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MEMORANDUM

To: Board of Governors

From: J. Ben Watkins III

Date: March 10, 2022

Re: Florida State University Research Foundation, Inc. Interdisciplinary Building

As required by Section 1010.62(3)(b)4, Florida Statutes, the Division of Bond Finance ("DBF") has reviewed and analyzed the information provided to support Florida State University Research Foundation, Inc.'s ("FSURF") proposed financing of a portion of Florida State University's Interdisciplinary Research and Commercialization Building (the "Project"). DBF has also reviewed the Board of Governors ("BOG") staff analysis of the Project.

The proposed financing complies with Section 1010.62, Fla. Stat., and the BOG Debt Management Guidelines (the "Guidelines") but presents unique characteristics as the purpose of the FSURF financing is to borrow at a lower rate than the expected return on its endowment. This is the first proposed university financing with an identified objective of maximizing endowment returns. DBF has analyzed the proposed financing and highlighted information about the transaction for the BOG's consideration in connection with its evaluation of the Project.

FSURF originally planned to cash fund its \$44 million contribution to the Project with funds from its endowment. However, FSURF recognized the opportunity to borrow funds at a lower rate than it anticipates earning on the investment of its endowment. The debt will be secured by and payable from revenues authorized under Section 1010.62, Fla. Stat., and must be issued on a taxable basis due to arbitrage limitations on tax exempt transactions. To ensure the goals of the financing are met, FSURF is utilizing a bank loan which can be prepaid without penalty after the first 12 months. FSURF will be implementing a process for quarterly monitoring its investment returns compared to the loan rate and annually reporting to its board of directors. FSURF has also restricted a portion of its endowment equal to 110% of the amount of the debt to ensure such funds are not pledged for another purpose and are available, if needed.

With this monitoring plan in place and the ability to unwind the transaction should investment returns fall below the interest rate on the debt, this financing offers FSURF the ability to preserve and grow its endowment. The Project will not produce a return on investment because it is not revenue generating, but FSURF expects additional grant funding will be obtained with the construction of the Project and expected growth in university research activities.

cc: Marshall M. Criser, Chancellor, Board of Governors
Kevin Pichard, Assistant Vice Chancellor, Board of Governors
Kyle Clark, Vice President for Finance and Administration, Florida State University