



FLORIDA STATE UNIVERSITY  
FINANCE & ADMINISTRATION

February 11, 2022

Mr. Kevin Pichard  
Director, Finance and Facilities  
Florida Board of Governors  
325 West Gaines Street, Suite 1652  
Tallahassee, FL 32399-0400

**Re: FSU Research Foundation Interdisciplinary Research and Commercialization  
Building \$44M Competitive Bank Loan**

Dear Kevin:

I am pleased to submit the attached documentation for the FSU Research Foundation (FSURF) Interdisciplinary Research and Commercialization Building \$44M competitive bank loan. The objective for this financing is to maximize the FSURF endowment returns. We carefully pursued this financing to ensure that the best interests of the State, University, and the FSURF are well served.

The FSURF Board of Directors, University Board of Trustees, and President McCullough are very supportive of this loan. To assist with this financing, we engaged a top team of legal and financial advisors (Bryant Miller Olive and Hilltop Securities) with national reputations in public financing. The University also has an experienced internal team to manage the process and negotiate terms.

The University considered various financing options and determined that a competitive bank loan would accomplish the following:

1. Ability to lock in the interest rate
2. Ability to prepay the loan without penalty
3. Provide opportunity for banks active in the Florida market to bid
4. Lower cost of borrowing, based on the FSURF strong credit quality

The University issued an RFP, dated January 14, 2022. We evaluated responses from four respondents and awarded the financing to TD Bank on February 4, 2022, subject to BOG approval. TD Bank is one of the largest full-service financial companies and one of the top banks in the U.S. They service more than 300 private and public colleges and Universities across their footprint.

We are providing you with this preliminary documentation for the proposed financing as evidence of our intent to work with you to achieve the very best outcome for FSU. We have worked with

the Division of Bond Finance to ensure the financing is in compliance with state statute 1010.62 and the BOG Debt Management Guidelines.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Williams", written in a cursive style.

Michael Williams  
Associate Vice President for Finance & Administration  
Florida State University

Enclosures:  
FSU Debt Financing Submission Pack

**A RESOLUTION AUTHORIZING THE ISSUANCE OF DEBT AND REQUESTING THE FLORIDA BOARD OF GOVERNORS TO APPROVE THE ISSUANCE OF SUCH DEBT TO FINANCE THE CONSTRUCTION OF THE INTERDISCIPLINARY RESEARCH AND COMMERCIALIZATION BUILDING FOR FLORIDA STATE UNIVERSITY TO BE LOCATED IN INNOVATION PARK, TALLAHASSEE, FLORIDA, AND PROVIDING AN EFFECTIVE DATE.**

**BE IT RESOLVED BY THE FLORIDA STATE UNIVERSITY BOARD OF TRUSTEES:**

**Section 1.** The Florida State University Board of Trustees (the "Board of Trustees ") of the Florida State University (the "University") hereby authorizes the issuance of debt by the Florida State University Research Foundation (the "DSO") and requests the Florida Board of Governors to approve the issuance of debt in an amount not to exceed \$45,000,000 (the "Debt") for the purpose of funding the University's 50% match for the construction of a facility to be known as the Interdisciplinary Research and Commercialization Building (the "IRCB Project") to be owned by the University and located in Innovation Park.

**Section 2.** The Project will consist of one building to be located in Innovation Park containing approximately 116,000 gross square feet. The IRCB Project is designed to facilitate interactions through an innovative arrangement of laboratories, core facilities and strategically placed collaboration spaces. It is sized for up to 30 research groups, 24 postdoctoral research and 155 graduate and undergraduate students. The IRCB Project will be owned by the University. The University anticipates entering into an operating agreement with the DSO related to the operations and maintenance of the IRCB Project. The construction of the IRCB Project, which is expected to begin in June 2022 and to be completed in April 2024, will be funded in part with approximately \$44 million in PECO funds previously authorized by the State of Florida.

**Section 3.** The Debt will be secured by overhead and indirect costs revenues of grants and contracts, royalties and licensing fees, investment earnings, and unrestricted net assets of the DSO. The DSO is legally authorized to secure the Debt with the revenues to be pledged pursuant to Section 1010.62 (3)(a), Florida Statutes. The University is also committed to ensuring that sufficient revenues will be generated to fulfill the DSO's obligations with respect to the Debt.

**Section 4.** The Debt will bear interest at a fixed rate and will mature not more than 15 years after issuance, including any extensions or renewals thereof. The Project has an estimated useful life that exceeds 50 years, which is beyond the anticipated final maturity of the Debt. Due to the likelihood of private business use the DSO is considering both taxable and tax-exempt fixed rates.

**Section 5.** The Debt will be sold through a private placement with a bank. A private placement is necessary to reduce the cost of financing by entering into a loan agreement with a bank versus issuing bonds in the public market. An analysis showing that a private placement is desirable and in the best interest of the DSO is described in item (g) of Appendix A attached hereto.

The bank will be selected through a competitive selection process.

**Section 6.** The Board of Trustees will comply, and will require the DSO to comply, with all requirements of federal and state law relating to the Debt. Because the Debt is a bank loan, the bank will receive annual financial information related to the Project, but the continuing secondary market disclosure of information does not apply to the Debt. However, because of the outstanding 2012 Bonds, the disclosure of the Debt is required by Rule 15c2-12 of the Securities and Exchange Commission.

**Section 7.** The Chair and Executive Director of the DSO and other authorized representatives of the DSO and the University President, the authorized representative of the University and the members of the Board are hereby authorized to take all actions and steps, to execute all instruments, documents, and contracts, including, but not limited to, executing and delivering the loan agreement described herein, selecting the bank, and to take all other actions as they may deem necessary or desirable, in connection with the execution and delivery of the Debt.

**Section 8.** In making the determination to finance the Project, the Board of Trustees has reviewed the information attached to Appendix A and finds that the issuance of the Debt is in compliance with the Debt Management Guidelines, the University's debt management policy, and applicable law.

**Section 9. EFFECTIVE DATE.** This Resolution shall become effective immediately upon its adoption.

**ADOPTED** this 8th day of February 2022.

## Appendix A

The following documents have been reviewed by the Board of Trustees prior to the execution of this Resolution:

- a. The project summary;
- b. The draw schedule for the project;
- c. Sources and uses of funds for the project;
- d. An estimated debt service schedule;
- e. A description of the security supporting repayment;
- f. A five year history, if available, and a five year projection, of the pledged revenues and the debt service coverage; and
- g. Private placement analysis.

## **Interdisciplinary Research and Commercialization Building (IRCB)**

This project has been on the Florida State University 5-year Capital Improvement Plan since 2015. Florida State University has received \$44M in state appropriations for this project and the remaining \$44M is being paid from private sources.

Federal funding agencies are now demanding that researchers work across disciplines. Most science buildings are built around one particular department. This building will be highly adaptable and will help fill a critical need for research space that will accelerate scientific discovery in a collaborative environment, help drive Florida's economy, and assist our state in producing high paying jobs. This facility is located in close proximity to many other research facilities, including the National High Magnetic Field Laboratory, the Applied Superconductivity Center, the High Performance Materials Institute and the FSU/FAMU Joint College of Engineering.

The university has heavily invested in new research faculty using its Preeminence funding. A significant proportion of these new hires has been in interdisciplinary thematic areas creating unique synergisms between traditional academic units. New space is necessary in order to continue to pursue these highly qualified faculty who in many cases bring significant research grants, lab activities, and highly productive graduate/post docs with them.

Over the last 30 years FSU has arguably had one of the most successful revenue generating commercialization programs in the nation, generating over \$350M. The IRCB is an opportunity to strategically expand those efforts while meeting the teaching and research mission of the institution in a unique interdisciplinary context. The building leverages adjacencies to world-class institutional and private sector research capabilities. Each of the 30 faculty research groups that will be housed in this facility will attain at least \$225,000 in external grant funding per year amounting to an annual total of \$5.4 million at a minimum. Faculty research will yield 50-60 additional discovery/invention disclosures and 12-15 additional patents per year. The building will provide a fertile environment for the development of spin-off companies based on this intellectual property. In total, the IRCB will have more than a \$137 million economic impact on the region and state and help to create more than 1,029 jobs.

### **Draw Schedule**

The full amount of the loan will be drawn down at closing and transferred to the University for Construction of the IRCB. Funds will be deposited in the State of Florida Special Purpose Investment Account (SPIA) until required for payment. Accumulated interest not used for the Project will go to pay debt service.

Sources and Uses of Funds  
 Florida State University  
 Proposed Research Foundation Revenue Bonds, Taxable Series 2022  
 TD Bank, N.A / Callable any time after 4/1/2023 / 2.51%/ Taxable  
 \*\*Preliminary - For Discussion Purposes Only\*\*

Dated Date    4/1/2022  
 Delivery  
 Date            4/1/2022

Sources:		
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Bond Proceeds:		
	Par Amount	44,000,000.00
Other Sources of Funds:		
	PECO Equity Contribution	44,000,000.00
		<hr/> 88,000,000.00 <hr/>
Uses:		
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Project Fund Deposits:		
	Project Fund	87,895,000.00
Delivery Date Expenses:		
	Cost of Issuance	105,000.00
		<hr/> 88,000,000.00 <hr/>



Bond Debt Service  
 Florida State University  
 Bond Research Foundation Revenue Bonds, Taxable Series  
 2022A, N.A / Callable any time after 4/1/2023 / 2.51% / Taxable  
 \*\*Preliminary - For Discussion Purposes Only\*\*

Period Ending	Principal	Interest	Debt Service
7/1/2022	650,000	276,100.00	926,100.00
7/1/2023	2,620,000	1,088,085.00	3,708,085.00
7/1/2024	2,690,000	1,022,323.00	3,712,323.00
7/1/2025	2,755,000	954,804.00	3,709,804.00
7/1/2026	2,825,000	885,653.50	3,710,653.50
7/1/2027	2,895,000	814,746.00	3,709,746.00
7/1/2028	2,970,000	742,081.50	3,712,081.50
7/1/2029	3,045,000	667,534.50	3,712,534.50
7/1/2030	3,120,000	591,105.00	3,711,105.00
7/1/2031	3,195,000	512,793.00	3,707,793.00
7/1/2032	3,280,000	432,598.50	3,712,598.50
7/1/2033	3,360,000	350,270.50	3,710,270.50
7/1/2034	3,445,000	265,934.50	3,710,934.50
7/1/2035	3,530,000	179,465.00	3,709,465.00
7/1/2036	3,620,000	90,862.00	3,710,862.00
	<u>44,000,000</u>	<u>8,874,356.00</u>	<u>52,874,356.00</u>

## **Security Structure**

The Loan will be secured by overhead and indirect costs revenues of grants and contracts, royalties and licensing fees, investment earnings, and unrestricted net assets of the FSU Research Foundation (FSURF).

The loan does not constitute a general obligation or indebtedness of the State of Florida or any of its agencies or political subdivisions and shall not be a debt of the State of Florida or any agency or political subdivision thereof, the Board of Governors or the University and the full faith and credit of the State is not pledged to the payment of the principal or interest on the loan. The FSURF has no ad valorem taxing power.

**Florida State University Research Foundation**  
**Pro-forma Debt Service Coverage - Taxable \$44MM New Money Issuance**

2022 Loan

FYE 6/30	2017	2018	2019	2020	2021	Pro-forma based on FY2020*				
						2022	2023	2024	2025	2026
License and grant revenues - UR Admin Contracts & grants & Other	1,804,595.00	1,801,251.00	1,484,346.00	1,288,647	1,276,334	1,276,334	1,288,647	1,276,334	1,276,334	1,276,334
Non operating revenues	10,234,575.00	10,234,575.00	5,868,069.00	5,527,761	28,963,495	5,527,761	5,527,761	5,527,761	5,527,761	5,527,761
Total License & Grant Revenues - UR Admin and NO Rev	12,039,170	12,035,826	7,352,415	6,816,408	30,239,829	6,804,095	6,816,408	6,804,095	6,804,095	6,804,095
Unrestricted net assets	122,413,653	122,413,653	132,265,840	136,492,408	165,741,757	136,492,408	136,492,408	136,492,408	136,492,408	136,492,408
Available Funds of FSURF	134,452,823	134,449,479	139,618,255	143,308,816	195,981,586	143,296,503	143,308,816	143,296,503	143,296,503	143,296,503
max annual 2012 & 2022 debt service	4,597,912	4,597,912	4,597,912	4,597,912	4,597,912	4,597,912	4,597,912	4,597,912	4,597,912	4,597,912
	29.24	29.24	30.37	31.17	42.62	31.17	31.17	31.17	31.17	31.17

\* Based on Aa2/AA rated Taxable rates as of 1/3/2022

## Analysis of Conditions for Florida State University Research Foundation Bank Loan

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In preparation of the Florida State University Research Foundation (FSURF) Loan, a competitive bank loan process was established. FSURF's objective was to lock in current low fixed interest rates as soon as possible.

A bank loan provided the FSURF advantages over a public bond sale, including:

**Preference for Local Bank Lenders** - FSURF could solicit banks to allow banks active in the Florida market the opportunity to lend directly to FSURF.

**Credit quality** – FSURF strong credit quality is established by the outstanding unsecured general obligation guarantee of the RF Series 2012 bonds

**Call Feature** – A 15 year callable bond at anytime would be costly in the public market.

**Lock interest rate** – RFP's were distributed in the middle of January, 2022 and bids due on February 3, 2022. The Research Foundation Board and FSU Board met immediately afterwards to accept the term sheet and lock in a fixed rate of 2.51%. A public sale would have taken substantially longer with interest rate risk to FSURF based on current market conditions.