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MEMORANDUM

To: Board of Governors

From: J. Ben Watkins III

Date: March 16, 2020

Re: Seminole Boosters, Inc. College Town Phase I & College Town Phase II

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 the Seminole Booster, Inc.'s (the "Boosters") permanent financing of its College Town Phase I Project and the acquisition and financing of College Town Phase II. DBF has also reviewed the Board of Governors ("BOG") staff analysis of the Project. Below are the specific issues that DBF identified for the BOG's consideration in connection with its evaluation of the Project.

Interest Rate and Refinancing Risk

The bank loans to provide the financing for the College Town Phase I and College Town Phase II projects will be 10-year loans amortized over 30 years. Since the loans are only for 10 years, they will need to be refinanced at that time, exposing the Boosters to interest rate and refinancing risk. The interest rate on the loans will be reset upon refinancing at potentially higher rates which would increase the annual debt service payments required. Additionally, if the Boosters are unable to obtain take-out financing at the end of 10 years, they will have to pay off the outstanding loan balances which could have a significant adverse effect on Booster resources.

Credit Ratings

The Seminole Boosters has outstanding credit ratings with Moody's (A1/negative) and Fitch (A+/stable) on its outstanding public debt. The Moody's rating has been on "negative outlook" since April 2018. In Moody's opinion, their "negative outlook" is a consequence of growing financial leverage, weak operating performance, declining liquidity, and an increased credit risk profile as the Boosters have added student housing and commercial real estate developments in College Town to its balance sheet. Adding an additional \$30 million in debt for the acquisition of the College Town Phase II project will likely precipitate a Moody's downgrade of the FSU Boosters outstanding bonds if not accompanied by improved operating performance or significant sales of real estate assets strengthening the Booster's balance sheet.

cc: Marshall M. Criser, Chancellor, Board of Governors
Kevin Pichard, Acting Assistant Vice Chancellor, Board of Governors
Andy Miller, Seminole Boosters, Inc.
Kyle Clark, Vice President for Finance and Administration, FSU