

Florida State University Research Foundation (FSURF)
IRCB Construction Financing
\$44M Bank Loan, Taxable Series 2022
March 8, 2022

Arbitrage Monitoring

Objective: The objective in requesting approval to finance FSU's equity contribution to the cost of the Interdisciplinary Research Collaboration Building (IRCB) is to borrow at a cost lower than the expected investment return on the FSU Research Foundation (FSURF) endowment over the 15-year term of the debt ("IRCB Loan"). In order to monitor and actively manage the debt associated with the proposed financing and to improve the chances of success in achieving the overall objective, the FSURF will take the following actions and implement the following procedures:

- Restrict a portion of FSURF's unrestricted net assets equal to 110% of the outstanding balance of the IRCB Loan (the "IRCB Restricted Assets").
- Use a portion of the investment earnings on the FSU Research Foundation endowment, overhead and indirect costs revenues of grants and contracts, and royalties and licensing fees, and if necessary, the unrestricted net assets of the FSU Research Foundation, each year to pay principal and interest on the IRCB Loan.
- The FSU CFO's office will actively monitor the investment return and market value of the IRCB Restricted Assets on a quarterly basis. The FSU CFO's office shall report annually to the Board of the FSURF on the investment return and market value of the IRCB Restricted Assets.
- If the market value of the IRCB Restricted Assets is ever less than the outstanding balance of the IRCB Loan, then the FSU CFO shall develop a recommended course of action to bring the IRCB Restricted Assets back in balance with the IRCB Loan balance within a 1-year period. The recommendation shall be made to the Board of the FSURF with copies to the President of FSU, and the Chairman of the University Board of Trustees.
- Beginning in Year 4 post-issuance, if the rolling 3-year investment return for the IRCB Restricted Assets is less than the interest rate on the IRCB Loan, then the FSU CFO shall notify the Board of the FSURF. The CFO shall also present a recommendation to the Board of the FSURF, the University President, the Chairman of the University Board of Trustees, the Board of Governors and the Division of Bond Finance. Such report would include the then current amount of the IRCB Loan outstanding and the market value of the IRCB Restricted Assets.