capacity to provide goods or services for the Project. (Contact the Equal Opportunity Office at 410-767-6488, 401 E. Pratt Street, 10th Floor, Baltimore, Maryland 21202.) The recipient will submit a list, updated at least annually until the Project is completed, of the MBEs from which goods or services were procured, and the nature and dollar amount of the goods or services.

7. **EXPIRATION**. While this letter is intended as a non-binding expression of intent rather than an enforceable commitment, and while material provisions that will be critical to an acceptable agreement are absent from this summary, we hope that it will serve as a useful framework for the prompt completion of negotiations. Please sign and return this letter to the Department as soon as possible, but no later than **December 15, 2015** to expedite negotiations and preserve the Project's high priority status.


The Department invites you to contact Mr. Timothy P. Doyle or Ms. Mary DiFerdinando of the Office of Finance Programs, Maryland Department of Commerce, at timothy.doyle@maryland.gov, 410-767-2369, or mary.diferdinando@maryland.gov, 410-767-2856 for details and further steps. We look forward to working with you.

Mr. Chip Paucek
Mr. David Leimenstoll
Mr. Eric Thorpe
November 16, 2015
Page 10 of 10

Sincerely,



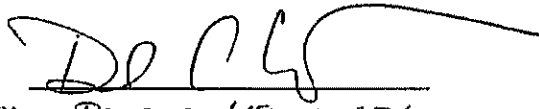
R. Michael Gill
Secretary
Maryland Department of Commerce



James R. Coleman
President & CEO
Prince George's County
Economic Development Corporation

Accepted this 15 day of DECEMBER, 2015

2U, Inc.

By: 
Name: DAVID A. LEIMENSTOLL
Title: SVP FINANCE
FID#: 26-2335939

Upon signing, please return this original letter directly to Ms. Mary DiFerdinando, Finance Specialist, Office of Finance Programs, Maryland Department of Commerce, 17th Floor, 401 E. Pratt Street, Baltimore, MD 21202.

cc: Mr. James R. Coleman, President and Chief Executive Officer, Prince George's County Economic Development Corporation
Mr. David Iannucci, Assistant Deputy Chief Administrative Officer for Economic Development and Public Infrastructure, Prince George's County
Mr. Mayank Kapur, Business Development Specialist, Prince George's County Economic Development Corporation
Ms. Ebony Stocks, EDI Fund Business Development Specialist, Prince George's County Economic Development Corporation
Mr. Timothy P. Doyle, Program Manager, Office of Finance Programs, Maryland Department of Commerce
Ms. Mary M. DiFerdinando, Finance Specialist, Office of Finance Programs, Maryland Department of Commerce
Mr. Mark Vulcan, Program Manager, Tax Incentives, Office of Finance Programs, Maryland Department of Commerce