State of Florida
Division of Bond Finance

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Copies of the printed Official Statement may be obtained from:

Florida Division of Bond Finance
1801 Hermitage Boulevard
Suite 200
Tallahassee, Florida 32308

E-Mail: bond@sbafla.com
Phone: (850) 488-4782
Fax: (850) 413-1315

<u>Refunding Issue- Book-Entry Only</u>

This Official Statement has been prepared by the Division of Bond Finance to provide information about the 2012 Bonds. Selected information is presented on this cover page for the convenience of the reader. ***To make an informed decision, a prospective investor should read this Official Statement in its entirety.*** Unless otherwise indicated, capitalized terms have the meanings given in Appendix A.

$11,920,000
STATE OF FLORIDA
Board of Governors
The Florida State University Research Foundation, Inc.
Revenue Refunding Bonds, Series 2012

Dated: Date of Delivery **Due: July 1, as shown on the inside front cover**

Bond Ratings	AA Fitch Ratings Aa2 Moody's Investors Service
Tax Status	In the opinion of Bond Counsel, interest on the 2012 Bonds will be excluded from gross income for federal income tax purposes and will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the 2012 Bonds will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. The 2012 Bonds and the income thereon are not subject to taxation under the laws of the State of Florida, except estate taxes and taxes under Chapter 220, Florida Statutes, as amended. See "TAX MATTERS" herein for a description of other tax consequences to holders of the 2012 Bonds.
Redemption	The 2012 Bonds maturing on and after July 1, 2023, are subject to optional redemption as provided herein. The 2012 Bonds maturing on July 1, 2031 are subject to mandatory redemption.
Security	The 2012 Bonds will be secured by and payable from the Pledged Revenues. The Pledged Revenues consist of Facility Revenues derived by the Research Foundation from subletting research facilities to various tenants plus Excess Existing Facilities Revenues, less the Administrative Expenses, the Current Expenses, and, if necessary, the Rebate Amount, plus the Excess Existing Facilities Revenues, if any. **The 2012 Bonds are not secured by the full faith and credit of the State of Florida.** The payment of the principal of and interest on the 2012 Bonds will also be secured by an unconditional guaranty by the Research Foundation.
Lien Priority	The lien of the 2012 Bonds on the Pledged Revenues is a first lien on such revenues and will be on a parity with any subsequently issued Additional Bonds.
Additional Bonds	Additional Bonds payable on a parity with the 2012 Bonds from the Pledged Revenues may be issued if the average Pledged Revenues for the two immediately preceding fiscal years, as adjusted, are at least 110% of the maximum annual debt service. This description of the requirements for the issuance of Additional Bonds is only a summary of the complete requirements. See "SECURITY FOR THE 2012 BONDS - Additional Bonds" herein for more complete information.
Purpose	Proceeds, together with available funds of the Research Foundation, will be used to refund all of the Outstanding State of Florida, Florida Board of Education, Florida State University Research Foundation, Incorporated Revenue Bonds, Series 2001 (the "2001 Bonds"), and to pay costs of issuance.
Interest Payment Dates	January 1 and July 1, commencing July 1, 2013.
Record Dates	December 15 and June 15.
Form/Denomination	The 2012 Bonds will initially be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). Individual purchases will be made in book-entry form only through Direct Participants (defined herein) in denominations of $1,000 and integral multiples thereof. Purchasers of the 2012 Bonds will not receive physical delivery of the 2012 Bonds. See "DESCRIPTION OF THE 2012 BONDS."
Closing/Settlement	The 2012 Bonds will be available for delivery through the facilities of DTC in New York, New York on January 4, 2013.
Bond Registrar/ Paying Agent	U.S. Bank Trust National Association, New York, New York.
Bond Counsel	Bryant Miller Olive P.A., Tallahassee, Florida.
Issuer Contact	Division of Bond Finance, (850) 488-4782, bond@sbafla.com
Maturity Structure	The 2012 Bonds will mature on the dates and bear interest at the rates set forth on the inside front cover.

December 5, 2012

MATURITY STRUCTURE

Initial CUSIP©	Due Date	Principal Amount	Interest Rate	Price or Yield*	First Optional Redemption Date and Price
			Serial Bonds		
34114SAA8	July 1, 2013	$365,000	3.00%	0.38%	-
34114SAB6	July 1, 2014	470,000	3.00	0.48	-
34114SAC4	July 1, 2015	485,000	3.00	0.65	-
34114SAD2	July 1, 2016	500,000	3.00	0.75	-
34114SAE0	July 1, 2017	515,000	3.00	0.88	-
34114SAF7	July 1, 2018	530,000	4.00	1.00	-
34114SAG5	July 1, 2019	550,000	4.00	1.13	-
34114SAH3	July 1, 2020	575,000	4.00	1.30	-
34114SAJ9	July 1, 2021	595,000	4.00	1.50	-
34114SAK6	July 1, 2022	620,000	4.00	1.75	-
34114SAL4	July 1, 2023**	640,000	4.00	1.89	July 1, 2022 @ 100%
34114SAM2	July 1, 2024**	670,000	4.00	2.05	July 1, 2022 @ 100
34114SAN0	July 1, 2025**	695,000	4.00	2.15	July 1, 2022 @ 100
34114SAP5	July 1, 2026**	720,000	4.00	2.25	July 1, 2022 @ 100
34114SAQ3	July 1, 2027**	750,000	3.00	2.56	July 1, 2022 @ 100
34114SAR1	July 1, 2028**	775,000	3.00	2.62	July 1, 2022 @ 100
34114SAS9	July 1, 2029**	800,000	3.00	2.68	July 1, 2022 @ 100
			Term Bonds		
34114SAU4	July 1, 2031**	$1,665,000	3.00%	2.80%	July 1, 2022 @ 100

* Price and yield information provided by the underwriter.
** The yield on these maturities is calculated to a 100% call on July 1, 2022.

The State of Florida has not authorized any dealer, broker, salesman or other person to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied on. Certain information herein has been obtained from sources other than records of the State of Florida which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the State of Florida. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the State of Florida since the date hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of the 2012 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

STATE OFFICIALS

BOARD OF GOVERNORS

CHAIR
DEAN COLSON

VICE CHAIR
MORTEZA HOSSEINI

GOVERNING BOARD OF THE DIVISION OF BOND FINANCE

GOVERNOR
RICK SCOTT
Chairman

ATTORNEY GENERAL
PAM BONDI
Secretary

CHIEF FINANCIAL OFFICER
JEFF ATWATER
Treasurer

COMMISSIONER OF AGRICULTURE
ADAM H. PUTNAM

J. BEN WATKINS III
Director
Division of Bond Finance

ASHBEL C. WILLIAMS
Executive Director and CIO
State Board of Administration of Florida

BOND COUNSEL
Bryant Miller Olive P.A.
Tallahassee, Florida

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Relating to
$11,920,000
STATE OF FLORIDA
Board of Governors
The Florida State University Research Foundation, Inc.
Revenue Refunding Bonds, Series 2012

For definitions of capitalized terms not defined in the text hereof, see Appendix A.

INTRODUCTION

This Official Statement sets forth information relating to the sale and issuance of $11,920,000 State of Florida, Board of Governors, The Florida State University Research Foundation, Inc. Revenue Refunding Bonds, Series 2012, dated the date of delivery (the “2012 Bonds”), by the Division of Bond Finance of the State Board of Administration of Florida (the “Division of Bond Finance”).

Proceeds, together with available funds of the Research Foundation, will be used to refund all of the outstanding State of Florida, Florida Board of Education, Florida State University Research Foundation, Incorporated Revenue Bonds, Series 2001 (the “Refunded Bonds”), and to pay costs of issuance. The refunding is being effectuated to achieve debt service savings due to lower interest rates. See “THE REFUNDING PROGRAM” herein for more detailed information.

The 2012 Bonds will be secured by and payable from the Pledged Revenues. The Pledged Revenues consist of Facility Revenues derived by the Research Foundation from subletting research facilities to various tenants plus Excess Existing Facilities Revenues, less Administrative Expenses, Current Expenses, and, if necessary, the Rebate Amount. The payment of the principal and interest on the 2012 Bonds will also be secured by a unconditional guaranty by the Research Foundation.

The lien of the 2012 Bonds on the Pledged Revenues is a first lien on such revenues and will be on a parity with any subsequently issued Additional Bonds. The aggregate principal amount of Bonds, including the 2012 Bonds, which will remain outstanding subsequent to the refunding to be accomplished with the proceeds of the 2012 Bonds is $11,920,000. See “SECURITY FOR THE 2012 BONDS” below for more detailed information.

The 2012 Bonds are not a general obligation or indebtedness of the State of Florida or the University, and the full faith and credit of the State of Florida is not pledged to payment of the 2012 Bonds.

Requests for additional information may be made to:

Division of Bond Finance
Phone: (850) 488-4782
Fax: (850) 413-1315
E-mail: bond@sbafla.com
Mail: P. O. Box 13300
Tallahassee, Florida 32317-3300

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Any statements made in this Official Statement which involve opinions or estimates, whether or not expressly stated, are set forth as such and not as representations of fact. No representation is made that any of the opinions or estimates will be realized. To make an informed decision, a full review should be made of the entire Official Statement. The descriptions of the 2012 Bonds and the documents authorizing and securing the same do not purport to be comprehensive or definitive. All references to and descriptions of such documents are qualified by reference to the actual documents. Copies of such documents may be obtained from the Division of Bond Finance.

End of Introduction

AUTHORITY FOR THE ISSUANCE OF THE 2012 BONDS

General Legal Authority

The 2012 Bonds are being issued by the Division of Bond Finance on behalf of the Board of Governors (the "Board"), pursuant to Article VII, Section 11(d) and Article IX, Section 7(d) of the Florida Constitution, the State Bond Act, Sections 1004.28 and 1010.62, Florida Statutes, and other applicable provisions of law. Article VII, Section 11(d), of the Florida Constitution provides that revenue bonds payable solely from funds derived directly from sources other than State tax revenues may be issued by the State of Florida or its agencies, without a vote of the electors, to finance or refinance capital projects. Section 215.59(2), Florida Statutes, authorizes the issuance of revenue bonds by the Division of Bond Finance pursuant to Article VII, Section 11(d), of the Florida Constitution. The Legislature has authorized the Division of Bond Finance to issue refunding bonds on behalf of any State agency in Section 215.79, Florida Statutes.

Division of Bond Finance

The Division of Bond Finance, a public body corporate created pursuant to the State Bond Act, is authorized to issue bonds on behalf of the State or its agencies. The Governing Board of the Division of Bond Finance (the "Governing Board") is composed of the Governor, as Chairman, and the Cabinet of the State of Florida, consisting of the Attorney General, as Secretary, the Chief Financial Officer, as Treasurer, and the Commissioner of Agriculture. The Director of the Division of Bond Finance may serve as an assistant secretary of the Governing Board.

State Board of Administration of Florida

The State Board of Administration of Florida (the "Board of Administration") was created under Article IV, Section 4 of the Florida Constitution, as revised in 1968 and subsequently amended, and succeeds to all the power, control and authority of the State Board of Administration established pursuant to Article IX, Section 16 of the Constitution of the State of Florida of 1885. It will continue as a body at least for the life of Article XII, Section 9 (c) of the Florida Constitution. The Board of Administration is composed of the Governor, as Chairman, the Attorney General and the Chief Financial Officer. Under the State Bond Act, the Board of Administration determines the fiscal sufficiency of all bonds proposed to be issued by the State of Florida or its agencies. The Board of Administration also acts as the fiscal agent of the Board of Governors in administering the Sinking Fund, the Rebate Fund, and the Reserve Account.

Board of Governors

The Board of Governors is established by Article IX, Section 7 of the Florida Constitution. It is authorized to operate, regulate, control and manage the State University System. The responsibilities of the Board of Governors include defining the mission of each university, ensuring the coordination and operation of the University System and avoiding wasteful duplication of facilities or programs. Article IX, Section 7 provides that the Board of Governors shall establish the powers and duties of the university boards of trustees. See "University Board of Trustees" below. The Board of Governors' management of the University System is subject to the power of the legislature to appropriate funds.

The Board of Governors consists of seventeen members, fourteen of whom are appointed by the Governor to staggered seven-year terms as provided by law, subject to confirmation by the Florida Senate. The Commissioner of Education, the President of the Advisory Council of Faculty Senates, and the Chair of the Florida Student Association are *ex officio* members of the Board of Governors.

The following individuals have been appointed by the Governor to the Board of Governors:

Board Member*	**Term Expires**
Dean Colson, Chair - attorney (Coral Gables, FL)	January 6, 2017
Morteza "Mori" Hosseini, Vice Chair - businessman (Daytona Beach, FL)	January 6, 2017
Richard A. Beard III - businessman (Tampa, FL)	January 6, 2017
Matthew M. Carter II - attorney (Tallahassee, FL)	January 6, 2019
Patricia Frost - educator (Miami Beach, FL)	January 6, 2017
Thomas G. Kuntz - businessman (Winter Park, FL)	January 6, 2019
Hector "Tico" Perez - attorney (Orlando, FL)	January 6, 2013
John D. Rood - businessman (Jacksonville, FL)	January 6, 2017
Gus A. Stavros - businessman (St. Petersburg, FL)	January 6, 2013
John W. Temple - businessman (Boca Raton, FL)	January 6, 2013
Norman D. Tripp - attorney (Fort Lauderdale, FL)	January 6, 2013
Elizabeth L. Webster - businesswoman (Weston, FL)	January 6, 2019

*There are currently two vacancies on the Board.

The following individuals are *ex officio* members of the Board of Governors:

Pam Stewart - Commissioner of Education (Tallahassee, FL)
Manoj Chopra - President, Advisory Council of Faculty Senates (Orlando, FL)
Cortez Whatley - Chair, Florida Student Association (Orlando, FL)

University Board of Trustees

Article IX, Section 7 of the State Constitution provides for an appointed board of trustees at each State University. Each board of trustees consists of thirteen members and administers the University. Six members of each board are appointed by the Governor and five members are appointed by the Board of Governors. The appointed members must be confirmed by the Senate. The chair of the faculty senate and the president of the student body are also members of each board. See Appendix D, "Florida State University" for a list of the trustees of the University.

Administrative Approval

By a resolution adopted on November 10, 2011, the Board of Governors authorized and requested the Division of Bond Finance to proceed with the actions required for the issuance of refunding bonds.

By resolutions duly adopted on October 23, 2012, the Governing Board authorized the issuance and sale of not exceeding $21,000,000 State of Florida, Board of Governors, The Florida State University Research Foundation, Inc. Revenue Refunding Bonds, Series (to be determined). The resolution authorizing the sale of the 2012 Bonds will hereinafter be referred to as the "Authorizing Resolution." The Authorizing Resolution is reproduced as Appendix B to this Official Statement.

The Board of Administration approved the fiscal sufficiency of the 2012 Bonds, as required by the State Bond Act, by a resolution adopted on October 23, 2012.

DESCRIPTION OF THE 2012 BONDS

The 2012 Bonds are being issued as fully registered bonds in the denomination of $1,000 or integral multiples thereof. The 2012 Bonds are payable from the Pledged Revenues as described herein. The 2012 Bonds will be dated the date of delivery thereof and will mature as set forth on the inside front cover. Interest is payable semiannually on January 1 and July 1 of each year, commencing July 1, 2013, until maturity or redemption.

The 2012 Bonds will initially be issued exclusively in "book-entry" form. Ownership of one 2012 Bond for each maturity (as set forth on the inside front cover), each in the aggregate principal amount of such maturity, will be initially registered in the name of "Cede & Co." as registered owner and nominee for the Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2012 Bonds. Individual purchases of the 2012 Bonds will be made in book-entry form only, and the purchasers will not receive physical delivery of the 2012 Bonds or any certificate representing their beneficial ownership interest in the 2012 Bonds. See Appendix I, "Provisions for Book-Entry Only System or Registered Bonds" for a description of DTC, certain responsibilities of DTC, the Board and the Bond Registrar/Paying Agent, and the provisions for registration and registration of transfer of the 2012 Bonds if the book-entry only system of registration is discontinued.

REDEMPTION PROVISIONS

Optional Redemption

The 2012 Bonds maturing in the years 2013 through 2022, both inclusive, are not redeemable prior to their stated dates of maturity. The 2012 Bonds maturing in the year 2023 and each year thereafter (including the Term Bonds) are redeemable prior to their stated dates of maturity, without premium, at the option of the Division of Bond Finance, (i) in part, by maturities and/or Amortization Installments to be selected by the Division of Bond Finance, and by lot within a maturity and/or Amortization Installment if less than an entire maturity and/or Amortization Installment is to be redeemed, or (ii) as a whole, on July 1, 2022, or on any date thereafter, at the principal amount of the 2012 Bonds so redeemed, together with interest accrued to the date of redemption.

Mandatory Redemption

The 2012 Bonds maturing on July 1, 2031 (the "2031 Term Bonds"), are subject to mandatory redemption in part, by lot, on July 1, 2030, and on each July 1 thereafter to and including July 1, 2031, at the principal amount of the 2031 Term Bonds to be redeemed, without premium, plus accrued interest, from Amortization Installments in the years and amounts as follows:

Year	Principal Amount	Year	Principal Amount
2030	$820,000	2031	$845,000

Notice of Redemption

Notices of redemption of 2012 Bonds or portions thereof will be mailed by first class mail at least 30 days prior to the date of redemption to Registered Owners of record as of 45 days prior to the date of redemption. Such notices of redemption will specify the serial numbers and the principal amount of the 2012 Bonds to be redeemed, if less than all, the date fixed for redemption, and the redemption price. In lieu of mailing, the Bond Registrar/Paying Agent may elect to provide such notice of redemption by electronic means to any Registered Owner who has consented to such method of receiving notice.

Failure to give, or any defect in, any required notice of redemption as to any particular 2012 Bonds will not affect the validity of the call for redemption of any 2012 Bonds with respect to which no such failure has occurred. Any notice mailed as provided in the Resolution will be conclusively presumed to have been duly given, whether or not the Registered Owner receives the notice.

Interest on the 2012 Bonds called for redemption will cease to accrue upon the redemption date.

THE REFUNDING PROGRAM

Proceeds of the 2012 Bonds, together with approximately $5,000,000 from currently available funds of the Research Foundation, will be used to pay the costs of issuance with respect to the 2012 Bonds and to refund all of the outstanding State of Florida, Florida Board of Education, The Florida State University Research Foundation, Incorporated Revenue Bonds, Series 2001 maturing in the years 2013 through 2031, inclusive, in the outstanding principal amount of $18,000,000 (the "Refunded Bonds"). This refunding is being effectuated to achieve debt service savings.

Simultaneously with the delivery of the 2012 Bonds, the Division of Bond Finance will cause to be deposited a portion of the proceeds of the 2012 Bonds, together with other legally available moneys, in an irrevocable escrow account (the "Escrow Deposit Trust Fund"), under an agreement (the "Escrow Deposit Agreement") to be entered into between the Division of Bond Finance and the Board of Administration (the latter, the "Escrow Agent"). The Escrow Agent will hold those moneys uninvested. The escrow will be funded in an amount which will be sufficient to meet the redemption requirements. The amounts on deposit in the Escrow Deposit Trust Fund will be sufficient to pay when due (1) the accrued interest through the redemption date, and (2) the principal of the Refunded Bonds. Once the proceeds are deposited in the Escrow Deposit Trust Fund, the Refunded Bonds will no longer have any claim upon the Pledged Revenues and will have a claim only upon the Escrow Deposit Trust Fund.

The Refunded Bonds were called for redemption on December 5, 2012 by separate redemption notice at a redemption price equal to the principal amount thereof with interest due thereon through the redemption date of the 2001 Bonds. No funds held in escrow will be available to pay debt service on the 2012 Bonds.

Sources and Uses of Funds

Sources of Funds:	
Par Amount of 2012 Bonds	$11,920,000
Original Issue Premium	1,217,646
Available Sinking Fund Moneys	85,000
Cash Contribution	5,000,000
Total Sources	$18,222,646
Uses of Funds:	
Deposit of Refunding Proceeds	$18,014,138
Cost of Issuance	75,735
Underwriters' Discount	132,773
Total Uses	$18,222,646

SECURITY FOR THE 2012 BONDS

Pledged Revenues

Pledge of Revenues

The 2012 Bonds and the interest thereon constitute obligations of the Board of Governors on behalf of the Research Foundation, and are payable solely from and secured as to the payment of principal and interest, by a lien on the net Facility Revenues and Excess Existing Facilities Revenues derived by the Research Foundation from leasing research and development facilities for University related research purposes. The Pledged Revenues are the Facility Revenues and Excess Existing Facilities Revenues remaining after deducting the Administrative Expenses, the Current Expenses, and if necessary, the Rebate Amount, if any. The Pledged Revenues resulting from the operation of the Facilities and the related debt service coverage ratios are set forth in "THE RESEARCH FOUNDATION - Historical Debt Service Coverage."

The 2012 Bonds are "revenue bonds" within the meaning of Article VII, Section 11(d), of the Florida Constitution, and are payable solely from funds derived directly from sources other than State tax revenues. **The 2012 Bonds do 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 of 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 of, premium, if any, or interest on the 2012 Bonds. The issuance of the 2012 Bonds does not, directly or indirectly or contingently, obligate the State of Florida to use State funds, other than the Pledged Revenues, to levy or to pledge any form of taxation whatsoever or to make any appropriation for payment of the principal of, premium, if any, or interest on the 2012 Bonds.**

Lease Payments

On November 30, 2001, the University, as lessor, and the Research Foundation, as lessee, entered into a lease agreement (the "Lease") that established monthly lease payments as an amount equal to the related debt service payments on the 2001 Bonds and other amounts required under the resolutions authorizing the 2001 Bonds for the period during which the 2001 Bonds are Outstanding. Upon issuance of the 2012 Bonds, the Lease will be modified so that the monthly lease payments are set at an amount equal to the debt service payments on the 2012 Bonds and other amounts required under the Authorizing Resolution for the period during which the 2012 Bonds are Outstanding. Revenues for the lease payments are derived from subletting Building A, Building B, and the Existing Facilities to various tenants for the purposes of University related research and development or educational facilities. See "THE RESEARCH FOUNDATION - Historical Debt Service Coverage."

Excess Existing Facilities Revenues

The Research Foundation has entered into Lease Agreements with the Leon County Research and Development Authority ("LCRDA") for two existing facilities at Innovation Park – the Shaw Building and the Johnson Building. The Excess Existing Facilities Revenues, comprised of the net operating income of these facilities after payment of the amounts due by the Research Foundation to the LCRDA under both of the applicable leases, also constitute Pledged Revenues under the Resolution. See "THE RESEARCH FOUNDATION - Existing Facilities."

Guaranty

In addition to the lease revenues derived from leasing research and development facilities and the Excess Existing Facilities Revenues, the 2012 Bonds are secured by the unconditional guaranty of payment and performance by the Research Foundation, pursuant to a Guaranty Agreement between the Research Foundation and the Board of Administration (the "Guaranty"). The Authorizing Resolution and the Guaranty provide that if, 10 days prior to any Payment Date, there are insufficient funds on deposit in the Sinking Fund to pay the amounts coming due on the Bonds, the Board of Administration shall make a demand for payment pursuant to the Guaranty, and the Research Foundation shall immediately pay the amount of the deficiency. The Research Foundation pledges to make payments under the Guaranty from any funds legally available to the Research Foundation, including but not limited to royalties and other amounts derived from patents, copyrights, trademarks and other intellectual property assigned to the Research Foundation by the University. See "THE RESEARCH FOUNDATION - Assignment of Intellectual Property," "Selected Historical Information of the Research Foundation," and "Discussion and Analysis of Financial Condition and Results of Operations." The Guaranty prohibits the Research Foundation from incurring or guaranteeing additional debt unless the Research Foundation's most recent audited financial statements demonstrate that the Research Foundation's net assets equal at least 110% of the amount of such debt outstanding plus the principal amount of the debt proposed to be incurred or guaranteed. See APPENDIX C for a Form of the Guaranty to be executed at closing.

The Research Foundation relied on the Guaranty to meet its debt service obligations in Fiscal Years 2003-04, 2004-05, and 2005-06. During these years, Buildings A & B were either not completed or not fully rented and the Excess Existing Facility Revenues were insufficient to cover the debt service payments on the 2001 Bonds. However, since Fiscal Year 2006-07, the rental revenues from Building A & B and the Excess Existing Facilities Revenues have been sufficient to cover the debt service payments on the 2001 Bonds.

Reserve Account***

There will not be a Debt Service Reserve Subaccount funded for the 2012 Bonds. However, the Authorizing Resolution creates the Debt Service Reserve Account within the Sinking Fund, which is to be used for payments of debt service on the Bonds when the amounts in the Sinking Fund are insufficient therefor. Separate subaccounts in the Debt Service Reserve Account may be established for one or more Series of Bonds. Each subaccount will be available only to cure deficiencies in

*** The 2012 Bonds will not be secured by a subaccount in the Debt Service Reserve Account.

the accounts in the Sinking Fund with respect to the Series of Bonds for which it is established. In lieu of required deposits into the Debt Service Reserve Account, the Board may at any time fund one or more subaccounts in the Debt Service Reserve Account with one or more Debt Service Reserve Account Credit Facilities for the benefit of the Bonds secured by such subaccount in an amount, which together with the funds on deposit therein, equals the Reserve Requirements for such subaccount.

The Authorizing Resolution provides that the Division of Bond Finance may elect not to fund the Debt Service Reserve Account for one or more Series of Bonds and such Bonds will not be secured by the Debt Service Reserve Account or any subaccount therein. The Debt Service Reserve Requirement for the 2012 Bonds has been determined to be zero. No deposit will be made to a subaccount in the Debt Service Reserve Account from the proceeds of the 2012 Bonds. The 2012 Bonds will not be secured by a subaccount in the Debt Service Reserve Account.

Flow of Funds

The Authorizing Resolution provides that, upon collection, the Revenues and the Excess Existing Facilities Revenues shall be deposited by the Research Foundation into the Revenue Fund to be held in a Qualified Public Depository. Said fund shall constitute a trust fund for the purposes provided in the Resolution, and shall be applied only in the following manner and order of priority:

(1) For payment by the Research Foundation of Current Expenses;

(2) On the 15th day of each month, the Foundation shall transfer to the Board of Administration the amount necessary to pay:

(a) Administrative Expenses;

(b) the Rebate Amount;

(c) into the Sinking Fund, Annual Debt Service Requirement on the Bonds, in an amount equal to:

(i) 1/12 of the next installment of principal to become due (including Amortization Installments); plus

(ii) 1/6 of the interest to become due on the next Payment Date; plus

(iii) an amount which, together with other moneys available for such purposes, equals the Debt Service Reserve Requirement, for deposit in the Debt Service Reserve Account.

(3) The Research Foundation shall then deposit into the Maintenance and Equipment Reserve Fund held by the Research Foundation the amount budgeted for such purpose by the Research Foundation. See "THE RESEARCH FOUNDATION - Maintenance."

(4) The balance of any money not needed for the payments provided in (1), (2) and (3) above, may be applied by the Research Foundation for any lawful purpose, including optional redemption or purchase of Bonds.

If ten days prior to a Payment Date for the 2012 Bonds, the required amounts have not been deposited as described above, the Board of Administration shall demand payment pursuant to the Guaranty as described in "SECURITY FOR THE 2012 BONDS - Guaranty" herein.

Additional Bonds

The Authorizing Resolution provides that Additional Bonds may be issued, but only upon the following terms, restrictions and conditions: (A) the proceeds from such Additional Bonds will be used to acquire and construct Facilities or capital additions or improvements thereto or to refund outstanding Bonds; (B) the Division of Bond Finance shall have been requested to issue such Additional Bonds by the entity authorized to do so; (C) the Board of Administration must approve the fiscal sufficiency of such Additional Bonds; (D) certificates will be executed by the appropriate University or Research Foundation officials setting forth (1) the average amount of Pledged Revenues from the two fiscal years immediately preceding the issuance of the proposed Additional Bonds, and (2) the Maximum Annual Debt Service on the Bonds then outstanding and the Additional Bonds then proposed to be issued; (E) the University and the Research Foundation must be current in all deposits into the various funds and accounts and all payments theretofore required to have been deposited or made by it under the provisions of the Authorizing Resolution and the Research Foundation must be currently in compliance with the covenants and provisions of the Resolution and any supplemental resolution thereafter adopted for the issuance of Additional Bonds (or upon issuance of such Additional Bonds they will be brought into compliance with all such covenants and provisions); and (F) the average amount of Pledged Revenues for the two immediately preceding fiscal years, adjusted as provided for in the Authorizing Resolution, will be at least equal to 110% of the Maximum Annual Debt Service on the Bonds then outstanding, and the proposed Additional Bonds. The Authorizing Resolution provides that for purposes of the Additional Bonds test, Pledged Revenues may be adjusted to reflect rental rate increases, additions to existing Facilities or the acquisition or construction of additional Facilities.

The 2012 Bonds may be refunded in whole or in part as long as the Additional Bond requirements are complied with, except that refunding bonds with a lower Annual Debt Service Requirement in each Fiscal Year than the Bonds they are refunding do not have to comply with the coverage provisions of the preceding paragraph. In addition, the Authorizing Resolution provides that completion bonds may be issued without satisfying the Additional Bonds test if the net proceeds available for deposit in the Construction Fund does not exceed 20% of the original estimated cost of the Facility for which they are issued.

Additional Bonds issued in accordance with the Authorizing Resolution will be on a parity as to lien on the Pledged Revenues, with the 2012 Bonds. However, such Additional Bonds may be issued without benefit of the Guaranty. See "SECURITY FOR THE 2012 BONDS - Guaranty" herein.

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THE RESEARCH FOUNDATION
(Source: The Florida State University Research Foundation, Inc.)

Introduction

The Research Foundation was established on September 14, 1993, as a not-for-profit corporation exclusively for scientific and educational purposes and not for pecuniary profit, to be operated exclusively for the benefit of Florida State University (the "University"). The Research Foundation constitutes a "division of sponsored research" as set forth in Section 1004.28, Florida Statutes and has been certified as a "University direct support organization" as such term is defined in Section 1004.28 Florida Statutes.

The Research Foundation is responsible for (1) administering awards funded with private moneys for research and development activities of the University where there is a commitment of the University's personnel, equipment or other facilities; (2) administering income derived from patents and copyrights in accordance with the University's Policies on Patents and University-Sponsored Education Materials (Copyrights); and (3) developing an infrastructure that supports research activities.

Board of Directors

The Research Foundation's Board of Directors includes five University officials: the President, Provost, Vice President for Research, Vice President for Finance and Administration, and Dean of the College of Arts and Sciences. The Research Foundation's organizational documents provide that the Chairman of the University Board of Trustees appoints one member and the University President appoints the remaining members.

The Research Foundation Board currently is comprised of the following members:

University Officials

Dr. Eric J. Barron
President, Florida State University

Garnett S. Stokes, Ph. D.
Provost & Vice President of Academic Affairs, Florida State University
Professor of Psychology, Florida State University

Gary K. Ostrander, Ph. D.
Vice President for Research, Florida State University & President, Florida State University Research Foundation

John R. Carnaghi
Senior Vice President for Finance and Administration, Florida State University

Sam Huckaba, Ph.D.
Interim Dean, College of Arts & Science, Florida State University
Professor of Mathematics, Florida State University

University President's Appointees:

Joseph W. Landers
Former CEO, Chase Health Advance
Former Secretary, Florida Department of Environmental Regulation

Richardo Schneider
President & CEO, Danfoss Turbocor

Kim Williams
President, Marpan Supply and Recycling

Board of Trustees Designee:

Ms. Kay Stephenson
President and CEO, Datamaxx Group, Inc.

Corporate Officers

The Research Foundation's Corporate Officers include the Chairman, President, Vice President, Treasurer, and Secretary. The current officers are:

Dr. Eric J. Barron, Chair
Dr. Gary K. Ostrander, President
Dr. W. Ross Ellington, Vice-President
Mr. William E. Sweeney, Treasurer
Mrs. Beth E. Hodges, Secretary

Personnel

The Research Foundation Board has adopted operating policies and procedures that are carried out by its president, who must also be a board member. The University's Vice President for Research ("VPOR") typically serves as President of the Research Foundation. The Research Foundation's office has day-to-day responsibilities associated with the financial activities of the Research Foundation, and the Treasurer receives and reviews monthly accounting statements maintained by Research Foundation staff. The Research Foundation staff currently includes the Director and CFO, Assistant Director, three Senior Grants analysts and two Departmental Accounting associates. The Managing Director works closely with the VPOR office and the accounting staff on building activities and acts as liaison between tenants, the office of the VPOR, and the University.

University Research Activities

As a Carnegie Foundation for the Advancement of Teaching "Very High Research Activity University", and one of the State University System's designated research institutions, the University has demonstrated substantial support for research and creative activities in a broad spectrum of disciplines. The Annual Report of the University's Office of Research for Fiscal Year 2010-11 identifies noted researchers on staff in arts and humanities, behavioral and social sciences, biomedicine, earth and ocean sciences, economics and policy sciences, engineering, life and environmental sciences, and physical sciences. The University collaborates with numerous other universities and government agencies to conduct research in a variety of areas including: the development of electric drive and integrated power systems for the U.S. Navy, extreme weather events, the development of nano-technology, materials and aero-propulsion research, and the effects of aging and technology use.

The following tables provide information on recent research funding at the University.

Five Year History of
Research Proposals Submitted

Fiscal Year	Number of Proposals
2007-08	1,304
2008-09	1,401
2009-10	1,354
2010-11	1,380
2011-12	1,251

Source: University Office of Research

In Fiscal Year 2011-12, the federal government accounted for 78.0% of the University's research awards, while state and local government provided 7.8% and 14.2% came from private and other sources. Federal funding for that year was derived from the National Science Foundation (37%), Health and Human Services Department (16%), Department of Education (24%), Department of Defense (12%), Department of Energy (5%), and other agencies (6%). The College of Arts and Sciences, the

National High Magnetic Field Laboratory, the Center for Advanced Power Systems, the Vice President for Academic Affairs, the College of Medicine, the Vice President for University Relations, and the College of Education accounted for most of the awards in Fiscal Year 2011-12, representing 26.5%, 21.7%, 7.6%, 15.8%, 4.75%, 4.2%, and 4.0%, respectively. Grants in excess of 2% of the total were also awarded to the College of Engineering, the College of Social Science and Public Policy, and the Vice President of Research.

Five Year History of Research Awards by Funding Source

Fiscal Year	Federal[1]	State/Local Government[1]	Business and Industry[1]	Total
2007-08	$135,409,132	$38,625,862	$21,752,455	$195,787,449
2008-09	142,234,654	33,300,306	24,294,213	199,829,173
2009-10	179,524,990	17,170,475	18,595,760	215,291,225
2010-11	165,446,341	19,261,789	18,769,512	203,477,642
2011-12	148,421,152	15,171,065	26,667,869	190,260,086

[1] Federal Grants increased in Fiscal Years 2009-10 and 2010-11 due to funding from the American Recovery and Reinvestment Act of 2009. State and Local Grants declined subsequent to Fiscal Year 2008-09 and Business and Industry declined in Fiscal Years 2009-10 and 2010-11 due to the economic downturn.

Source: University Office of Research

Research awards granted in a particular year may be expended over several years. Thus, a review of the amounts expended is an indication of the University's ongoing commitment to research.

Five Year History of Research Expenditures

Fiscal Year	Amount
2007-08	$206,541,848
2008-09	197,064,967
2009-10	217,441,956
2010-11	225,072,672
2011-12	220,061,580

Source: University Office of Research

The University's research activities have resulted in the issuance of licenses and patents, as well as disclosure of numerous inventions in recent years. Since 1984, approximately 282 patents have been issued by University inventors in the name of the Research Foundation, in the areas of chemistry, biological sciences, physics, molecular biophysics, math and arts and sciences, as well as industrial, mechanical, electrical and chemical engineering, and at the National High Magnetic Field Laboratory. The following table indicates the outcomes of University research over the past five fiscal years.

Five Year History of Patent and Licensing Activity

Fiscal Year	Licenses Issued	Patents Issued	Patent Applications	Invention Disclosures
2007-08	12	11	56	45
2008-09	8	10	72	41
2009-10	6	26	73	38
2010-11	11	36	77	60
2011-12	13	27	87	62

Source: University Office of Research

Assignment of Intellectual Property

Introduction

University patents, copyrights, and trademarks are governed by Section 1004.23, Florida Statutes. This statute provides, in part, that each university is authorized, in its own name, to secure patents, copyrights, and trademarks on any work products and to enforce its rights therein. In addition, the statute provides that a university may "license, lease, assign, or otherwise give written consent to any person, firm, or corporation for the manufacture or use thereof, on a royalty basis or for such other consideration as the university shall deem proper." Proceeds from licensing the university's intellectual property must be used to support the research and sponsored training activities of the university.

As permitted by Section 1004.23, Florida Statutes, the University has assigned the rights in its intellectual property to the Research Foundation to manage on behalf of the University. The assignments of intellectual property enable the Research Foundation to provide a means by which discoveries, inventions, processes and work products of faculty, staff and students may be patented, developed, applied, and utilized in order to make the results of such research available to the public and to make funds available for further research at the University.

Although the Research Foundation generally obtains patents and licenses in its own name, there are some patents which pre-date the creation of the Research Foundation. In such cases, the patents remain in the name of the University, but the licensing agreement and/or the rights to receive royalties have been assigned to the Research Foundation.

Application of Royalty Income

The initial $10,000 of royalty income from patents is divided $8,500/$1,500 between the inventor and the Research Foundation, respectively. Patent prosecution costs are recouped from royalties exceeding $10,000, 40% of the remaining royalties are then distributed to the inventor, 30% to the inventor's department, and 30% to the Research Foundation. Net royalties derived from licensing of copyrighted materials are distributed as follows: 50% to the author, 25% to the author's department, and 25% to the Research Foundation.

Investment of Research Foundation Moneys

The Research Foundation invests funds for its corporate accounts as well as for the University's departmental royalty and contract and grant accounts. The Research Foundation refers to the funds invested for the University and the daily operations of the Research Foundation as short-term funds. The Research Foundation board internally designated a portion of Research Foundation royalties received to be held for long-term purposes. These funds are referred to as long-term funds.

Short-term Funds - The short-term funds consist of moneys invested with the State Board of Administration ("SBA") Local Government Investment Pool ("LGIP"). At June 30, 2012, the balance of the short-term funds was $30,019,984. The short-term funds are invested solely in short-term investments to help meet the daily cash needs of the Research Foundation.

Long-term Funds - The long-term funds consist of moneys invested with the SBA LGIP, Commingled Asset Management Program Money Market ("CAMP-MM") Pool, Fund B at the SBA, and two funds with Northern Trust, the Northern Institutional Government Select Portfolio ("GSP") and the QM Common Daily United States IMIM Fund-Non-Lending ("NTGI-QM"). At June 30, 2012, the balance of the long-term funds was $79,980,246. The long-term funds are invested in short-term and long-term investments.

Short-term investments - The short-term investments include the SBA LGIP and the Northern Trust investments. The LGIP is not a registrant with the Securities and Exchange Commission ("SEC") and operates as an SEC Rule 2a-7 fund. The Northern Trust GSP is a short-term fund that invests exclusively in high-quality money market instruments. The NTGI-QM is an equity fund that approximates the overall performance of the MSCI United States Investable Market Index. The GSP is rated by Standard and Poor's and had a rating of AAA at June 30, 2011. The NTGI-QM is an equity fund and therefore S&P bond ratings do not exist on its underlying holdings. For financial statement reporting purposes, the balance of short-term investments at June 30, 2012 was $106,769,233, with $31,739,713 invested in the LGIP and $75,029,519 invested in Northern Trust.

Long-term investments - The long-term investments include the CAMP MM Pool and Fund B at the SBA. The CAMP-MM Pool and Fund B's underlying investments consist of commercial paper, corporate notes, and mutual funds with long-term maturities. These underlying investments are currently illiquid, and therefore, restricted for use by the Research Foundation. For financial statement reporting purposes, the balance of long-term investments at June 30, 2012 was $1,168,737, with $222,821 in the CAMP-MM Pool and $945,916 in Fund B.

Investment earnings accrue to the Research Foundation, net of earnings distributed to various grants that require interest to be earned on the funds while held by the Research Foundation. The Research Foundation has committed up to $500,000 per year from investment earnings to fund its Eppes Professorship program. Additionally, the Research Foundation has committed up to $250,000 for Fiscal Year 2012-13 to fund its GAP program.

The SBA LGIP, coupled with the periodic influx of royalties and other income and the ability to make withdrawals from the SBA LGIP at any time, provide the Research Foundation with ready access to substantial funds as necessary to meet its cash flow needs and manage unanticipated expenditures.

Facilities

One way the Research Foundation carries out its mission is by making the facilities required to perform research projects available to University faculty. Since 1985, the University and the Research Foundation have facilitated the construction of approximately 414,000 square feet of research space in Innovation Park and on the northwest campus.

Facilities - The Research Foundation constructs or purchases research facilities for use by University faculty and staff. The Research Foundation then donates the properties to the University and enters into a long-term lease and management agreement with the University to lease the buildings to various University tenants. The buildings are managed by the Research Foundation and owned by the University. These buildings include Buildings A&B, the Materials Research Building ("MRB"), and the Aero-propulsion Mechatronics and Energy ("AME") Building.

Existing Facilities - The Research Foundation manages the Johnson and Shaw buildings in Innovation Park under lease agreements with the LCRDA. Although the buildings are covered by lease agreements, the Research Foundation and the University pay the operating and maintenance costs of the buildings. The agreements provide for facilities management services, generally consisting of daily janitorial and repair and maintenance activities.

Maintenance

The Research Foundation has established a repair and maintenance reserve account to address future extraordinary maintenance issues, which is funded in an amount equal to approximately $1.00 per square foot of the Facilities (approximately $390,000) per year. As of June 30, 2012, the balance in the maintenance and equipment reserve account was $816,860.

Common area maintenance is provided by the LCRDA, with costs shared among all tenants in Innovation Park through common area fees assessed annually on a per acre basis.

Insurance on Facilities

The Ground Lease requires the Research Foundation to maintain insurance against loss due to fire, casualty and other risks covered by standard extended coverage, insuring the full replacement cost of buildings and other improvements. The Research Foundation must provide $2 million in general liability insurance per person ($5 million per incident) and property damage coverage of at least $1 million.

Rental Rates

The Research Foundation is the sole authority for approval of rental rates and has covenanted in the Lease to fix, establish and collect such fees, rentals and other amounts to be derived from operation of the Facilities, and to revise the same from time to time as necessary, so that the total revenues available to the Foundation are sufficient to pay, when due, 100% of the amounts required under the Authorizing Resolution. The current rental rates range from $15.40 to $19.47 per square foot. The annual, full-service rental rate for the Facilities provides for 3% rent escalation each year; however, due to the general economic environment, the 3% escalation has been waived for the past four years. From Fiscal Year 2007-08 through 2011-12, the Facilities have had an average annual occupancy rate of 97%.

Plant Operation & Maintenance

The Legislature annually appropriates the Plant Operation & Maintenance ("PO&M") funds to the University to partially pay for the general operations and recurring maintenance costs of the Facilities. Funding for Buildings A & B and MRB began in Fiscal Year 2007-08; funding for Johnson and Sliger began in Fiscal Year 2009-10; and funding for AME began in Fiscal Year 2010-11. As a result of the University offsetting operating costs of the Facilities with PO&M funds, the Research Foundation reduced various tenants' rates in the Facilities. Should PO&M funding for the Facilities not continue, the Research Foundation will raise rental rates.

Collection and Enforcement

While the Foundation's standard tenant lease does not require invoices, a Research Foundation Departmental Accounting associate transmits monthly rent invoices. The Research Foundation Departmental Accounting associate also monitors late and/or delinquent payments, sending reminder notices as necessary. In addition, the standard lease provides for a 5% late fee after ten days. The Research Foundation has never assessed the late fee.

Budgetary Process

Based on the rental rate structure for its buildings, the Research Foundation budget is prepared by the Director and CFO under direction of the Treasurer and with assistance from the Managing Director, and submitted by the Research Foundation President in the spring of each year for approval by the Research Foundation Board of Directors. The budget presentation includes prior year actual as well as projected royalty and rental income and expenses.

State university system policy provides that the Research Foundation is required to submit the budget by May 1 for approval by the President and then submission for final approval by the Board of Trustees.

Selected Historical Financial Information of the Research Foundation

The following tables set forth selected historical financial information for the Research Foundation derived from audited financial statements for Fiscal Years ended June 30, 2008 through 2012. This information was prepared on an accrued basis and in accordance with generally accepted accounting principals.

The Research Foundation is included as a component unit in the notes to the University's financial statements. The University's financial statements are subject to audit procedures as part of the audit of Florida's Comprehensive Annual Financial Report. Additionally, the University's financial statements are independently audited by the State Auditor General's office. The University's audited financial statements for Fiscal Year 2010-11 are reproduced as Appendix E, and the Research Foundation's audited financial statements for Fiscal Year 2011-12 are reproduced as Appendix F.

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The Florida State University Research Foundation, Inc.
Statement of Revenues, Expenses and Changes in Net Assets[1]

	Fiscal Year Ended June 30,				
	2008	**2009**	**2010**	**2011**	**2012**
Operating Revenues					
Licensing Fees and Grants	$ 10,132,697	$ 10,044,899	$ 9,678,432	$ 9,647,384	$ 9,974,899
Rent	3,333,661	3,272,582	3,715,299	3,997,549	3,870,861
Total Operating Revenues	13,466,358	13,317,481	13,393,731	13,644,933	13,845,760
Operating Expenditures					
License and Grants	9,603,240	9,190,127	8,653,183	8,499,599	9,419,961
Building Occupancy	1,957,130	1,976,495	2,205,417	2,496,914	2,004,142
Personnel	477,772	375,614	444,544	460,083	463,580
Other	2,235,302	3,154,814	1,577,486	3,120,090	6,911,450[3]
Total Operating Expenditures	14,273,444	14,697,050	12,880,630	14,576,686	18,799,133
Operating Income (Loss)	(807,086)	(1,379,569)	513,101	(931,753)	(4,953,373)
Nonoperating Revenue (Expenses)					
Investment Revenue, net of portfolio fees	(617,699)	(9,028,877)	906,414	10,848,606[2]	1,803,100
Contribution Revenue	-	-	-	3,232,886	-
Change in annuity value	(42,578)	(60,086)	(47,392)	(56,954)	(52,686)
Miscellaneous	58,284	4,533	26	160	103
Interest on Bonds	(932,494)	(921,193)	(914,324)	(895,071)	(872,271)
Total nonoperating revenue (expenses)	(1,534,487)	(10,005,623)	(55,276)	13,129,627	878,246
Change in Fund Net Assets	(2,341,573)	(11,385,192)	457,825	12,197,874	(4,075,127)
Fund net assets, Beginning of Year	106,086,425	103,744,852	92,359,660	92,817,485	105,015,359
Fund net assets, End of Year	$ 103,744,852	$ 92,359,660	$ 92,817,485	$ 105,015,359	$ 100,940,232

1 Source: Audited Financial Statements of the Research Foundation for Fiscal Years 2007-08 through 2011-12.
2 Substantial investment income resulted from positive performance in the equities market during Fiscal Year 2010-11.
3 The Research Foundation donated a building to the University during Fiscal Year 2011-12 valued at approximately $5.6 million.

The Florida State University Research Foundation, Inc.
Statement of Net Assets[1]

	Fiscal Years Ended June 30,				
	2008	**2009**	**2010**	**2011**	**2012**
Assets					
Current Assets:					
Cash and cash equivalents	$1,385,445	$267,544	$1,322,444	$1,531,722	$978,312
Short-term Investments	44,126,351	103,353,652	100,171,674	107,927,524	106,769,233
License fees and royalties receivable	9,643	5,524	779	24,600	2,334
Grant receivable	-	137,805	837,025	448,488	349,482
Note receivable, current portion	-	-	-	26,250	15,500
Accounts receivable - other	613,328	21,448	32,172	46,988	77,287
Prepaid expenses	-	-	-	589,048	108,006
Deposit	-	-	25,000	-	-
Total Current Assets	46,134,767	103,785,973	102,389,094	110,594,620	108,300,154
Noncurrent assets:					
Long-term investments	80,949,212	1,413,907	1,433,244	1,325,874	1,168,737
Note receivable, long-term portion	-	-	-	223,750	217,794
Land	785,000	785,000	2,385,000	1,435,000	3,447,260
Property under capital leases, net	22,639,872	21,747,016	21,570,157	20,239,159	18,969,498
Building and improvements, net	-	2,377,464	3,300,251	7,547,730	2,002,118
Equipment, net	-	-	46,460	40,629	4,135,846
Computer software, net	-	-	64,245	62,000	45,466
Construction in progress	377,193	2,075,690	1,459,433	3,748,402	-
Lease payment in advance, net	-	1,796,207	1,961,094	1,906,000	2,447,980
Other assets, net	712,384	701,521	690,659	679,796	668,934
Total noncurrent assets	105,463,661	30,896,805	32,910,543	37,208,340	33,103,633
Total Assets	$151,598,428	$134,682,778	$135,299,637	$147,802,960	$141,403,787
Liabilities and fund net assets					
Current liabilities:					
Royalty allocations payable	$11,714,511	$10,217,044	$8,710,252	$7,196,168	$ 5,363,984
Other liabilities	1,590,590	340,466	497,043	327,719	630,231
Deferred restricted revenue	7,401,528	7,890,213	9,600,659	12,493,401	12,242,454
Florida State University fund payable	6,542,053	3,802,925	4,171,846	3,848,517	3,914,914
Obligations under capital leases, current portion	525,000	550,000	570,000	595,000	615,000
Total current liabilities	27,773,682	22,800,648	23,549,800	24,460,805	22,766,583
Noncurrent liabilities:					
Obligations under capital leases, long-term portion	19,715,000	19,165,000	18,595,000	18,000,000	17,385,000
Annuity obligation	364,894	357,470	337,352	326,796	311,972
Total noncurrent liabilities	20,079,894	19,522,470	18,932,352	18,326,796	17,696,972
Fund net assets					
Invested in capital assets, net of related debt	3,197,171	6,912,700	9,323,194	14,151,124	10,288,216
Unrestricted	100,547,681	85,446,960	83,494,291	90,864,235	90,652,016
Total fund net assets	103,744,852	92,359,660	92,817,485	105,015,359	100,940,232
Total liabilities and fund net assets	$ 151,598,428	$ 134,682,778	$ 135,299,637	$ 147,802,960	$141,403,787

[1] Source: Audited Financial Statements of the Research Foundation for Fiscal Years 2007-08 through 2011-12.

Discussion and Analysis of Financial Condition and Results of Operations

The preceding schedules set forth the Foundation's operating performance and financial position for the five Fiscal Years ended June 30, 2012. The Research Foundation's main source of revenue is income from contracts, grants and licenses, including income derived from or related to the development and commercialization of the University's work products.

Historical Debt Service Coverage

Presented hereafter are historical operating results and debt service coverage ratios for the last five fiscal years.

	Fiscal Years Ending June 30,				
	2008	**2009**	**2010**	**2011**	**2012**
Rental Revenues[1]	$ 3,242,422	$ 3,221,707	$ 3,583,812	$ 3,687,899	$ 3,661,773
Operating Expenses[1]	(1,639,935)	(1,751,466)	(2,116,163)	(1,975,091)	(1,916,134)
Pledged Revenues	$ 1,602,487	$ 1,470,241	$ 1,467,649	$ 1,712,808	$ 1,745,639
Annual Debt Service	$ 1,463,271	$ 1,463,071	$ 1,467,071	$ 1,465,071	$ 1,467,271
Maximum Annual Debt Service	$ 1,467,566	$ 1,467,566	$ 1,467,566	$ 1,467,566	$ 1,467,566
Coverage - Annual	1.10	1.00	1.00	1.17	1.19
Coverage - Maximum	1.09	1.00	1.00	1.17	1.19
Expenses Paid by the University[2]	$ 1,046,944	$ 1,160,137	$ 1,705,632	$ 1,625,502	$ 1,609,248
Revenues Available for Debt Service	$ 2,649,431	$ 2,630,378	$ 3,173,281	$ 3,338,310	$ 3,354,887
Coverage - Annual	1.81	1.80	2.16	2.28	2.29
Coverage - Maximum	1.81	1.79	2.16	2.27	2.29

[1] Rental Revenues and Operating Expenses provided by the Research Foundation. Rental Revenues includes Facility Revenues and Excess Existing Facilities Revenues as defined in the Resolution.

[2] The University receives an annual appropriation to pay for plant, operations and maintenance expenses for the Facilities. The University pays these expenses directly, resulting in additional revenues becoming available for debt service.

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PROJECTED PLEDGED REVENUES AND DEBT SERVICE COVERAGE

Projected operating results and debt service coverage ratios for the next five fiscal years are provided in the following table. **The projections of future operating results have been prepared by the Research Foundation based upon the most recent available information, which is believed to be accurate. Projections are statements of opinion and are subject to future events which may cause the actual results to differ materially from those set forth herein. Undue reliance should not be placed on these projections.**

The Research Foundation based the revenue projections upon the following assumptions: 97% occupancy in the research and development facilities, rental rate increases of 2% annually and 3% increases in operating expenses annually. A departure from these assumptions occurs in various fiscal years during the projection period as noted below.

Rental Revenues:

Between Fiscal Years 2011-12 and 2012-13 rental revenues increased 3.3% due to the addition of AME to the Facilities. Although AME opened during Fiscal Year 2011-12, the Research Foundation did not collect any rental revenues during that year and correspondingly was not responsible for any operating expenditures. The increase in rent for AME is offset by a decrease of $160,000 in rent associated with the tenant in MRB.

Rental Revenues increased 6.0% between Fiscal Years 2012-13 and 2013-14 as square feet leased to the tenant in AME will approximately double from 17,765 to 36,200.

Operating Expenses:

Between Fiscal Years 2011-12 and 2012-13, operating expenses increased 16.5% as a result of operating AME for a full fiscal year. Although the building opened during Fiscal Year 2011-12, the Research Foundation was not responsible for operating expenses.

Debt Service Coverage from Projected Pledged Revenues

	Fiscal Years Ending June 30,				
	2013	**2014**	**2015**	**2016**	**2017**
Rental Revenues[1]	$ 3,782,354	$ 4,015,532	$ 4,095,843	$ 4,177,759	$ 4,261,315
Operating Expenses[1]	(2,233,035)	(2,300,026)	(2,369,027)	(2,440,098)	(2,513,301)
Pledged Revenues	$ 1,549,319	$ 1,715,506	$ 1,726,816	$ 1,737,661	$ 1,748,014
Annual Debt Service	$ 992,591	$ 872,600	$ 873,500	$ 873,950	$ 873,950
Maximum Annual Debt Service[2]	$ 992,591	$ 875,300	$ 875,300	$ 875,300	$ 875,300
Coverage - Annual	1.56	1.97	1.98	1.99	2.00
Coverage - Maximum	1.56	1.96	1.97	1.99	2.00
Expenses Paid by the University[3]	$ 2,015,737	$ 2,076,209	$ 2,138,496	$ 2,202,651	$ 2,268,730
Revenues Available for Debt Service	$ 3,565,056	$ 3,791,715	$ 3,865,312	$ 3,940,312	$ 4,016,744
Coverage - Annual	3.59	4.35	4.43	4.51	4.60
Coverage - Maximum	3.59	4.33	4.42	4.50	4.59

1 Projections of rental revenues and operating expenses have been provided by the Research Foundation based upon the assumptions discussed above. Rental Revenues includes Facility Revenues and Excess Existing Facilities Revenues as defined in the Resolution.

2 Maximum annual debt service on the 2012 Bonds is estimated to occur in Fiscal Year 2012-13.

3 The University receives an annual appropriation to pay for plant, operations and maintenance expenses for the Facilities. The University pays these expenses directly, resulting in additional revenues becoming available for debt service.

SCHEDULE OF DEBT SERVICE

Subsequent to the refunding to be accomplished with the proceeds of the 2012 Bonds, there will be no other Bonds outstanding. The table below shows the debt service on the 2012 Bonds.

Fiscal Year Ending June 30	Outstanding Debt Service 2001 Bonds	2012 Bonds Debt Service[1,2] Principal	Interest	Total
2013	$424,224	$365,000	$203,347	$992,591 [3]
2014	-	470,000	402,600	872,600
2015	-	485,000	388,500	873,500
2016	-	500,000	373,950	873,950
2017	-	515,000	358,950	873,950
2018	-	530,000	343,500	873,500
2019	-	550,000	322,300	872,300
2020	-	575,000	300,300	875,300
2021	-	595,000	277,300	872,300
2022	-	620,000	253,500	873,500
2023	-	640,000	228,700	868,700
2024	-	670,000	203,100	873,100
2025	-	695,000	176,300	871,300
2026	-	720,000	148,500	868,500
2027	-	750,000	119,700	869,700
2028	-	775,000	97,200	872,200
2029	-	800,000	73,950	873,950
2030	-	820,000	49,950	869,950
2031	-	845,000	25,350	870,350
	$424,224	$11,920,000	$4,346,997	$16,691,241

[1] Preliminary, subject to change as provided in the Notice of Bond Sale.
[2] Excludes the Refunded Bonds.
[3] Represents total debt service payable by the Research Foundation in Fiscal Year 2012-13.
Note: Numbers may not add due to rounding.

PROVISIONS OF STATE LAW

Bonds Legal Investment for Fiduciaries

The State Bond Act provides that all bonds issued by the Division of Bond Finance are legal investments for state, county, municipal or other public funds, and for banks, savings banks, insurance companies, executors, administrators, trustees, and all other fiduciaries and also are securities eligible as collateral deposits for all state, county, municipal, or other public funds.

Negotiability

The 2012 Bonds will have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code - Investment Securities Law of the State.

TAX MATTERS

General

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the issuance and delivery of the 2012 Bonds in order that interest on the 2012 Bonds be and remain excluded from gross income for purposes of federal income taxation. Non-compliance may cause interest on the 2012 Bonds to be included in federal gross income retroactive to the date of issuance of the 2012 Bonds, regardless of the date on which such non-compliance occurs or is ascertained. These requirements include, but are not limited to, provisions which prescribe yield and other limits within which the proceeds of the 2012 Bonds and the other amounts are to be invested and require that certain investment earnings on the foregoing must be rebated on a periodic basis to the Treasury Department of the United States. The Board, the Division of Bond Finance and the Board of Administration have covenanted in the Resolution to comply with such requirements in order to maintain the exclusion from federal gross income of the interest on the 2012 Bonds.

In the opinion of Bond Counsel, assuming compliance with the aforementioned covenants, under existing laws, regulations, judicial decisions and rulings, interest on the 2012 Bonds is excluded from gross income of the holders thereof for purposes of federal income taxation. Interest on the 2012 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or corporations; however, interest on the 2012 Bonds will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. The 2012 Bonds and the income thereon are not subject to any tax under the laws of the State of Florida except estate taxes imposed by Chapter 198, Florida Statutes, as amended, and net income and franchise taxes imposed by Chapter 220, Florida Statutes, as amended.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of 2012 Bonds. Prospective purchasers of 2012 Bonds should be aware that the ownership of 2012 Bonds may result in collateral federal income tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry 2012 Bonds, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by 15% of certain items, including interest on the 2012 Bonds, (iii) the inclusion of interest on the 2012 Bonds in earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of interest on 2012 Bonds in passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year, and (v) the inclusion of interest on the 2012 Bonds in "modified adjusted gross income" by recipients of certain Social Security and Railroad Retirement benefits for purposes of determining whether such benefits are included in gross income for federal income tax purposes.

Information Reporting and Backup Withholding

Interest paid on tax-exempt bonds such as the 2012 Bonds is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the 2012 Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of 2012 Bonds, under certain circumstances, to "backup withholding" at (i) the fourth lowest rate of tax applicable under Section 1(c) of the Code (i.e., a rate applicable to unmarried individuals) for taxable years beginning on or before December 31, 2012; and (ii) the rate of 31% for taxable years beginning after December 31, 2012, with respect to payments on the 2012 Bonds and proceeds from the sale of 2012 Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of 2012 Bonds. This withholding generally applies if the owner of 2012 Bonds (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the 2012 Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Tax Treatment of Bond Premium

The 2012 Bonds were offered and sold to the public at prices in excess of the principal amount thereof. Under the Code, the excess of the cost basis of a bond over the principal amount of the bond (other than for a bondholder who holds a bond as inventory, stock in trade, or for sale to customers in the ordinary course of business) is generally characterized as "bond premium." For federal income tax purposes, bond premium is amortized over the term of the bonds or to the first optional redemption date in the case of callable bonds. A bondholder will therefore be required to decrease his basis in the 2012 Bonds by the amount of amortizable bond premium attributable to each taxable year such bondholder holds such 2012 Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes.

Bondholders of such 2012 Bonds should consult their own tax advisors with respect to the precise determination of federal income tax treatment of bond premium upon sale, redemption, or other disposition of such 2012 Bonds.

Purchase, ownership or sale or disposition of the 2012 Bonds and the receipt of the interest thereon may have adverse federal tax consequences for certain individual and corporate bondholders. Prospective 2012 Bondholders should consult their tax specialists for information in that regard.

During recent years, legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the 2012 Bonds. In some cases, these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the 2012 Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the 2012 Bonds and their market value. No assurance can be given that legislative proposals will not be introduced or enacted that would or might apply to, or have an adverse effect upon, the 2012 Bonds. For example, in connection with federal deficit reduction, job creation and tax law reform efforts, proposals have been made and others are likely to be made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the 2012 Bonds. There can be no assurance that any such legislation or proposal will be enacted, and if enacted, what form it may take. The introduction or enactment of any such legislative proposals may affect, perhaps significantly, the market price for, or marketability of the 2012 Bonds.

State Taxes

The 2012 Bonds and the income therefrom are not subject to any taxation by the State or any county, municipality, political subdivision, agency, or instrumentality of the State, except estate taxes imposed by Chapter 198, Florida Statutes, as amended, and net income and franchise taxes imposed by Chapter 220, Florida Statutes, as amended.

Florida laws governing the imposition of estate taxes do not provide for an exclusion of state or local bonds from the calculation of the value of the gross estate for tax purposes. Florida's estate tax is generally calculated on the basis of the otherwise unused portion of the federal credit allowed for state estate taxes. Under Chapter 198, Florida Statutes, all values for state estate tax purposes are as finally determined for federal estate tax purposes. Since state and local bonds are included in the valuation of the gross estate for federal tax purposes, such obligations would be included in such calculation for Florida estate tax purposes. Prospective owners of the 2012 Bonds should consult their own attorneys and advisors for the treatment of the ownership of the 2012 Bonds for estate tax purposes.

The 2012 Bonds and the income therefrom are subject to the tax imposed by Chapter 220 on interest, income, or profits on debt obligations owned by corporations and other specified entities.

MISCELLANEOUS

Investment of Funds

All State funds are invested by either the Chief Financial Officer or the Board of Administration.

Funds Held Pursuant to the Resolution - The Resolution directs the manner in which amounts held in the various funds may be invested. At closing, the net proceeds of the 2012 Bonds will be deposited into the Escrow Deposit Trust Fund to be held uninvested by the Board of Administration and used to redeem the Refunded Bonds. After collection, the Pledged Revenues are accounted for in the Revenue Fund, and amounts required for debt service are transferred to the Sinking Fund held by the Board of Administration. See "*Investment by the Chief Financial Officer*" and "*Investment by the Board of Administration*" below.

Investment by the Chief Financial Officer - Funds held in the State Treasury are invested by internal and external investment managers. As of June 30, 2012, the ratio was approximately 50% internally managed funds, 37% externally managed funds, 4% Certificates of Deposit and 9% in an externally managed Security Lending program. The total portfolio market value was $21,500,833,637.86 on June 30, 2012.

Under State law, the Treasury is charged with investing funds of each State agency and the judicial branch. As of June 30, 2012, $12.025 billion of the investments in the Treasury consisted of accounts held by State agencies that are required by law to maintain their investments in the Treasury. An additional $6.538 billion as of this date consisted of moneys held by certain boards, associations, or entities created by the State Constitution or by State law that are not required to maintain their investments with the Treasury and are permitted to withdraw these funds from the Treasury.

As provided by State law, the Treasury must be able to timely meet all disbursement needs of the State. Accordingly, the Treasury allocates its investments to provide for estimated disbursements plus a cushion for liquidity in instances of greater-than-expected disbursement demand.

To this end, a portion of Treasury's investments are managed for short-term liquidity and preservation of principal. The remainder is managed to obtain maximum yield, given the safety parameters of State law and Treasury's Comprehensive Investment Policy. Investments managed for short-term liquidity and preservation of principal are managed "internally" by Treasury personnel. Treasury personnel also manage approximately $2.4 billion to cash enhanced and intermediate strategies to provide additional return. The majority of investments managed for a maximum return are managed by "external" investment managers not employed by the State.

The Externally Managed Investment Program provides long-term value while limiting risk appropriately and provides a backup source of liquidity. External investment strategy focuses on medium-term and long-term fixed income securities, rather than money market instruments, in order to take advantage of higher returns historically achieved by such securities. Portfolio managers are hired to actively manage funds. These funds may be invested in U.S. Treasury government agency obligations, investment grade corporate debt, municipal debt, mortgage backed securities, asset backed securities, negotiable certificates of deposit, and U.S. dollar denominated investment-grade foreign bonds that are registered with the Securities and Exchange Commission. The managers may also use leveraging techniques such as forward purchase commitments, covered options, and interest rate futures.

Investment by the Board of Administration - The Board of Administration manages investment of assets on behalf of the members of the Florida Retirement System (the "FRS") Defined Benefit Plan. It also acts as sinking fund trustee for most State bond issues and oversees the management of a short-term investment pool for local governments and smaller trust accounts on behalf of third party beneficiaries.

The Board of Administration adopts specific investment policy guidelines for the management of its funds which reflect the long-term risk, yield, and diversification requirements necessary to meet its fiduciary obligations. As of June 30, 2012, the Board of Administration directed the investment/administration of 38 funds in over 480 portfolios.

As of June 30, 2012, the total market value of the FRS (Defined Benefit) Trust Fund was $122,745,973,551. The Board of Administration pursues an investment strategy which allocates assets to different investment types. The long-term objective is to meet liability needs as determined by actuarial assumptions. Asset allocation levels are determined by the liquidity and cash flow requirements of the FRS, absolute and relative valuations of the asset class investments, and opportunities within those asset classes. Funds are invested internally and externally under a Defined Benefit Plan Investment Policy Statement.

The Board of Administration uses a variety of derivative products as part of its overall investment strategy. These products are used to manage risk or to execute strategies more efficiently or more cost effectively than could be done in the cash markets. They are not used to speculate in the expectation of earning extremely high returns. Any of the products used must be within investment policy guidelines designed to control the overall risk of the portfolio.

The Board of Administration invests assets in 37 designated funds other than the FRS (Defined Benefit) Trust Fund. As of June 30, 2012, the total market value of these funds equaled $29,003,350,377. Each fund is independently managed by the Board of Administration in accordance with the applicable documents, legal requirements and investment plan. Liquidity and preservation of capital are preeminent investment objectives for most of these funds, so investments for these are restricted to high quality money market instruments (e.g., cash, short-term treasury securities, certificates of deposit, banker's acceptances, and commercial paper). The term of these investments is generally short, but may vary depending upon the requirements of each trust and its investment plan.

Investment of bond sinking funds is controlled by the resolution authorizing issuance of a particular series of bonds. The Board of Administration's investment policy with respect to sinking funds is that only U.S. Treasury securities, and repurchase agreements backed thereby, be used.

Bond Ratings

Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch") (herein referred to collectively as "Rating Agencies"), have assigned their municipal bond ratings of Aa2 and AA, respectively, to the 2012 Bonds. Such ratings reflect only the respective views of such Rating Agencies at the time such ratings were issued, and an explanation of the significance of such ratings may be obtained from any of the respective rating agencies.

The State furnished to such Rating Agencies certain information and material in respect to the State, the University, the Research Foundation and the 2012 Bonds. Generally, Rating Agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the Rating Agencies. There is no assurance that such ratings will be maintained for any given period of time or that they may not be lowered, suspended or withdrawn entirely by the Rating Agencies, or any of them, if in their or its judgment, circumstances warrant. Any such downward change in, suspension of or withdrawal of such ratings may have an adverse effect on the market price of the 2012 Bonds.

Litigation

Currently there is no litigation pending, or to the knowledge of the Foundation, the University, the Board, or the Division of Bond Finance threatened, which, if successful, would have the effect of restraining or enjoining the issuance or delivery of the 2012 Bonds or the fixing or collection of the revenues pledged thereto. Nor is there currently any litigation pending, or to the knowledge of the Foundation, the University, the Board, or the Division of Bond Finance threatened which questions or affects the validity of the 2012 Bonds or the proceedings and authority under which the 2012 Bonds are to be issued. Further, there is currently no litigation pending, or to the knowledge of the Foundation, the University, the Board, or the Division of Bond Finance threatened, which questions or affects the corporate existence of the Board or the title of the present officers to their respective offices. The Foundation, the University, the Board, and the Division of Bond Finance from time to time engage in routine litigation the outcome of which would not be expected to have any material adverse affect on the issuance and delivery of the 2012 Bonds.

Legal Opinion and Closing Certificates

The approving legal opinion of Bryant Miller Olive P.A., Tallahassee, Florida, will be provided on the date of delivery of the 2012 Bonds, as well as a certificate, executed by appropriate State officials, to the effect that to the best of their knowledge the Official Statement, as of its date and as of the date of delivery of the 2012 Bonds, does not contain an untrue statement of a material fact or omit to state a material fact which should be included herein for the purpose for which the Official Statement is intended to be used, or which is necessary to make the statements contained herein, in the light of the circumstances under which they were made, not misleading. A proposed form of the legal opinion of Bond Counsel is attached hereto as Appendix H.

Continuing Disclosure

The Board and the University will undertake, for the benefit of the beneficial owners and the Registered Owners of the 2012 Bonds to provide, or cause to be provided, certain financial information and operating data and to provide notices of certain material events. Such financial information and operating data will be transmitted to the Municipal Securities Rulemaking Board (the "MSRB") using its Electronic Municipal Market Access System ("EMMA"). Any notice of material events will also be transmitted to the MSRB using EMMA. The form of the undertaking is set forth in Appendix G, Form of Continuing Disclosure Agreement. This undertaking is being made in order to assist the underwriters in complying with Rule 15c2-12 of the Securities and Exchange Commission.

Neither the Board, the University nor the Division of Bond Finance has failed to make any disclosures required by Rule 15c2-12.

Underwriting

Morgan Stanley & Co. LLC (the "Underwriters") have agreed to purchase the 2012 Bonds at an aggregate purchase price of $13,004,872.40 (which represents the par amount of the 2012 Bonds plus an original issue premium of $1,217,645.70 and minus the Underwriters' discount of $132,773.30). The Underwriters may offer and sell the 2012 Bonds to certain dealers (including dealers depositing bonds into investment trusts) and others at prices lower than the offering price stated on the inside front cover.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. LLC will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

Execution of Official Statement

The Division of Bond Finance and the Board have authorized the execution and delivery of the Official Statement.

DIVISION OF BOND FINANCE of the STATE BOARD
OF ADMINISTRATION OF FLORIDA

RICK SCOTT
Governor, as Chairman of the Governing Board
of the Division of Bond Finance

J. BEN WATKINS III
Director
Division of Bond Finance

BOARD OF GOVERNORS

DEAN COLSON
Chair

APPENDIX A

DEFINITIONS

"2001 Bonds" means the $22,590,000 State of Florida, Florida Board of Education, The Florida State University Research Foundation, Incorporated Revenue Bonds, Series 2001.

"2012 Bonds" means the $11,920,000 State of Florida, Board of Governors, The Florida State University Research Foundation, Inc. Revenue Refunding Bonds, Series 2012.

"Accreted Value" means, as of any date of computation with respect to any Capital Appreciation Bonds, an amount equal to the principal amount of such Capital Appreciation Bond at its initial offering plus the accrued interest on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the Interest Payment Date next preceding the date of computation or to the date of computation if such date is an Interest Payment Date, such interest to accrue at a rate per annum determined pursuant to a subsequent resolution of the Division of Bond Finance (not to exceed the maximum rate permitted by law), compounded periodically, plus, with respect to matters related to the payment upon redemption of the Capital Appreciation Bond, if such date of computation shall not be an Interest Payment Date, the ratable portion of the difference between the Accreted Value as of the immediately preceding Interest Payment Date (or the date of delivery of the Bonds to the original purchasers thereof if the date of computation is prior to the first Interest Payment Date succeeding the date of delivery) and the Accreted Value as of the immediately succeeding Interest Payment Date, calculated based on the assumption that Accreted Value accrues during any period in equal daily amounts on the basis of a year of twelve 30-day months.

"Additional Bonds" means any obligations issued pursuant to the terms and conditions of the Authorizing Resolution and payable from the Pledged Revenues on a parity with any Bonds previously issued pursuant to the Authorizing Resolution. Such Additional Bonds shall be deemed to have been issued pursuant to the Authorizing Resolution the same as the Bonds previously authorized and issued pursuant to the Authorizing Resolution, and all of the applicable covenants and other provisions of the Authorizing Resolution (except as to details of such Additional Bonds inconsistent herewith), shall be for the equal benefit, protection and security of the Registered Owners of the Bonds previously authorized and issued pursuant to the Authorizing Resolution, and the Registered Owners of any Additional Bonds evidencing additional obligations subsequently issued within the limitations of and in compliance with the Authorizing Resolution. All of such Additional Bonds, regardless of the time or times of their issuance, shall rank equally with other Bonds with respect to their lien on and source and security for payment from the Pledged Revenues without preference or priority of any Bonds over any other.

"Administrative Expenses" means, with respect to the Bonds or the administration of any funds under the Authorizing Resolution, to the extent applicable: (i) fees or charges, or both, of the Board of Administration and the Division of Bond Finance; and (ii) such other fees or charges, or both, as may be approved by the Board of Administration or the Division of Bond Finance, including but not limited to those relating to tax law compliance, disclosure of information, paying agents, rating agencies and providers of credit enhancement; all as may be determined from time to time as necessary.

"AME Building" means the Aero-propulsion Mechatronics and Energy Building (Research Facility #4 #855).

"Amortization Installment" means an amount so designated which is established for the Term Bonds of each Series; provided that each such Amortization Installment shall be deemed due upon the date determined pursuant to a subsequent resolution adopted by the Division of Bond Finance and the aggregate of such Amortization Installments for each Series shall equal the aggregate principal of the Term Bonds of such Series.

"Annual Debt Service Requirement" means, for any Fiscal Year, the remaining amount (with respect to the particular Series of Bonds, or all Bonds, as the case may be) required to be deposited in such Fiscal Year into the Sinking Fund to pay the interest, principal and Amortization Installment in such Fiscal Year. In the calculation of the Annual Debt Service Requirement, any interest, principal, or Amortization Installment payable on July 1 of any Fiscal Year shall be deemed payable in the prior Fiscal Year. The amount of Term Bonds maturing in any Fiscal Year, excluding the Amortization Installment due in the year of maturity, shall not be included as part of the Amortization Installment in determining the Annual Debt Service Requirement for that Fiscal Year.

"Assistant Secretary" means an Assistant Secretary of the Division of Bond Finance.

"Authorizing Resolution" means the resolution adopted on October 23, 2012 by the Governing Board of the Division of Bond Finance authorizing the issuance of the 2012 Bonds.

"Board of Administration" means the State Board of Administration, as created pursuant to the provisions of Article IV, Section 4, Florida Constitution, and Chapter 215, Florida Statutes.

"Board of Governors" or **"Board"** means the Board of Governors created by Article IX, Section 7 of the Florida Constitution, and includes any other entity succeeding to the powers thereof.

"Bond Fee Trust Fund" means the Bond Fee Trust Fund created by Section 215.65, Florida Statutes.

"Bond Insurance Policy" means an insurance policy issued for the benefit of the Registered Owners of any Bond, pursuant to which the issuer of such insurance policy shall be obligated to pay when due the principal of and interest on such Bond to the extent of any deficiency in the amounts in the funds and accounts held under the Authorizing Resolution, in the manner and in accordance with the terms provided in such Bond Insurance Policy.

"Bond Registrar/Paying Agent" means U.S. Bank Trust National Association, New York, New York, or its successor, unless a different Bond Registrar/Paying Agent is provided for by subsequent resolution of the Division of Bond Finance.

"Bond Year" means, with respect to a particular Series of Bonds, the annual period relevant to the application of Section 148(f) of the Code to the Series of Bonds, except that the first and last Bond Years may be less than 12 months long. The last day of a Bond Year shall be the close of business on the day preceding the anniversary of the date of issuance of the Series unless the Division of Bond Finance selects another date on which to end a Bond Year in the manner permitted by the Code.

"Bonds" means the State of Florida, Board of Governors, The Florida State University Research Foundation, Inc., Revenue Refunding Bonds, Series (to be determined) issued pursuant to the Authorizing Resolution and any Additional Bonds issued in accordance with Section 5.01 of the Authorizing Resolution.

"Building A" means the Research Foundation Building A (Research Building East Innovation Park #824).

"Building B" means the Research Foundation Building B (Research Building West Innovation Park #825).

"Capital Appreciation Bonds" means those Bonds as to which interest is compounded periodically on each of the applicable periodic dates designated for compounding and is payable in an amount equal to the then current Accreted Value at the maturity, earlier redemption or other payment date thereof, and which may be either Serial Bonds or Term Bonds, all as determined pursuant to a subsequent resolution of the Division of Bond Finance.

"Code" means the Internal Revenue Code of 1986, as amended, and temporary, proposed or permanent implementing regulations promulgated thereunder.

"Completion Bonds" means those Bonds issued to pay the cost of completing any project financed by the issuance of Bonds and meeting the requirements of Section 5.04 of the Authorizing Resolution.

"Current Expenses" means and includes all necessary operating expenses, commissions, routine maintenance charges, expenses of reasonable upkeep and repairs, and all other expenses of the University or the Foundation incident to the normal operation and maintenance of the Facilities and any additional research and development facilities of the University or the Foundation which are financed with proceeds of Bonds issued pursuant to the Authorizing Resolution, or the revenues of which are pledged to payment of Bonds, but shall exclude depreciation, all general administrative expenses of the University or the Foundation, the expenses of operation or maintenance of auxiliary facilities the revenues of which are not pledged as security for the Bonds and the payments into the Maintenance and Equipment Reserve Fund provided for in the Authorizing Resolution.

"Debt Service Reserve Account"* or **"Reserve Account"*** means the account within the Sinking Fund created pursuant to Section 4.02 of the Authorizing Resolution and shall include any subaccounts established for one or more Series of Bonds.

"Debt Service Reserve Requirement"* means, as of any date of calculation with respect to all Bonds Outstanding, an amount determined pursuant to resolution of the Governing Board, which shall not exceed the lesser of (1) the Maximum Annual Debt Service on the Bonds, (2) 125% of the average annual debt service of the Bonds for the then current and succeeding Fiscal Years, (3) 10% of the par amount of the Bonds, or (4) the maximum debt service reserve permitted with respect to tax-exempt obligations and applicable to the Bonds.

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* There is no Debt Service Reserve Requirement for the 2012 Bonds and the 2012 Bonds will not be secured by a Debt Service Reserve Account or Subaccount herein.

“Defeasance Obligations” means, to the extent permitted by law, direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States and including advance refunded tax-exempt bonds fully secured by non-callable direct obligations of the United States of America, non-callable obligations guaranteed by the United States of America, or “stripped” interest payment obligations of debt obligations of the Resolution Funding Corporation.

“Director” means the Director of the Division of Bond Finance and shall include any Assistant Secretary to whom the Director delegates authority.

“Division of Bond Finance” means the Division of Bond Finance of the State Board of Administration of Florida.

“Existing Facilities” means the Johnson Building and the Shaw Building located at Innovation Park, Tallahassee, Florida, the excess revenues of which are pledged as security for payment of the Bonds.

“Excess Existing Facilities Revenues” means the operating income of each of the Existing Facilities after payment of the amounts due by the Foundation to the Leon County Research and Development Authority pursuant to the Lease Agreements dated as of December 7, 1994, with respect to the Johnson Building, and July 1, 1996, with respect to the Shaw Building, each between the Foundation and the Leon County Research and Development Authority, and the net revenues of any other Facilities the excess revenues of which are pledged to payment of Bonds.

“Facilities” means the Existing Facilities, Building A, Building B, AME Building, MRB Building, and any additional research and development facilities of the University or the Foundation which are financed with proceeds of Bonds issued pursuant to the Authorizing Resolution, or the revenues of which are pledged to payment of Bonds.

“Facility Revenues” means all fees, rentals or other charges and income received by the Foundation from others using or being served by or having the right to use, or having the right to be served by Building A, Building B, AME Building, MRB Building, and any additional research and development facilities of the University or the Foundation which are financed with proceeds of Bonds issued pursuant to the Authorizing Resolution, or the revenues of which are pledged to payment of Bonds, without any deductions.

“Fiscal Year” means the period beginning with and including July 1 of each year and ending with and including the next June 30.

“Foundation” means The Florida State University Research Foundation, Inc., a Florida not for profit corporation which has been designated as a direct support organization as defined in Section 240.299, Florida Statutes, and an organization determined by the Internal Revenue Service to be exempt from federal income tax under section 501(a) of the Code.

“Governing Board” means the Governor and Cabinet of the State of Florida as the governing board of the Division of Bond Finance.

“Guaranty” means the Guaranty Agreement from the Foundation, as guarantor, to the Board of Administration, executed for the purpose of further securing payment of the Bonds, and any amendments and supplements thereto.

“Lease” means that certain Lease Agreement dated November 1, 2001 between the University as lessor and the Foundation as lessee, with respect to Building A and Building B, and any amendments and supplements thereto, as well as any lease agreement executed with respect to a Facility financed with proceeds of Additional Bonds or a Facility the revenues of which are pledged to the payment of Bonds.

“Maintenance and Equipment Reserve Fund” means the fund required to be created and maintained by the Foundation pursuant to Section 4.02(A)(3) of the Authorizing Resolution and the Lease.

“MRB Building” means the Materials Research Building (Materials Research Facility #854).

“Interest Payment Date” means, for each Series of Bonds, the dates of each Fiscal Year on which interest on the Outstanding Bonds of such Series is payable, as provided for pursuant to a subsequent resolution of the Division of Bond Finance.

"Maximum Annual Debt Service" means, at any time, the maximum remaining amount (with respect to the particular Series of Bonds, or all Bonds, as the case may be), required to be deposited into the Sinking Fund during the then current or any succeeding Fiscal Year. For the purpose of calculating the deposits to be made into a subaccount in the Reserve Account, the Maximum Annual Debt Service means, at any time, the maximum remaining amount, if any, required to be deposited in the then current or any succeeding Fiscal Year into the Sinking Fund with respect to the Bonds for which such subaccount has been established. In the calculation of Maximum Annual Debt Service, any interest, principal, or Amortization Installment payable on July 1 of any Fiscal Year shall be deemed payable in the prior Fiscal Year. The amount of Term Bonds maturing in any Fiscal Year, excluding the Amortization Installment due in the year of maturity, shall not be included as part of the Amortization Installment in determining the Maximum Annual Debt Service for that Fiscal Year.

"Outstanding" means, as of any date of determination, all Bonds theretofore authenticated and delivered except:

(i) Bonds theretofore canceled by the Bond Registrar/Paying Agent or delivered to the Bond Registrar/Paying Agent for cancellation;

(ii) Bonds which are deemed paid and defeased and no longer Outstanding as provided in the Authorizing Resolution;

(iii) Bonds in lieu of which other Bonds have been issued pursuant to the provisions of the Authorizing Resolution relating to Bonds destroyed, stolen or lost, unless evidence satisfactory to the Bond Registrar/Paying Agent has been received that any such Bond is held by a bona fide purchaser;

(iv) For purposes of any consent or other action to be taken by the Registered Owners of a specified percentage of principal amount of Bonds, Bonds held by or for the account of the Division of Bond Finance or the Board of Governors; and

(v) Bonds with respect to which debt service has been paid pursuant to a Bond Insurance Policy, to the extent that the amount of such payment has been reimbursed to the issuer of such Bond Insurance Policy (or monies have been deposited to defease such payment).

"Payment Date" means, for each Series of Bonds, the dates during each Fiscal Year on which principal of or interest on the Outstanding Bonds of such Series is payable, as provided pursuant to a subsequent resolution of the Division of Bond Finance.

"Pledged Revenues" means Facility Revenues and Excess Existing Facilities Revenues, plus investment earnings thereon pursuant to Section 4.05 of the Authorizing Resolution, minus Current Expenses and Administrative Expenses.

"Principal Payment Date" means, for each Series of Bonds, the dates during each Fiscal Year on which principal of the Outstanding Bonds of such Series is payable, as provided for pursuant to a subsequent resolution of the Division of Bond Finance.

"Qualified Public Depository" means a financial institution qualified to accept deposits of public money pursuant to Chapter 280, Florida Statutes.

"Rating Agency" means a nationally recognized bond rating agency.

"Rebate Amount" means the excess of the amount earned on all nonpurpose investments (as defined in Section 148(f)(6) of the Code) over the amount which would have been earned if such nonpurpose investments were invested at a rate equal to the yield on the Bonds, plus any income attributable to such excess.

"Rebate Fund" means the Rebate Fund created and established pursuant to Section 6.03 of the Authorizing Resolution.

"Record Date" means with respect to each Series of Bonds, the 15th day of the calendar month next preceding the month of an Interest Payment Date or Principal Payment Date. With respect to redemption of Bonds prior to maturity, the record date shall be the date 45 days prior to the date fixed for redemption.

"Refunded Bonds" means all or a portion of the Outstanding 2001 Bonds to be refunded by the Refunding Bonds.

"Refunding Bonds" means the State of Florida, Board of Governors, The Florida State University Research Foundation, Inc., Revenue Refunding Bonds, Series 2012 issued pursuant to the Authorizing Resolution.

"Registered Owner" means any person who shall be the registered owner of any Bonds.

"Reserve Account Credit Facility" means a Reserve Account Insurance Policy, Reserve Account Letter of Credit or other comparable insurance or financial product, if any, deposited in a debt service reserve subaccount, if any, in lieu of or in partial substitution for cash or securities otherwise required to be on deposit therein. Such Reserve Account Credit Facility shall be issued by a provider whose credit facility results in a rating of municipal securities secured thereby in one of the two highest full rating categories of a Rating Agency.

"Reserve Account Insurance Policy" means the insurance policy, surety bond or other acceptable evidence of insurance, if any, deposited in a debt service reserve subaccount, if any, in lieu of or in partial substitution for cash or securities otherwise required to be on deposit therein.

"Reserve Account Letter of Credit" means the irrevocable, transferable letter of credit, if any, deposited in a debt service reserve subaccount, if any, in lieu of or in partial substitution for cash or securities otherwise required to be on deposit therein.

"Reserve Requirement" means, as of any date of calculation for a particular debt service reserve subaccount, an amount determined pursuant to resolution of the Governing Board, which amount shall not exceed the lesser of (1) the Maximum Annual Debt Service on the Bonds secured by such subaccount, (2) 125% of the average annual debt service of the Bonds secured by such subaccount for the then current and succeeding Fiscal Years, (3) 10% of the par amount of the Bonds secured by such subaccount, or (4) the maximum debt service reserve permitted with respect to tax-exempt obligations and applicable to the Bonds secured by such subaccount under the Code.

"Resolution" means the Authorizing Resolution adopted on October 23, 2012 by the Governor and Cabinet as the Governing Board of the Division of Bond Finance, as amended and supplemented from time to time.

"Revenue Fund" means The Florida State University Research Foundation Revenue Fund created and established pursuant to Section 4.02 of the Authorizing Resolution.

"Serial Bonds" means the Bonds of a Series which shall be stated to mature in periodic installments.

"Series" or **"Series of Bonds"** means all of the Bonds authenticated and delivered on original issuance pursuant to the Authorizing Resolution or any supplemental resolution authorizing such Bonds as a separate Series of Bonds, or any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article II of the Authorizing Resolution, regardless of variations in maturity, interest rate or other provisions.

"Sinking Fund" means The Florida State University Research Foundation, Inc. Sinking Fund created and established pursuant to Section 4.02(A)(2)(c) of the Authorizing Resolution.

"State" means the State of Florida.

"State Bond Act" means Sections 215.57-215.83, Florida Statutes, as amended from time to time.

"Term Bonds" means the Bonds of a Series which shall be subject to mandatory redemption prior to maturity and shall be stated to mature on one date and for which Amortization Installments are required to be made into the Sinking Fund, as may be determined pursuant to a subsequent resolution of the Division of Bond Finance.

"University" means The Florida State University.

Where the context so requires, words importing singular number shall include the plural number in each case and vice versa, words importing persons shall include firms and corporations, and the masculine includes the feminine and vice versa.

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APPENDIX B

**DIVISION OF BOND FINANCE
OF THE
STATE BOARD OF ADMINISTRATION
OF FLORIDA**

A RESOLUTION AUTHORIZING THE ISSUANCE OF STATE OF FLORIDA BOARD OF GOVERNORS THE FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC. REVENUE REFUNDING BONDS SERIES (TO BE DETERMINED)

Adopted October 23, 2012

A RESOLUTION AUTHORIZING THE ISSUANCE OF STATE OF FLORIDA, BOARD OF GOVERNORS, THE FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC., REVENUE REFUNDING BONDS, SERIES (TO BE DETERMINED); PROVIDING FOR CERTAIN COVENANTS IN CONNECTION THEREWITH AND PROVIDING FOR AN EFFECTIVE DATE.

BE IT RESOLVED BY THE GOVERNOR AND CABINET OF THE STATE OF FLORIDA, AS THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION:

WHEREAS, on December 5, 2001, the Division of Bond Finance of the State Board of Administration of Florida (the "Division"), issued $22,590,000 State of Florida, Florida Board of Education, The Florida State University Research Foundation, Inc., Revenue Bonds, Series 2001 (the "2001 Bonds") for construction of research and development facilities to be acquired by The Florida State University Research Foundation, Inc. (the "Foundation") and associated costs; and

WHEREAS, all of the 2001 Bonds will be defeased and refunded upon the issuance of the State of Florida Board of Governors, The Florida State University Research Foundation, Inc., Revenue Refunding Bonds, Series (to be determined)(the "Refunding Bonds");

ARTICLE I
DEFINITIONS AND AUTHORITY

SECTION 1.01. AUTHORITY FOR THIS RESOLUTION. This Resolution is adopted pursuant to the provisions of Article VII, Section 11(d) of the Florida Constitution; Sections 215.57-215.83, Florida Statutes (the "State Bond Act"); Section 1010.62, Florida Statutes; Chapter 2012-134, Section 42, Laws of Florida, and other applicable provisions of law.

SECTION 1.02. DEFINITIONS. The following terms shall have the following meanings in this Resolution unless the text otherwise requires:

"2001 Bonds" means the $22,590,000 State of Florida, Florida Board of Education, The Florida State University Research Foundation, Inc., Revenue Bonds, Series 2001.

"Accreted Value" means, as of any date of computation with respect to any Capital Appreciation Bonds, an amount equal to the principal amount of such Capital Appreciation Bond at its initial offering plus the accrued interest on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the Interest Payment Date next preceding the date of computation or to the date of computation if such date is an Interest Payment Date, such interest to accrue at a rate per annum determined pursuant to a subsequent resolution of the Division of Bond Finance (not to exceed the maximum rate permitted by law), compounded periodically, plus, with respect to matters related to the payment upon redemption of the Capital Appreciation Bond, if such date of computation shall not be an Interest Payment Date, the ratable portion of the difference between the Accreted Value as of the immediately preceding Interest Payment Date (or the date of delivery of the Bonds to the original purchasers thereof if the date of computation is prior to the first Interest Payment Date succeeding the date of delivery) and the Accreted Value as of the immediately succeeding Interest Payment Date, calculated based on the assumption that Accreted Value accrues during any period in equal daily amounts on the basis of a year of twelve 30-day months.

"Additional Bonds" means any obligations hereafter issued pursuant to the terms and conditions of this Resolution and payable from the Pledged Revenues on a parity with any Bonds previously issued hereunder. Such Additional Bonds shall be deemed to have been issued pursuant to this Resolution the same as the Bonds previously authorized and issued pursuant to this Resolution, and all of the applicable covenants and other provisions of this Resolution (except as to details of such Additional Bonds inconsistent herewith), shall be for the equal benefit, protection and security of the Registered Owners of the Bonds previously authorized and issued pursuant to this Resolution, and the Registered Owners of any Additional Bonds evidencing additional obligations subsequently issued within the limitations of and in compliance with this Resolution. All of such Additional Bonds, regardless of the time or times of their issuance, shall rank equally with other Bonds with respect to their lien on and source and security for payment from the Pledged Revenues without preference or priority of any Bonds over any other.

"Administrative Expenses" means, with respect to the Bonds or the administration of any funds under this Resolution, to the extent applicable: (i) fees or charges, or both, of the Board of Administration and the Division of Bond Finance; and (ii) such other fees or charges, or both, as may be approved by the Board of Administration or the Division of Bond Finance, including but not limited to those relating to tax law compliance, disclosure of information, paying agents, rating agencies and providers of credit enhancement; all as may be determined from time to time as necessary.

"AME Building" means the Aero-propulsion Mechatronics and Energy Building (Research Facility #4 #855).

"Amortization Installment" means an amount so designated which is established for the Term Bonds of each Series; provided that each such Amortization Installment shall be deemed due upon the date determined pursuant to a subsequent resolution adopted by the Division of Bond Finance and the aggregate of such Amortization Installments for each Series shall equal the aggregate principal of the Term Bonds of such Series.

"Annual Debt Service Requirement" means, for any Fiscal Year, the remaining amount (with respect to the particular Series of Bonds, or all Bonds, as the case may be) required to be deposited in such Fiscal Year into the Sinking Fund to pay the interest, principal and Amortization Installment in such Fiscal Year. In the calculation of the Annual Debt Service Requirement, any interest, principal, or Amortization Installment payable on July 1 of any Fiscal Year shall be deemed payable in the prior Fiscal Year. The amount of Term Bonds maturing in any Fiscal Year, excluding the Amortization Installment due in the year of maturity, shall not be included as part of the Amortization Installment in determining the Annual Debt Service Requirement for that Fiscal Year.

"Assistant Secretary" means an Assistant Secretary of the Division of Bond Finance.

"Board of Administration" means the State Board of Administration, as created pursuant to the provisions of Article IV, Section 4, Florida Constitution, and Chapter 215, Florida Statutes.

"Board of Governors" or **"Board"** means the Board of Governors created by Article IX, Section 7 of the Florida Constitution, and includes any other entity succeeding to the powers thereof.

"Bond Fee Trust Fund" means the Bond Fee Trust Fund created by Section 215.65, Florida Statutes.

"Bond Insurance Policy" means an insurance policy issued for the benefit of the Registered Owners of any Bond, pursuant to which the issuer of such insurance policy shall be obligated to pay when due the principal of and interest on such Bond to the extent of any deficiency in the amounts in the funds and accounts held under this Resolution, in the manner and in accordance with the terms provided in such Bond Insurance Policy.

"Bond Registrar/Paying Agent" means U.S. Bank Trust National Association, New York, New York, or its successor, unless a different Bond Registrar/Paying Agent is provided for by subsequent resolution of the Division of Bond Finance.

"Bond Year" means, with respect to a particular Series of Bonds issued hereunder, the annual period relevant to the application of Section 148(f) of the Code to the Series of Bonds, except that the first and last Bond Years may be less than 12 months long. The last day of a Bond Year shall be the close of business on the day preceding the anniversary of the date of issuance of the Series unless the Division of Bond Finance selects another date on which to end a Bond Year in the manner permitted by the Code.

"Bonds" means the State of Florida, Board of Governors, The Florida State University Research Foundation, Inc., Revenue Refunding Bonds, Series (to be determined) issued pursuant to this Resolution and any Additional Bonds issued in accordance with Section 5.01 of this Resolution.

"Building A" means the Research Foundation Building A (Research Building East Innovation Park #824).

"Building B" means the Research Foundation Building B (Research Building West Innovation Park #825).

"Capital Appreciation Bonds" means those Bonds as to which interest is compounded periodically on each of the applicable periodic dates designated for compounding and is payable in an amount equal to the then current Accreted Value at the maturity, earlier redemption or other payment date thereof, and which may be either Serial Bonds or Term Bonds, all as determined pursuant to a subsequent resolution of the Division of Bond Finance.

“Code” means the Internal Revenue Code of 1986, as amended, and temporary, proposed or permanent implementing regulations promulgated thereunder.

“Completion Bonds” means those Bonds issued to pay the cost of completing any project financed by the issuance of Bonds and meeting the requirements of Section 5.04 of this Resolution.

“Current Expenses” means and includes all necessary operating expenses, commissions, routine maintenance charges, expenses of reasonable upkeep and repairs, and all other expenses of the University or the Foundation incident to the normal operation and maintenance of the Facilities and any additional research and development facilities of the University or the Foundation which are financed with proceeds of Bonds issued pursuant to this Resolution, or the revenues of which are pledged to payment of Bonds, but shall exclude depreciation, all general administrative expenses of the University or the Foundation, the expenses of operation or maintenance of auxiliary facilities the revenues of which are not pledged as security for the Bonds and the payments into the Maintenance and Equipment Reserve Fund hereinafter provided for.

“Debt Service Reserve Account” or **“Reserve Account”** means the account within the Sinking Fund created pursuant to Section 4.02 of this Resolution and shall include any subaccounts established for one or more Series of Bonds.

“Debt Service Reserve Requirement” means, as of any date of calculation with respect to all Bonds Outstanding hereunder, an amount determined pursuant to resolution of the Governing Board, which shall not exceed the lesser of (1) the Maximum Annual Debt Service on the Bonds, (2) 125% of the average annual debt service of the Bonds for the then current and succeeding Fiscal Years, (3) 10% of the par amount of the Bonds, or (4) the maximum debt service reserve permitted with respect to tax-exempt obligations and applicable to the Bonds.

“Defeasance Obligations” means, to the extent permitted by law, direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States and including advance refunded tax-exempt bonds fully secured by non-callable direct obligations of the United States of America, non-callable obligations guaranteed by the United States of America, or “stripped” interest payment obligations of debt obligations of the Resolution Funding Corporation.

“Director” means the Director of the Division of Bond Finance and shall include any Assistant Secretary to whom the Director delegates authority.

“Division of Bond Finance” means the Division of Bond Finance of the State Board of Administration of Florida.

“Existing Facilities” means the Johnson Building and the Shaw Building located at Innovation Park, Tallahassee, Florida, the excess revenues of which are pledged as security for payment of the Bonds.

“Excess Existing Facilities Revenues” means the operating income of each of the Existing Facilities after payment of the amounts due by the Foundation to the Leon County Research and Development Authority pursuant to the Lease Agreements dated as of December 7, 1994, with respect to the Johnson Building, and July 1, 1996, with respect to the Shaw Building, each between the Foundation and the Leon County Research and Development Authority, and the net revenues of any other Facilities the excess revenues of which are pledged to payment of Bonds.

“Facilities” means the Existing Facilities, Building A, Building B, AME Building, MRB Building, and any additional research and development facilities of the University or the Foundation which are financed with proceeds of Bonds issued pursuant to this Resolution, or the revenues of which are pledged to payment of Bonds.

“Facility Revenues” means all fees, rentals or other charges and income received by the Foundation from others using or being served by or having the right to use, or having the right to be served by Building A, Building B, AME Building, MRB Building, and any additional research and development facilities of the University or the Foundation which are financed with proceeds of Bonds issued pursuant to this Resolution, or the revenues of which are pledged to payment of Bonds, without any deductions.

“Fiscal Year” means the period beginning with and including July 1 of each year and ending with and including the next June 30.

"Foundation" means The Florida State University Research Foundation, Inc., a Florida not for profit corporation which has been designated as a direct support organization as defined in Section 240.299, Florida Statutes, and an organization determined by the Internal Revenue Service to be exempt from federal income tax under section 501(a) of the Code.

"Governing Board" means the Governor and Cabinet of the State of Florida as the governing board of the Division of Bond Finance.

"Guaranty" means the Guaranty Agreement from the Foundation, as guarantor, to the Board of Administration, executed for the purpose of further securing payment of the Bonds, and any amendments and supplements thereto.

"Lease" means that certain Lease Agreement dated November 1, 2001 between the University as lessor and the Foundation as lessee, with respect to Building A and Building B, and any amendments and supplements thereto, as well as any lease agreement executed with respect to a Facility financed with proceeds of Additional Bonds or a Facility the revenues of which are pledged to the payment of Bonds.

"Maintenance and Equipment Reserve Fund" means the fund required to be created and maintained by the Foundation pursuant to Section 4.02(A)(3) hereof and the Lease.

"MRB Building" means the Materials Research Building (Materials Research Facility #854).

"Interest Payment Date" means, for each Series of Bonds, the dates of each Fiscal Year on which interest on the Outstanding Bonds of such Series is payable, as provided for pursuant to a subsequent resolution of the Division of Bond Finance.

"Maximum Annual Debt Service" means, at any time, the maximum remaining amount (with respect to the particular Series of Bonds, or all Bonds, as the case may be), required to be deposited into the Sinking Fund during the then current or any succeeding Fiscal Year. For the purpose of calculating the deposits to be made into a subaccount in the Reserve Account, the Maximum Annual Debt Service means, at any time, the maximum remaining amount, if any, required to be deposited in the then current or any succeeding Fiscal Year into the Sinking Fund with respect to the Bonds for which such subaccount has been established. In the calculation of Maximum Annual Debt Service, any interest, principal, or Amortization Installment payable on July 1 of any Fiscal Year shall be deemed payable in the prior Fiscal Year. The amount of Term Bonds maturing in any Fiscal Year, excluding the Amortization Installment due in the year of maturity, shall not be included as part of the Amortization Installment in determining the Maximum Annual Debt Service for that Fiscal Year.

"Outstanding" means, as of any date of determination, all Bonds theretofore authenticated and delivered except:

(i) Bonds theretofore canceled by the Bond Registrar/Paying Agent or delivered to the Bond Registrar/Paying Agent for cancellation;

(ii) Bonds which are deemed paid and defeased and no longer Outstanding as provided herein;

(iii) Bonds in lieu of which other Bonds have been issued pursuant to the provisions hereof relating to Bonds destroyed, stolen or lost, unless evidence satisfactory to the Bond Registrar/Paying Agent has been received that any such Bond is held by a bona fide purchaser;

(iv) For purposes of any consent or other action to be taken hereunder by the Registered Owners of a specified percentage of principal amount of Bonds, Bonds held by or for the account of the Division of Bond Finance or the Board of Governors; and

(v) Bonds with respect to which debt service has been paid pursuant to a Bond Insurance Policy, to the extent that the amount of such payment has been reimbursed to the issuer of such Bond Insurance Policy (or monies have been deposited to defease such payment).

"Payment Date" means, for each Series of Bonds, the dates during each Fiscal Year on which principal of or interest on the Outstanding Bonds of such Series is payable, as provided pursuant to a subsequent resolution of the Division of Bond Finance.

"Pledged Revenues" means Facility Revenues and Excess Existing Facilities Revenues, plus investment earnings thereon pursuant to Section 4.05 hereof, minus Current Expenses and Administrative Expenses.

"Principal Payment Date" means, for each Series of Bonds, the dates during each Fiscal Year on which principal of the Outstanding Bonds of such Series is payable, as provided for pursuant to a subsequent resolution of the Division of Bond Finance.

"Qualified Public Depository" means a financial institution qualified to accept deposits of public money pursuant to Chapter 280, Florida Statutes.

"Rating Agency" means a nationally recognized bond rating agency.

"Rebate Amount" means the excess of the amount earned on all nonpurpose investments (as defined in Section 148(f)(6) of the Code) over the amount which would have been earned if such nonpurpose investments were invested at a rate equal to the yield on the Bonds, plus any income attributable to such excess.

"Rebate Fund" means the Rebate Fund created and established pursuant to Section 6.03 of this Resolution.

"Record Date" means with respect to each Series of Bonds, the 15th day of the calendar month next preceding the month of an Interest Payment Date or Principal Payment Date. With respect to redemption of Bonds prior to maturity, the record date shall be the date 45 days prior to the date fixed for redemption.

"Refunded Bonds" means all or a portion of the Outstanding 2001 Bonds to be refunded by the Refunding Bonds.

"Refunding Bonds" means the State of Florida, Board of Governors, The Florida State University Research Foundation, Inc., Revenue Refunding Bonds, Series (to be determined issued pursuant to this Resolution.

"Registered Owner" means any person who shall be the registered owner of any Bonds.

"Reserve Account Credit Facility" means a Reserve Account Insurance Policy, Reserve Account Letter of Credit or other comparable insurance or financial product, if any, deposited in a debt service reserve subaccount, if any, in lieu of or in partial substitution for cash or securities otherwise required to be on deposit therein. Such Reserve Account Credit Facility shall be issued by a provider whose credit facility results in a rating of municipal securities secured thereby in one of the two highest full rating categories of a Rating Agency.

"Reserve Account Insurance Policy" means the insurance policy, surety bond or other acceptable evidence of insurance, if any, deposited in a debt service reserve subaccount, if any, in lieu of or in partial substitution for cash or securities otherwise required to be on deposit therein.

"Reserve Account Letter of Credit" means the irrevocable, transferable letter of credit, if any, deposited in a debt service reserve subaccount, if any, in lieu of or in partial substitution for cash or securities otherwise required to be on deposit therein.

"Reserve Requirement" means, as of any date of calculation for a particular debt service reserve subaccount, an amount determined pursuant to resolution of the Governing Board, which amount shall not exceed the lesser of (1) the Maximum Annual Debt Service on the Bonds secured by such subaccount, (2) 125% of the average annual debt service of the Bonds secured by such subaccount for the then current and succeeding Fiscal Years, (3) 10% of the par amount of the Bonds secured by such subaccount, or (4) the maximum debt service reserve permitted with respect to tax-exempt obligations and applicable to the Bonds secured by such subaccount under the Code.

"Resolution" means this resolution adopted by the Governor and Cabinet as the Governing Board of the Division of Bond Finance, as amended and supplemented from time to time.

"Revenue Fund" means The Florida State University Research Foundation Revenue Fund created and established pursuant to Section 4.02 of this Resolution.

"Serial Bonds" means the Bonds of a Series which shall be stated to mature in periodic installments.

"Series" or **"Series of Bonds"** means all of the Bonds authenticated and delivered on original issuance pursuant to this Resolution or any supplemental resolution authorizing such Bonds as a separate Series of Bonds, or any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article II hereof, regardless of variations in maturity, interest rate or other provisions.

"Sinking Fund" means The Florida State University Research Foundation, Inc. Sinking Fund created and established pursuant to Section 4.02(A)(2)(c) of this Resolution.

"State" means the State of Florida.

"State Bond Act" means Sections 215.57-215.83, Florida Statutes, as amended from time to time.

"Term Bonds" means the Bonds of a Series which shall be subject to mandatory redemption prior to maturity and shall be stated to mature on one date and for which Amortization Installments are required to be made into the Sinking Fund, hereinafter created, as may be determined pursuant to a subsequent resolution of the Division of Bond Finance.

"University" means The Florida State University.

Where the context so requires, words importing singular number shall include the plural number in each case and vice versa, words importing persons shall include firms and corporations, and the masculine includes the feminine and vice versa.

SECTION 1.03. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the acceptance of the Bonds by those who shall be Registered Owners of the same from time to time, this Resolution shall be deemed to be and shall constitute a contract among the Division of Bond Finance, the Board of Governors, the Foundation, the University and such Registered Owners. The covenants and agreements to be performed by the Board of Governors, the Foundation and the University shall be for the equal benefit, protection, and security of the Registered Owners of any and all of the Bonds, as defined herein, all of which shall be of equal rank and without preference, priority, or distinction as to any of such Bonds over any other thereof, except as expressly provided therein and herein.

ARTICLE II
AUTHORIZATION, TERMS, EXECUTION, REGISTRATION, TRANSFER AND ISSUANCE OF BONDS

SECTION 2.01. AUTHORIZATION OF REFUNDING BONDS. Subject and pursuant to the provisions of this Resolution, fully registered revenue bonds of the Board of Governors to be known as "State of Florida, Board of Governors, The Florida State University Research Foundation, Inc., Revenue Refunding Bonds, Series (to be determined)"(or such other designation as may be determined by the Director), are hereby authorized to be issued by the Division of Bond Finance in an aggregate principal amount not exceeding $21,000,000, for the purpose of refunding all or a portion of the Outstanding 2001 Bonds. Such bonds may be sold and issued in one or more series, and in combination with other The Florida State University Research Foundation, Inc. Revenue Bonds; provided that the actual designation of any series of such bonds, whether sold in one or more than one series (including a change of year designation, if desirable), and whether such bonds or any portion thereof are to be taxable or tax-exempt, shall be determined by the Director of the Division of Bond Finance.

SECTION 2.02. DESCRIPTION OF BONDS. The Bonds shall be issued in fully registered form without coupons; shall be dated as determined pursuant to a subsequent resolution of the Division of Bond Finance; shall be numbered consecutively from one upward within each series and shall be in the denomination of $1,000 each or any integral multiples thereof; shall bear interest at not exceeding the maximum rate permitted by law, payable on each Interest Payment Date, except for Capital Appreciation Bonds which shall bear interest as described under the defined term Accreted Value, payable only upon redemption or maturity thereof; and shall mature on such dates in such years and amounts as shall be determined pursuant to a subsequent resolution adopted by the Division of Bond Finance on or prior to the sale of the Bonds.

The Bonds may be sold at one time or in Series from time to time as the Division of Bond Finance may determine pursuant to resolution. If issued in Series, each Series shall be dated and have an identifying number or letter. All of such Bonds, when issued, will rank equally as to source and security for payment.

The principal amount of the Bonds shall be paid to the Registered Owner on the maturity date of the Bonds, unless redeemed prior thereto as determined pursuant to a subsequent resolution of the Division of Bond Finance, upon presentation and surrender of the Bonds at the corporate trust office of the Bond Registrar/Paying Agent.

Interest shall be paid on the Interest Payment Dates to the Registered Owner whose name appears on the books of the Bond Registrar/Paying Agent (the "Registered Owner") as of 5:00 p.m. (local time, New York, New York) on the Record Date next preceding such Interest Payment Date; provided, however, that if the Record Date is a Saturday, Sunday or holiday, then to the Registered Owner and at the address shown on the registration books at the close of business on the day next preceding such Record Date which is not a Saturday, Sunday or holiday. Interest on the Bonds shall be paid by check or draft mailed (or transferred by a mode at least equally as rapid as mailing) on each Interest Payment Date from the Bond Registrar/Paying Agent to the Registered Owner, or in certain cases shall be paid by wire transfer as provided pursuant to subsequent resolution of the Division of Bond Finance, except for Capital Appreciation Bonds which shall bear interest as described under the defined term Accreted Value, payable only upon redemption or maturity thereof.

SECTION 2.03. BONDS MAY BE ISSUED AS SERIAL BONDS, TERM BONDS, ETC. The Bonds may be issued as, or as a combination of, Serial Bonds, Term Bonds, Capital Appreciation Bonds or such other type of bonds as shall be determined pursuant to a subsequent resolution of the Division of Bond Finance.

SECTION 2.04. PRIOR REDEMPTION OF THE BONDS. (A) The Bonds of each Series may be made redeemable in such manner and upon such terms and conditions as determined pursuant to subsequent resolution adopted by the Governing Board prior to the sale of such Series of Bonds.

(B) Unless waived by any Registered Owner of Bonds to be redeemed, a notice of the redemption prior to maturity of any of the Bonds shall be mailed to each Registered Owner of record as of the Record Date, of Bonds to be redeemed, by first class mail (postage prepaid), or other method at least as fast as first class mail, at least thirty days prior to the date of redemption. In lieu of mailing the notice of redemption, the Bond Registrar/Paying Agent may elect to provide such notice by electronic means to any Registered Owner who has consented to such method of receiving notices. Such notice of redemption shall specify the CUSIP number and the serial or other distinctive numbers or letters of the Bonds to be redeemed, if less than all, the date fixed for redemption, the redemption price thereof, and, in the case of Bonds to be redeemed in part only, the principal amount thereof to be redeemed. Failure to give any such notice by mailing (or other approved method) to any Registered Owner of Bonds, or any defect therein, shall not affect the validity of the proceedings for the redemption of any Bond or portion thereof with respect to which no such failure has occurred. Any notice mailed as provided above shall be conclusively presumed to have been given, whether or not the Registered Owner of such Bond receives such notice.

(C) The Bond Registrar/Paying Agent shall not be required to issue, transfer or exchange any Bonds selected for redemption during a period beginning at the opening of business on the Record Date applicable to such redemption and ending on the date fixed for redemption.

(D) Notice having been given in the manner and under the conditions hereinabove provided, the Bonds or portions of Bonds so called for redemption shall, on the redemption date designated in such notice, be due and payable at the redemption price provided for redemption of such Bonds or portions of Bonds on such date. On the date so designated for redemption, notice having been given and moneys for payment of the redemption price being held in separate accounts by an escrow agent, the Board of Administration, or the Bond Registrar/Paying Agent, in trust for the Registered Owners of the Bonds or portions thereof to be redeemed, all as provided in this Resolution, interest on the Bonds or portions of Bonds so called for redemption shall cease to accrue, such Bonds and portions of Bonds shall cease to be Outstanding under the provisions of this Resolution and shall not be entitled to any lien, benefit or security under this Resolution, and the Registered Owners of such Bonds or portions of Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof from the moneys held in trust for such purpose and, to the extent provided herein to receive Bonds for any unredeemed portion of the Bonds. Bonds redeemed prior to maturity shall be duly canceled by the Bond Registrar/Paying Agent and shall not be reissued.

(E) In addition to the foregoing notice, further notice shall be given by the Bond Registrar/Paying Agent as set out below, but no defect in said further notice nor any failure to give all or a portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

(1) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (a) the date of issue of the Bonds as originally issued; (b) the rate of interest borne by each Bond being redeemed; (c) the maturity date of each Bond being redeemed; (d) the date of the official notice of redemption; (e) the name and address of the Bond Registrar/Paying Agent; and (f) any other descriptive information needed to identify accurately the Bonds being redeemed.

(2) Each further notice of redemption shall be sent at least thirty-five days before the redemption date by certified mail, overnight delivery service, electronic mail or facsimile to registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds and to one or more national information services that disseminate notices of redemption of obligations such as the Bonds.

(3) Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying the Bonds redeemed with the proceeds of such check or other transfer.

(G) In case part but not all of an Outstanding Bond shall be selected for redemption, the Registered Owner thereof shall present and surrender such Bond to the Bond Registrar/Paying Agent for payment of the principal amount thereof so called for redemption, and the Bond Registrar/Paying Agent shall execute and deliver to or upon the order of such Registered Owner, without charge therefor, for the unredeemed balance of the principal amount of the Bond so surrendered, a Bond or Bonds fully registered as to principal and interest.

SECTION 2.05. EXECUTION OF BONDS. The Bonds shall be executed in the name of the Board of Governors by its Chairman and attested to by its Vice-Chairman, or such other member of the Board of Governors as may be designated pursuant to subsequent resolution of the Governing Board of the Division of Bond Finance, and the corporate seal of the Board of Governors or a facsimile thereof shall be affixed thereto or reproduced thereon. The Bond Registrar/Paying Agent's certificate of authentication shall appear on the Bonds, signed by an authorized signatory of said Bond Registrar/Paying Agent. Any of the above signatures may be a facsimile signature imprinted or reproduced on the Bonds, provided that at least one signature required shall be manually subscribed. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Board of Governors before the Bonds so signed and sealed shall have been actually sold and delivered, the Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Board of Governors by such person as to the actual time of the execution of such Bond shall hold the proper office, although at the date of such Bond, such person may not have held such office or may not have been so authorized.

A certificate as to the approval of the issuance of the Bonds pursuant to the provisions of the State Bond Act, shall be executed by the facsimile signature of the Secretary or an Assistant Secretary of the Governing Board.

SECTION 2.06. NEGOTIABILITY. The Bonds shall have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code - Investment Securities Law of the State of Florida. The original Registered Owner and each successive Registered Owner of any of the Bonds shall be conclusively deemed by the acceptance thereof to have agreed that the Bonds shall be and have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code - Investment Securities Law of the State of Florida.

SECTION 2.07. REGISTRATION AND TRANSFER. The Bonds shall be issued only as fully registered bonds without coupons. The Bond Registrar/Paying Agent shall be responsible for maintaining the books for the registration of and for the transfer of the Bonds in compliance with its agreement with the State.

Upon surrender to the Bond Registrar/Paying Agent for transfer or exchange of any Bond, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his attorney duly authorized in writing, the Bond Registrar/Paying Agent shall deliver in the name of the transferee or transferees a fully registered Bond or Bonds of authorized denominations of the same maturity for the aggregate principal amount which the Registered Owner is entitled to receive. The Bond Registrar/Paying Agent shall not be required to issue, transfer or exchange any Bonds on a Record Date.

All Bonds presented for transfer, exchange, redemption or payment shall be accompanied (if so required by the Division of Bond Finance or the Bond Registrar/Paying Agent) by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Division of Bond Finance and the Bond Registrar/Paying Agent, duly executed by the Registered Owner or by his duly authorized attorney.

Neither the Division of Bond Finance nor the Bond Registrar/Paying Agent may charge the Registered Owner or his transferee for any expenses incurred in making any exchange or transfer of the Bonds. However, the Division of Bond Finance and the Bond Registrar/Paying Agent may require payment from the Registered Owner of a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation thereto. Such governmental charges and expenses shall be paid before any such new Bond shall be delivered.

New Bonds delivered upon any transfer or exchange shall be valid obligations of the Board of Governors evidencing the same debt as the Bonds surrendered, shall be secured by this Resolution, and shall be entitled to all of the security and benefits hereof to the same extent as the Bonds surrendered.

The Board of Governors and the Bond Registrar/Paying Agent may treat the Registered Owner of any Bond as the absolute owner thereof for all purposes, whether or not such Bond shall be overdue, and shall not be bound by any notice to the contrary.

Notwithstanding the foregoing provisions of this section, the Division of Bond Finance reserves the right, on or prior to the delivery of the Bonds, to amend or modify the foregoing provisions relating to registration of the Bonds in order to comply with all applicable laws, rules, and regulations of the United States and the State of Florida relating thereto.

SECTION 2.08. AUTHENTICATION. Unless otherwise provided by subsequent resolutions, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Resolution unless and until a certificate of authentication on such Bond substantially in the form herein set forth shall have been duly executed by the manual signature of the Bond Registrar/Paying Agent, and such executed certificate of the Bond Registrar/Paying Agent upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Resolution. The Bond Registrar/Paying Agent's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized officer or signatory of the Bond Registrar/Paying Agent, but it shall not be necessary that the same officer or signatory sign the certificate of authentication on all of the Bonds issued hereinafter.

SECTION 2.09. DISPOSITION OF BONDS PAID OR EXCHANGED. Whenever any Bond shall be delivered to the Bond Registrar/Paying Agent for cancellation, upon payment of the principal amount thereof or for replacement or transfer or exchange, such Bond shall either be canceled and retained by the Bond Registrar/Paying Agent for a period of time specified in writing by the Division of Bond Finance or the Board of Administration, or, at the option of the Division of Bond Finance or the Board of Administration, shall be canceled and destroyed by the Bond Registrar/Paying Agent and counterparts of a certificate of destruction evidencing such destruction shall be furnished to the Division of Bond Finance or the Board of Administration.

SECTION 2.10. BONDS MUTILATED, DESTROYED, STOLEN OR LOST. In case any Bond shall become mutilated, or be destroyed, stolen or lost, the Division of Bond Finance may in its discretion issue and deliver a new Bond of like tenor as the Bond so mutilated, destroyed, stolen, or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Registered Owner furnishing the Division of Bond Finance proof of ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Division of Bond Finance may prescribe and paying such expense as the Division of Bond Finance may incur. All Bonds so surrendered shall be canceled by the Bond Registrar/Paying Agent. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Division of Bond Finance may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bond issued pursuant to this section shall constitute original, additional, contractual obligations on the part of the Board of Governors, whether or not the lost, stolen or destroyed Bond be at any time found by anyone and such duplicate Bond shall be entitled to equal and proportionate benefits and rights as to lien, source and security for payment, pursuant to this Resolution from the Pledged Revenues.

SECTION 2.11. FORM OF BONDS. (A) Notwithstanding anything to the contrary in this Resolution, the Bonds may be issued in book-entry only form utilizing the services of a Securities Depository (as used herein, "Securities Depository" means The Depository Trust Company, New York, New York, or its nominees, successors and assigns).

So long as a book-entry only system of evidence of transfer of ownership of all the Bonds is maintained in accordance herewith, any provision of the Resolution relating to the delivery of physical bond certificates shall be inapplicable, and the Resolution shall be deemed to give full effect to such book-entry system.

If the Bonds are issued in book-entry only form:

(1) The Bonds shall be issued in the name of the Securities Depository as Registered Owner of the Bonds, and held in the custody of the Securities Depository or its designee.

(2) Transfers of beneficial ownership of the Bonds will be effected on the records of the Securities Depository and its Participants pursuant to rules and procedures established by the Securities Depository ("Participants" include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, as well other organizations that clear through or maintain a custodial relationship with such organizations, either directly or indirectly).

(3) Each Participant shall be credited in the records of the Securities Depository with the amount of such Participant's interest in the Bonds. Beneficial ownership interests in the Bonds may be purchased by or through Participants. The holders of these beneficial ownership interests are hereinafter referred to as the "Beneficial Owners." The Beneficial Owners shall not receive Bonds representing their beneficial ownership interests. The ownership interests of each Beneficial Owner shall be recorded through the records of the Participant from which such Beneficial Owner purchased its Bonds. Transfers of ownership interests in the Bonds shall be accomplished by book entries made by the Securities Depository and, in turn, by Participants acting on behalf of Beneficial Owners.

(4) Unless otherwise provided herein, the Division of Bond Finance, the Board of Governors, the Board of Administration and the Bond Registrar/Paying Agent (as used in this section, the "State and its agents") shall treat the Securities Depository as the sole and exclusive owner of the Bonds registered in its name for the purposes of

(a) payment of the principal of, premium, if any, and interest on the Bonds or portion thereof to be redeemed or purchased. Payments made to the Securities Depository of principal, premium, and interest shall be valid and effective to fully satisfy and discharge the Board of Governors' obligations to the extent of the sums so paid;

(b) giving any notice permitted or required to be given to Registered Owners under the Resolution; and

(c) the giving of any direction or consent or the making of any request by the Registered Owners hereunder. The State and its agents may rely conclusively upon

(i) a certificate of the Securities Depository as to the identity of the Participants with respect to the Bonds; and

(ii) a certificate of any such Participant as to the identity of, and the respective principal amount of Bonds beneficially owned by, the Beneficial Owners.

(5) The State and its agents shall have no responsibility or obligations to the Securities Depository, any Participant, any Beneficial Owner or any other person which is not shown on the Bond Register, with respect to

(a) the accuracy of any records maintained by the Securities Depository or any Participant;

(b) the payment by the Securities Depository or by any Participant of any amount due to any Beneficial Owner in respect of the principal amount or redemption or purchase price of, or interest on, any Bond;

(c) the delivery of any notice by the Securities Depository or any Participant;

(d) the selection of the Participants or the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or

(e) any consent given or any other action taken by the Securities Depository or any Participant.

(6) The requirements in the Resolution of holding, delivering or transferring Bonds shall be deemed modified to require the appropriate person to meet the requirements of the Securities Depository as to registering or transferring the book-entry Bonds to produce the same effect. Any provision hereof permitting or requiring delivery of the Bonds shall, while the Bonds are in book-entry only form, be satisfied by the notation thereof on the books of the Securities Depository in accordance with applicable state law.

(B) The Division of Bond Finance may discontinue the book-entry system with the then-current securities depository, subject to the terms of its agreement with such securities depository. In this event, the Division of Bond Finance shall either

(1) identify another qualified securities depository or

(2) prepare and deliver replacement Bonds in the form of fully registered bonds to each Beneficial Owner.

SECTION 2.12. AUTHORIZATION TO EXECUTE AND DELIVER AN ESCROW DEPOSIT AGREEMENT; DESIGNATION OF ESCROW AGENTS. The Chairman and Secretary or an Assistant Secretary of the Governing Board and such other officers and employees of the Division as may be designated by the Governing Board as agents of the Division are hereby each authorized to execute and deliver an escrow deposit agreement on behalf of the Division in such form as may be determined by the Director for the purpose of providing for the deposit of a portion of the proceeds of the Refunding Bonds and such other funds as determined to be necessary into an escrow deposit trust fund for the refunding of the Refunded Bonds. The escrow deposit trust fund shall be held and administered by an escrow agent acceptable to the Director as evidenced by the Director's execution of the escrow deposit agreement.

ARTICLE III
APPLICATION OF PROCEEDS

SECTION 3.01. APPLICATION OF REFUNDING BOND PROCEEDS. Upon receipt of the proceeds of the sale of the Bonds, the Division of Bond Finance shall transfer and apply such proceeds as follows:

(A) The amount necessary to pay all costs and expenses of the Division of Bond Finance (to the extent permitted by the Code) in connection with the preparation, issuance, and sale of the Refunding Bonds, including a reasonable charge for the services of the Division of Bond Finance for its fiscal services and for arbitrage rebate compliance program set-up, shall be transferred to the Division of Bond Finance and deposited in the Bond Fee Trust Fund.

(B) Any accrued interest on the Refunding Bonds shall be transferred to the Board of Administration and deposited in the Sinking Fund, and used for the payment of interest on the Refunding Bonds.

(C) An amount which, together with other moneys which may be available therefor and on deposit in the Reserve Account, is necessary to fund the Reserve Requirement, if any, shall be transferred to the Board of Administration and deposited in the applicable subaccount in the Reserve Account within the Sinking Fund. Alternatively, the Division of Bond Finance, as provided in Section 4.03 of this Resolution, may elect at any time to provide in lieu of all or a portion of such funds a Reserve Account Credit Facility in an amount equal to the difference between the Reserve Requirement and the sums then on deposit in the applicable subaccount in the Reserve Account.

(D) An amount together with the interest earnings thereon, and other amounts deposited therein which is anticipated to be sufficient to pay when due (1) the principal amount of the Refunded Bonds, (2) the amount of interest and redemption premium payable on the Refunded Bonds, and (3) the amount of fees and expenses estimated to be incurred in connection with the payment and retirement of the Refunded Bonds, shall be either transferred and deposited in escrow pursuant to the terms of the escrow deposit agreement, or, at the discretion of the Director, deposited with the Bond Registrar/Paying Agent.

(E) Any balance of the proceeds of the Refunding Bonds after providing for the requirements of subsections (A) through (D) above shall be transferred to the Sinking Fund and used for the purposes set forth therein.

ARTICLE IV
APPLICATION AND ADMINISTRATION OF PLEDGED REVENUES

SECTION 4.01. BONDS SECURED BY PLEDGED REVENUES. (A) The payment of principal of and interest on the Bonds shall be secured forthwith equally and ratably by a valid and enforceable senior lien on the Pledged Revenues as provided in Section 6.01 of this Resolution, and such Pledged Revenues, except as may be required for payment of Rebate Amounts, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds, as the same become due.

(B) The Bonds shall not be or constitute an indebtedness of the State, or any political subdivision thereof or any instrumentality thereof, but shall be payable solely from the Pledged Revenues, as provided herein. No Registered Owners of the Bonds shall ever have the right to compel the exercise of the taxing power of the State, or any political subdivision thereof, to pay such Bonds or the interest thereon, or be entitled to payment of such principal and interest from any other funds except such payments consisting of the Pledged Revenues, in the manner provided herein.

SECTION 4.02. APPLICATION OF PLEDGED REVENUES. (A) Upon collection, the Facility Revenues and the Excess Existing Facilities Revenues shall be deposited by the Foundation into the "The Florida State University Research Foundation, Inc. Revenue Fund" to be established by the Foundation pursuant to the Lease, and held in a Qualified Public Depository. Said fund shall constitute a trust fund for the purposes provided in this Resolution, and shall be kept separate and distinct from all other funds of the University, the Foundation and the Board of Governors and used only for the purposes and in the manner provided in the Lease and this Resolution. All moneys on deposit at any time in the Revenue Fund shall be applied only in the following manner and order of priority:

(1) first, for payment by the Foundation of Current Expenses;

(2) second, on the 15th day of each month, the Foundation shall transfer to the Board of Administration the amount necessary for the Board of Administration to apply such monies in the following manner and order of priority:

(a) to pay Administrative Expenses;

(b) to pay the Rebate Amount, for deposit to the Rebate Fund created by Section 6.03(B) of this Resolution;

(c) to deposit into the Sinking Fund, which is hereby created, for payment of the Annual Debt Service Requirement on the Bonds, an amount equal to:

(i) 1/12 of the next installment of principal to become due during the then current Fiscal Year (including Amortization Installments), plus

(ii) 1/6 of the interest to become due on the next Payment Date; plus

(iii) an amount which, together with other moneys available for such purposes, equals the Debt Service Reserve Requirement (or the amount then required to be on deposit in the Debt Service Reserve Account in the event the Division of Bond Finance elects to fund such account in monthly installments over time pursuant to Section 4.03(D) hereof), for deposit in the Debt Service Reserve Account, which is hereby created in the Sinking Fund.

(3) third, the Foundation shall deposit into the Maintenance and Equipment Reserve Fund held by a Qualified Public Depository, the amount determined as provided in Section 8.11 hereof and the Lease.

(4) fourth, the balance of any money not needed for the payments provided in (1), (2) and (3) above, may be applied by the Foundation for any lawful purpose, including optional redemption or purchase of Bonds.

(B) If ten days prior to any Payment Date for the Bonds the required amounts have not been deposited in any of the funds as above provided, the Board of Administration shall demand payment of the deficiency from the Foundation pursuant to the Guaranty. Any deficiency in any fund or account for the Bonds shall be made up in subsequent payments in addition to the payments which would otherwise be required to be made into such funds on the subsequent Payment Dates.

SECTION 4.03. DEBT SERVICE RESERVE ACCOUNT. (A) There is hereby created within the Sinking Fund the Debt Service Reserve Account, to be used as provided herein.

(B) The moneys in the Debt Service Reserve Account shall be used for the payments provided for in Section 4.02(A)(2)(c)(i) and (ii) when the other moneys in the Sinking Fund are insufficient therefor.

(C) In lieu of making the deposits into the Debt Service Reserve Account pursuant to Section 4.02(A)(2)(c)(iii), the Foundation may at any time cause to be deposited into the Debt Service Reserve Account one or more Reserve Account Credit Facilities for the benefit of the Registered Owners, in an amount which, together with sums on deposit, equals the Debt Service Reserve Requirement. In no event shall the use of such Reserve Account Credit Facilities be permitted if such use would cause, at the time of acquisition of such Reserve Account Credit Facility, an impairment in any existing rating on any Series of Bonds. The Reserve Account Credit Facilities shall be payable or available to be drawn upon, as the case may be, on or before any Payment Date on which a deficiency exists which cannot be cured by funds available for such purpose in any other account held for such Bonds pursuant to this Resolution. If more than one Reserve Account Credit Facility is deposited into the Debt Service Reserve Account, each Reserve Account Credit Facility shall be drawn upon in an amount equal to its proportionate share of the amounts in the Debt Service Reserve Account. If a disbursement is made under a Reserve Account Credit Facility, the Foundation shall be obligated, from the first Pledged Revenues available, to either reinstate such Reserve Account Credit Facility immediately following such disbursement to the amount required to be maintained in the Debt Service Reserve Account or to deposit into the Debt Service Reserve Account from the Pledged Revenues, as herein provided, funds in the amount of the disbursement made under such Reserve Account Credit Facility plus any amounts required to reimburse the Reserve Account Credit Facility provider for previous disbursements made pursuant to such Reserve Account Credit Facility, or a combination of such alternatives as shall equal the amount required to be maintained. Any reinstatement of a Reserve Account Credit Facility or reimbursement of a Reserve Account Credit Facility provider shall be prorated among the various Reserve Account Credit Facilities in proportion to the respective amounts drawn thereunder and not previously reinstated or reimbursed.

(D) Notwithstanding any other provision of this Resolution, the Division of Bond Finance may elect by resolution adopted prior to issuance of Bonds to fund the Debt Service Reserve Account over a period specified in such resolution not to exceed sixty (60) months from the date of issue, during which the Foundation shall be required to make substantially equal monthly installments in order that the amounts on deposit therein at the end of such period (taking into account any funds on deposit therein and any Reserve Account Credit Facility then in effect) shall equal the Debt Service Reserve Requirement.

(E) If the funds on deposit in the Debt Service Reserve Account exceed the Debt Service Reserve Requirement with respect to the Series of Bonds secured thereby, after giving effect to any Reserve Account Credit Facility then in effect, such excess shall be used for the purposes and in the priority established in Section 4.02 of this Resolution, provided that any unused portion of the Debt Service Reserve Account on the final Payment Date may be applied to payment of the final installment of the Annual Debt Service Requirement becoming due.

(F) Notwithstanding any other provision of this Resolution, prior to issuance of Bonds, the Division of Bond Finance may elect not to fund the Debt Service Reserve Account for one or more Series of Bonds and such Bonds will not be secured by the Debt Service Reserve Account or any subaccount therein.

SECTION 4.04. MAINTENANCE AND EQUIPMENT RESERVE FUND. (A) The Foundation shall be required to create and maintain the Maintenance and Equipment Reserve Fund, to be used as provided herein and pursuant to the Lease.

(B) Moneys in the Maintenance and Equipment Reserve Fund may be drawn on and used by the Foundation for the purpose of paying the cost of unusual or extraordinary maintenance or repairs, renewals and replacements, and the renovating or replacement of the equipment and furnishings not paid as part of the ordinary and normal expense of the operation and maintenance of the Facilities, all as provided in the Lease.

(C) In the event the moneys in the Sinking Fund and Debt Service Reserve Account therein on any Payment Date shall be insufficient to pay the next maturing installment of principal of or interest on the Bonds, then moneys in the Maintenance and Equipment Reserve Fund may be transferred by the Foundation to the Board of Administration for deposit into the Sinking Fund to the extent necessary to eliminate such deficiencies and avoid a default.

SECTION 4.05. INVESTMENT OF FUNDS. Except insofar as such funds may be needed for any payment required to be made by the terms of this Resolution or the Bonds, moneys authorized by this Resolution to be held in Qualified Public Depositories may be invested and reinvested at any time in the manner the Treasurer could invest pursuant to Section 18.10, Florida Statutes, and moneys held by the Board of Administration pursuant to this Resolution may be invested and reinvested at any time as permitted in Section 215.47, Florida Statutes. When so invested or reinvested, the proceeds derived from the investment or reinvestment of such obligations shall be held for and credited to the fund for which said obligations were purchased except as otherwise provided in this Resolution; provided, however, that any such obligations purchased as investments for moneys in the Sinking Fund shall mature not later than the dates upon which such moneys will be needed for the payment of maturing principal and interest to be paid from said Sinking Fund.

ARTICLE V
ADDITIONAL BONDS; REFUNDING BONDS AND ISSUANCE OF OTHER OBLIGATIONS

SECTION 5.01. ISSUANCE OF ADDITIONAL BONDS. The Division of Bond Finance is authorized to issue Additional Bonds, but only upon the following terms, restrictions and conditions:

(A) The proceeds from such Additional Bonds shall be used to either (1) acquire and construct Facilities or capital improvements to Facilities, or (2) refund outstanding Bonds.

(B) The Board of Governors shall request the issuance of such Additional Bonds.

(C) The Board of Administration shall approve the fiscal sufficiency of such Additional Bonds.

(D) Certificates shall be executed by the Foundation, the University, the Board of Governors or other appropriate State official setting forth:

(1) the average annual amount of Pledged Revenues from the two Fiscal Years immediately preceding the issuance of the proposed Additional Bonds, adjusted as hereinafter provided, and;

(2) the Maximum Annual Debt Service on the Bonds then Outstanding and the Additional Bonds then proposed to be issued.

(E) The Board of Governors, the University, and the Foundation must be current in all deposits into the various funds and accounts and all payments theretofor required to have been deposited or made by any of them under the provisions of this Resolution and the Board of Governors, the University, and the Foundation must be currently in compliance with the covenants and provisions of this Resolution and any supplemental resolution hereafter adopted for the issuance of Additional Bonds, or upon the issuance of such Additional Bonds they will be brought into compliance with all such financial requirements, covenants and provisions.

(F) The average annual amount of Pledged Revenues for the two immediately preceding Fiscal Years adjusted as hereinafter provided, as certified by the Foundation, the University, the Board of Governors or other appropriate State official pursuant to (D)(1) above, shall be equal to at least one hundred ten percent (110%) of the Maximum Annual Debt Service on (i) the Bonds then Outstanding, and (ii) the Additional Bonds then proposed to be issued;

(G) The Pledged Revenues calculated pursuant to paragraph (D)(1) may be adjusted, at the option of the Foundation, as follows:

(1) If the University or the Foundation, prior to the issuance of the proposed Additional Bonds, shall have increased the rates, fees, rentals or other charges for the use of the Facilities, the average annual amount of Pledged Revenues for the two immediately preceding Fiscal Years prior to the issuance of said Additional Bonds, as certified

by the appropriate University or Foundation official, shall be adjusted to show the Pledged Revenues which would have been derived from the Facilities as if such increased rates, fees, rentals or other charges for the use of the Facilities had been in effect during all of such two preceding Fiscal Years.

(2) If the University or the Foundation shall have acquired or shall have contracted to acquire any existing project or structure, revenues from which would be pledged as additional security for the Bonds, or if the University or Foundation shall pledge revenues from any additional existing facilities not previously pledged as security for the Bonds, then the average annual amount of Pledged Revenues derived from the Facilities during the two immediately preceding Fiscal Years prior to the issuance of said Additional Bonds, as certified by the appropriate University official, shall be increased by adding to the Pledged Revenues for said two preceding Fiscal Years the net revenues which would have been derived from the existing project or structure so acquired or included as if such additional revenues had been a part of the Pledged Revenues during all of such two Fiscal Years. For the purposes of this paragraph, the net revenues derived from said project or structure during such two preceding Fiscal Years shall be determined by deducting the cost of operation and maintenance from the gross revenues of said project or structure in the same manner provided in this Resolution for the determination of Pledged Revenues. The revenues from such project or structure may also be adjusted for any increase in rates as though they had been in effect during all of such two preceding Fiscal Years.

(3) Should the University or the Foundation be constructing or acquiring new Facilities, or making additions, extensions or improvements to Facilities, and if rates, fees, rentals or other charges shall have been established for use of such new or improved Facilities, the average annual amount of Pledged Revenues for the two immediately preceding Fiscal Years prior to the issuance of such Additional Bonds, as certified by the appropriate University or Foundation official, shall be adjusted to include any additional Pledged Revenues which would have been received from the users of the facilities to be financed, if such rates, fees, rentals or other charges for such services or facilities had been in effect during all of such two preceding Fiscal Years.

(H) Additional Bonds issued in accordance with this section shall be deemed to have been issued pursuant to this Resolution the same as the Bonds originally authorized and issued pursuant to this Resolution, and all of the applicable covenants and other provisions of this Resolution (except as to details of such Additional Bonds inconsistent herewith), shall be for the equal benefit, protection and security of the Registered Owners of the Bonds originally authorized and issued pursuant to this Resolution, and the Registered Owners of any Additional Bonds evidencing additional obligations subsequently issued within the limitations of and in compliance with this Resolution. All of such Additional Bonds, regardless of the time or times of their issuance, shall rank equally with other Bonds with respect to their lien on and source and security for payment from the Pledged Revenues without preference or priority of any Bonds over any other.

SECTION 5.02. REFUNDING BONDS. The Bonds originally issued pursuant to this Resolution then Outstanding, together with all Additional Bonds issued and then Outstanding, may be refunded as a whole or in part. If the Annual Debt Service Requirement of the refunding Bonds in each Fiscal Year is equal to or less than the corresponding Annual Debt Service Requirement of the refunded Bonds, then the provisions of subsections 5.01 (D) and (F) of this Resolution shall not apply to the issuance of the refunding Bonds.

If the Annual Debt Service Requirement of the refunding Bonds in any Fiscal Year is greater than the Annual Debt Service Requirement of the refunded Bonds, then the provisions of subsections 5.01(B) through (F) of this Resolution shall apply to the issuance of such refunding Bonds.

SECTION 5.03. ISSUANCE OF OTHER OBLIGATIONS OR CREATION OF ENCUMBRANCES. The Division of Bond Finance and the Board of Governors covenant that they will not issue any other obligations, except Additional Bonds provided for in Section 5.01 hereof, refunding Bonds provided for in Section 5.02 hereof, or Completion Bonds provided for in Section 5.04 hereof, payable from the Pledged Revenues nor voluntarily create or cause to be created any other debt, lien, pledge, assignment, encumbrance or other charge, having priority to or being on a parity with the lien of the Bonds, upon the Pledged Revenues securing the Bonds provided for in this Resolution. Any such other obligations hereafter issued by the Division of Bond Finance and the Board of Governors, in addition to the Bonds and parity refunding Bonds or Completion Bonds provided for in Section 5.01, 5.02 or 5.04 hereof secured by Pledged Revenues, shall contain an express statement that such obligations are junior and subordinate to the Bonds, as to lien on and source and security for payment from such Pledged Revenues.

SECTION 5.04. COMPLETION BONDS. The Division of Bond Finance may issue Completion Bonds. The Board of Governors and the Division of Bond Finance need not comply with Section 5.01 of this Resolution in the issuance of Completion Bonds, provided that the net proceeds of such Completion Bonds available for deposit into the construction fund for such costs shall be equal to or less than 20% of the original estimated cost of the project on the delivery date of the original Series of Bonds issued to finance the project for which the Completion Bonds are being issued.

SECTION 5.05. DISPOSITION OF FACILITIES. Neither the University nor the Foundation shall sell, mortgage or otherwise dispose of any of the Facilities, or otherwise make the revenues of a Facility unavailable for the payment of Bonds, unless the University or Foundation, as applicable, shall file with the Board of Administration a certificate demonstrating to the satisfaction of the Board of Administration the continued fiscal sufficiency of the Bonds during the current and future Fiscal Years. The proceeds from the disposition not used to acquire other Facilities shall forthwith be deposited to satisfy any deficiency in any of the Funds and Accounts established under this Resolution, after which they may be used for any lawful purpose of the University or the Foundation, as applicable, including redemption of Bonds.

SECTION 5.06 NO ACCELERATION. The Bonds shall not be accelerated on account of any default on any payments required under the Resolution.

ARTICLE VI
COVENANTS

SECTION 6.01. PLEDGE OF PLEDGED REVENUES. The Board of Governors hereby covenants and agrees with the Registered Owners of Bonds that, so long as any of the Bonds, or interest thereon, are Outstanding and unpaid, all of the Pledged Revenues provided for in this Resolution shall be pledged to the payment of the principal of and interest on the Bonds and the payment of such other amounts as are provided for in this Resolution, in the manner provided in this Resolution, and the Registered Owners of the Bonds shall have a valid and enforceable senior lien on such Pledged Revenues in the manner provided herein.

SECTION 6.02. PLEDGED REVENUE COVENANTS. The Foundation shall be required to fix, establish and collect such fees, rentals or other charges to be derived from the operation of the Facilities, and revise the same from time to time whenever necessary, so that the Pledged Revenues shall be sufficient in each Fiscal Year to pay at least one hundred percent of the Current Expenses paid by the Foundation, Administrative Expenses, the Annual Debt Service Requirement for the Bonds and all other payments required by the terms of this Resolution.

SECTION 6.03. COMPLIANCE WITH TAX REQUIREMENTS. (A) In addition to any other requirement contained in this Resolution, the Division of Bond Finance, the Board of Governors, and the Board of Administration hereby covenant and agree, for the benefit of the Registered Owners from time to time of the Bonds, that each will comply, and will require the Foundation and the University to comply, with the applicable requirements contained in Section 103 and Part IV of Subchapter B of Chapter 1 of the Code as shall be set forth in the non-arbitrage certificate of the Board of Governors dated and delivered on the date of delivery of each series of Bonds. Specifically, without intending to limit in any way the generality of the foregoing, the Division of Bond Finance and the Board of Governors covenant and agree:

(1) to cause the Foundation to pay to the United States of America from the Pledged Revenues and any other legally available funds of the Foundation, at the times required pursuant to Section 148(f) of the Code, the Rebate Amount;

(2) to refrain from using a Facility or Bond proceeds in a manner that would cause the Bonds not to be classified as qualified 501(c)(3) bonds under Section 143 of the Code; and

(3) to refrain from taking any action that would cause any of the Bonds to become arbitrage bonds under Section 148 of the Code.

The Board of Governors, the Division of Bond Finance and the Board of Administration understand that the foregoing covenants impose continuing obligations that will exist throughout the term of the issue to comply with the requirements of the Code.

(B) The Division of Bond Finance and the Board of Governors covenant and agree that they shall require the Foundation to maintain and retain all records pertaining to, and the Foundation shall be responsible for making and having made all determinations and calculations of the Rebate Amount for each Series of Bonds issued hereunder for each Bond Year within 60 days after the end of such Bond Year and within 60 days after the final maturity of each such Series of Bonds. On or before the expiration of each such 60 day period, the Foundation shall be required to deposit (or direct the Board of Administration to deposit) into the Rebate Fund, which is hereby created and established in the Board of Administration, from investment earnings or moneys deposited into the other funds and accounts created hereunder, or from any other legally available funds of the Foundation, an amount equal to the Rebate Amount for such Bond Year. The Board of Administration shall use such moneys deposited in the Rebate Fund only for the payment of the Rebate Amount to the United States as required by subsection (A)(1) of this section, which payments shall be made in installments, commencing not more than 60 days after the end of the fifth Bond Year and with subsequent payments to be made not later than five years after the preceding payment was due except that the final payment shall be made within 60 days after the final maturity of the last obligation of the Series of Bonds issued hereunder. In complying with the foregoing, the Division of Bond Finance, the Board of Governors and the Foundation may rely upon any instructions or opinions from a nationally recognized bond/tax counsel.

Notwithstanding anything in this Resolution to the contrary, to the extent moneys on deposit in the Rebate Fund are insufficient for the purpose of paying the Rebate Amount and other funds are not available to pay the Rebate Amount, then the Board of Administration shall pay the Rebate Amount first from Pledged Revenues and, to the extent the Pledged Revenues be insufficient to pay the Rebate Amount, then from moneys on deposit in any of the funds and accounts created hereunder.

If at any time the Division of Bond Finance determines that the amount of money on deposit in the Rebate Fund is in excess of the Rebate Amount, the Division of Bond Finance may direct the Board of Administration to transfer the amount of such excess into the Revenue Fund.

If any amount shall remain in the Rebate Fund after payment in full of all Bonds issued hereunder and after payment in full to the United States in accordance with the terms hereof, such amounts shall be paid over to the Foundation and may be used for other purposes authorized by law.

The Rebate Fund shall be held separate and apart from all other funds and accounts of the Board of Governors, the University and the Foundation, and shall be subject to a lien in favor of the Registered Owners, but only to secure payment of the Rebate Amount, and the moneys in the Rebate Fund shall be available for use only as herein provided.

Continued compliance with this section shall not be required in the event the Division of Bond Finance and the Board of Administration receive an opinion of nationally recognized bond/tax counsel that (1) such compliance is no longer required in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds or (2) compliance with some other requirement will comply with the provisions of the Code in respect of arbitrage rebate, or in the event that any other agency is subsequently designated by proper authority to comply with the requirements of this section.

SECTION 6.04. ANNUAL FINANCIAL STATEMENT. (A) Within nine months after the end of each Fiscal Year, the Foundation will be required to prepare a financial statement for the preceding Fiscal Year, reflecting in reasonable detail the financial condition and record of operation of the Facilities, the Foundation and other Pledged Revenue sources, including particularly the rates charged for the use of, and the insurance on, the Facilities and the status of the several accounts and funds established pursuant to this Resolution.

(B) Should the Foundation fail to comply with subsection (A) of this section, upon request of at least five percent of the Registered Owners an audit shall be completed by a certified public accountant or firm of certified public accountants. The cost of this audit shall be borne by the Foundation.

SECTION 6.05 CONTINUING DISCLOSURE. (A) In order to comply with Rule 15c2-12 of the Securities and Exchange Commission, the Board of Governors hereby agrees to provide or cause to be provided such information as may be required, from time to time, under such rule or any successor rule applicable to the Board of Governors.

(B) The Board of Governors, or its duly appointed representative, in conjunction with the appropriate officer of the Division of Bond Finance, is authorized and directed to execute and deliver any documents or agreements which are necessary to comply with the requirements of Rule 15c2-12 of the Securities and Exchange Commission or any successor rule applicable to the Board of Governors.

ARTICLE VII
REMEDIES

SECTION 7.01. ENFORCEABILITY BY REGISTERED OWNERS. (A) This Resolution, including the pledge of the Pledged Revenues, shall be deemed to have been made for the benefit of the Registered Owners from time to time of the Bonds. Such pledge and all the provisions of this Resolution shall be enforceable in any court of competent jurisdiction by any Registered Owner or Registered Owners of such Bonds, against the Foundation, the University, the Board of Governors, the Board of Administration, or any other agency of the State, or instrumentality thereof, having any duties concerning collection, administration and disposition of the Pledged Revenues. The Board of Governors does hereby consent to the bringing of any proceedings in any court of competent jurisdiction by any Registered Owner or Registered Owners of the Bonds for the enforcement of all provisions of this Resolution and does hereby waive, to the extent permitted by law, any privilege or immunity from suit which it may now or hereafter have as an agency of the State. However, no covenant or agreement contained in this Resolution or any Bond issued pursuant hereto shall be deemed to be the covenant or agreement of any officer or employee of the State in such person's individual capacity, and neither the officers nor employees of the State nor any official executing any of the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

(B) Any Registered Owner of the Bonds, or any trustee acting for the Registered Owner of such Bonds, may by civil action in any court of competent jurisdiction, protect and enforce any and all rights, including the right to the appointment of a receiver, existing under the laws of the State, or granted and contained in this Resolution, and may enforce and compel the performance of all duties required by this Resolution, and by any applicable Statutes, to be performed by the Division of Bond Finance, the Board of Governors, the University, the Foundation, or the Board of Administration, or by any officer thereof, including the payment of the Pledged Revenues payable under this Resolution. Other than as specifically provided herein, nothing herein shall be construed to grant to any Registered Owner of the Bonds any lien on the Facilities or any other facility or funds of the University, or the Board of Governors, or the Division of Bond Finance.

(C) For purposes of exercising remedies pursuant to this section, the issuer of a Bond Insurance Policy shall be deemed the sole Registered Owner of Bonds it has insured, provided that the issuer of such Bond Insurance Policy has not failed to comply with its payment obligations under the Bond Insurance Policy and the ratings on the insured Bonds, based on the Bond Insurance Policy, are no lower than the "A" category by each Rating Agency which has rated such Bonds, including any rating modifiers.

ARTICLE VIII
MISCELLANEOUS

SECTION 8.01. MODIFICATION OR AMENDMENT. Except as otherwise provided in the second and third paragraphs of this section, no material modification or amendment of this Resolution, or of any resolution amendatory thereof or supplemental thereto, may be made without the consent in writing of the Foundation and (i) the Registered Owners of more than fifty percent in principal amount of the Bonds then Outstanding or (ii) in case less than all of the several Series of Bonds then Outstanding are materially adversely affected by the modification or amendment, the Registered Owners of more than fifty percent in principal amount of the Bonds so affected and Outstanding at the time such consent is given; provided, however, that no modification or amendment shall permit a change in the maturity of such Bonds or a reduction in the rate of interest thereon, or affecting the promise to pay the interest on and principal of the Bonds, as the same mature or become due, or reduce the percentage of Registered Owners of Bonds required above for such modification or amendments, without the consent of the Registered Owners of all the Bonds.

For purposes of this section, except where the consent of all Registered Owners of a Series of Bonds is required, to the extent any Series of Bonds is insured by a Bond Insurance Policy and such Series of Bonds is then rated in as high a rating category as the rating category in which such Series of Bonds was rated at the time of initial delivery thereof by a Rating Agency, then the consent of the issuer of the Bond Insurance Policy shall constitute the consent of the Registered Owners of such Series.

The Division of Bond Finance may amend, change, modify and alter this Resolution without the consent of the Registered Owners of Bonds, (i) to cure any defect, omission, conflict, or ambiguity in this Resolution or between the terms and provisions hereof and any other document executed or delivered herewith, (ii) to provide other changes including such changes as may be necessary in order to adjust the terms hereof so as to facilitate the issuance of various types of Bonds including, but not limited to, Capital Appreciation Bonds, and any other Bonds which may be issued hereunder, which will not materially adversely affect the interest of such Registered Owner of Bonds, (iii) to provide for the issuance of Bonds in coupon form if, in the opinion of a nationally recognized bond/tax counsel, such issuance will not affect the exemption from federal income taxation of interest on the Bonds, (iv) to obtain credit enhancements or a higher rating in one of the three highest full rating categories of a Rating Agency, (v) to add to the covenants and agreements of the Division of Bond Finance, the Board of Administration or the Board of Governors in this Resolution, other covenants and agreements to be observed by the Division of Bond Finance, the Board of Administration or the Board of Governors which are not contrary to or inconsistent with this Resolution as theretofore in effect, (vi) to add to the limitations and restrictions in this Resolution, other limitations and restrictions to be observed by the Division of Bond Finance, the Board of Administration or the Board of Governors which are not contrary to or inconsistent with this Resolution as theretofore in effect, (vii) to permit the qualification hereof and thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualifications of the Bonds for sale under the securities laws of any of the states of the United States of America, (viii) to enable the Division of Bond Finance, the Board of Administration, the University, the Foundation, and the Board of Governors to comply with their covenants, agreements and obligations under Article VI of this Resolution, (ix) to enable the Division of Bond Finance to provide for sub-accounts in the Debt Service Reserve Account for one or more Series of Bonds; (x) to specify and determine any matters and things relative to the Bonds which are not contrary to or inconsistent with this Resolution and which shall not materially adversely affect the interests of the Registered Owners; and (xi) to amend or modify any provisions of this Resolution so long as such amendment or modification does not materially adversely affect the interests of the Registered Owners.

SECTION 8.02. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants or provisions of this Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants or provisions shall be null and void and shall be deemed separable from the remaining covenants or provisions of this Resolution or of the Bonds and shall in no way affect the validity or enforceability of any other covenants, agreements or provisions of this Resolution or of the Bonds issued hereunder.

SECTION 8.03. NONPRESENTMENT OF BONDS: FUNDS HELD FOR BONDS AFTER DUE DATE OF BONDS. In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity, or otherwise, if funds sufficient to pay such Bond shall have been made available to the Board of Administration for the benefit of the Registered Owner thereof, all liability of the Board of Governors to the Registered Owner thereof for the payment of such Bond shall forthwith cease, terminate, and be completely discharged, and thereupon it shall be the duty of the Board of Administration to hold such funds, without liability for interest thereon, for the benefit of the Registered Owner of such Bonds, who shall thereafter be restricted exclusively to such funds, for any claim of whatever nature on his part under this Resolution or on, or with respect to, said Bond. Any such funds held by the Board of Administration for the Registered Owners of such Bonds for seven years after the principal or Accreted Value of the respective Bonds for which such funds have been so set aside has become due and payable and remaining (whether at maturity or upon redemption or otherwise) shall be subject to the laws of the State of Florida relating to disposition of unclaimed property, and unless demand for the payment of such Bonds shall have been made, the obligation thereon shall be extinguished.

SECTION 8.04. DEFEASANCE. (A)The covenants, liens and pledges entered into, created or imposed pursuant to this Resolution may be fully discharged and satisfied with respect to any of the Bonds in any one or more of the following ways:

(1) By paying the principal of and interest on such Bonds when the same shall become due and payable; or

(2) By depositing with the Board of Administration, a banking institution, or a trust company certain moneys which are irrevocably pledged to the payment of such Bonds and which, together with other moneys lawfully available therefor, shall be sufficient at the time of such deposit to pay when due the principal of, redemption premium, if any, and interest due and to become due on such Bonds on or prior to the redemption date or maturity date thereof; or

(3) By depositing with the Board of Administration, a banking institution, or a trust company moneys which are irrevocably pledged to the payment of such Bonds and which, together with other moneys lawfully available therefor when invested in Defeasance Obligations, will provide moneys (principal and interest thereof at maturity) which shall be sufficient to pay the principal of, redemption premium, if any, and interest due and to become due on such Bonds on or prior to a date fixed for redemption or the maturity date thereof.

Upon such payment or deposit in the amount and manner provided in this section, the Bonds with respect to which payments on deposit have been made shall be deemed to be paid and shall no longer be deemed to be Outstanding for the purposes of this Resolution and all liability of the Board of Governors, the University, the Foundation, and the Division of Bond Finance with respect to such Bonds shall cease, terminate and be completely discharged and extinguished, and the Registered Owners thereof shall be entitled to payment solely out of the moneys or securities so deposited.

(B) Notwithstanding the foregoing, all references to the discharge and satisfaction of Bonds shall include the discharge and satisfaction of any Series of Bonds, any portion of any Series of Bonds, any maturity or maturities of any Series of Bonds, any portion of a maturity of any Series of Bonds or any combination thereof.

(C) If any portion of the moneys deposited for the payment of the principal of and redemption premium, if any, and interest on any portion of Bonds is not required for such purpose, and so long as no other deficiency exists, the Board of Governors or the Board of Administration may use the amount of such excess which is not otherwise obligated under this Resolution, for any lawful purpose, free and clear of any trust, lien, security interest, pledge or assignment securing said Bonds or otherwise existing under this Resolution.

(D) Nothing herein shall be deemed to require the Board of Governors or Division of Bond Finance to call any of the Bonds for redemption prior to maturity pursuant to any applicable optional redemption provisions, or to impair the discretion of the Board of Governors or Division of Bond Finance in determining whether to exercise any such option for early redemption.

(E) Notwithstanding the foregoing, the covenants, liens and pledges entered into, created or imposed pursuant to this Resolution shall not be discharged and satisfied with respect to any of the Bonds with respect to which debt service has been paid pursuant to a Bond Insurance Policy, to the extent that the amount so paid has not been reimbursed to the issuer of such Bond Insurance Policy (or monies have not been deposited as set forth above to provide for payment of such amounts). The bond insurer shall be subrogated to the rights of the Registered Owners of Bonds with respect to which it has made payments pursuant to a Bond Insurance Policy.

SECTION 8.05. SURVIVAL OF CERTAIN PROVISIONS. Notwithstanding the foregoing, any provisions of this Resolution which relate to the maturity of Bonds, interest payments and dates thereof, optional and mandatory redemption provisions, credit against mandatory redemption requirements, exchange, transfer and registration of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, the holding of moneys in trust, the calculation of the Rebate Amount and the paying of the Rebate Amount to the United States, shall remain in effect and be binding upon the University, the Foundation, Division of Bond Finance, the Board of Governors, the Bond Registrar/Paying Agent and the Registered Owners notwithstanding the release and discharge of the lien and pledge of this Resolution or any subsequent resolution. The provisions of this section shall survive the release, discharge and satisfaction of this Resolution or any subsequent resolution.

SECTION 8.06. INSURANCE. The Foundation will carry such insurance on the Facilities as is required by the State or is ordinarily and customarily carried on similar facilities with a reputable insurance carrier or carriers, including public liability insurance and such other insurance against loss or damage by fire, explosion, hurricane, cyclone or other hazards and risks, or the Board of Governors may establish certain minimum levels of insurance for which the Board of Governors may self-insure.

SECTION 8.07. BOND ANTICIPATION NOTES. Notwithstanding any other provision of this Resolution, if the Division of Bond Finance shall deem it advisable, short-term obligations (hereinafter "Notes") are hereby authorized to be issued by the Division of Bond Finance on behalf of the Board of Governors in anticipation of the sale and delivery of the Bonds. The Notes shall be payable from the proceeds received from the sale of the Bonds and, in the interim, from the Pledged Revenues. The Notes may be issued in such denomination or denominations, in the aggregate principal amount not to exceed the authorized principal amount of Bonds for the Series for which such Notes are issued, in the form, may bear interest at the lawful rate or rates payable on such dates (not to exceed five years from the date of issue) and may be subject to such conditions and terms as the Division of Bond Finance shall deem necessary or desirable in connection with such Notes, all as shall be provided by resolution of the Division of Bond Finance adopted at or before sale of the Notes, in accordance with Section 215.68(7), Florida Statutes.

SECTION 8.08. CAPITAL APPRECIATION BONDS. For the purposes of (i) receiving payment of the redemption price if a Capital Appreciation Bond is redeemed prior to maturity, (ii) computing the amount of the Maximum Annual Debt Service, and (iii) determining the principal amount of Bonds held by the Registered Owner of a Capital Appreciation Bond for giving any notice, consent, request or demand pursuant to this Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

SECTION 8.09. TRUST FUNDS. (A) The funds and accounts established by this Resolution and all moneys on deposit therein shall constitute trust funds for their respective purposes as provided herein. The Sinking Fund shall be held and administered by the Board of Administration, and such funds shall be fully and continuously secured in the manner provided by the laws of the State for the securing of deposits of State funds. The Registered Owners shall have a lien on moneys in the Sinking Fund, except the moneys in the Rebate Fund, until such moneys are used or applied as provided herein.

(B) The designation and establishment of the various funds and accounts in and by this Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues for certain purposes and to establish certain priorities for application of such revenues as herein provided. Cash and investments required to be accounted for in each of the funds and accounts established by or pursuant to this Resolution may be deposited in a single bank account, provided that accounting records are maintained to reflect the moneys and investments therein and the receipts of and disbursements from such funds and accounts and the investment income earned therefrom.

SECTION 8.10. FISCAL AGENT. Upon sale and delivery of the Bonds by the Division of Bond Finance on behalf of the Board of Governors, the Board of Administration shall act as the fiscal agent for the Board of Governors with respect to the Bonds.

SECTION 8.11. ANNUAL BUDGETS. The Foundation shall be required to annually, at least thirty days preceding the beginning of each Fiscal Year, or at any other time as requested by the Board of Administration, prepare a detailed budget providing reasonable estimates of the Current Expenses during the succeeding Fiscal Year and setting forth the amount to be deposited in the Maintenance and Equipment Reserve Fund for such Fiscal Year. The budget shall not be changed during the Fiscal Year except by the same procedure by which it was adopted. Copies of the annual budget and any changes therein shall be filed with the Board of Administration and, upon request, mailed to any Registered Owner. The Foundation shall provide for sufficient funds in the annual budget adopted as required in this section to provide for the payment of all Current Expenses, Annual Debt Service, and amounts required to be deposited in the Maintenance and Equipment Reserve Fund as set forth herein.

SECTION 8.12. SUBSTITUTE FOR MAILING. If, because of the temporary or permanent suspension of postal service, any person shall be unable to mail any notice required to be given by the provisions of this Resolution, such person shall give notice in such other manner as in its judgment shall most effectively approximate such mailing; and the giving of such notice in such manner shall for all purposes of this Resolution be deemed to be in compliance with the requirement for the mailing thereof.

SECTION 8.13. INSTRUMENTS OF REGISTERED OWNERS. Any writing, including without limitation, any consent, request, direction, approval, objection or other instrument or document, required under this Resolution to be executed by any Registered Owner may be in any number of concurrent writings of similar tenor and may be executed by that Registered Owner in person or by an attorney-in-fact appointed in writing. Proof of (i) the execution of any writing, including without limitation, any consent, request, direction, approval, objection or other instrument or document, (ii) the execution of any writing appointing any attorney-in-fact, and (iii) the ownership of Bonds, shall be sufficient for any of the purposes of this Resolution, if made in the following manner, and if so made, shall be conclusive in favor of the Foundation, the University, the Division of Bond Finance, the Board of Governors, and the Board of Administration, with regard to any action taken thereunder, namely:

(a) the fact and date of the execution by any person of any writing may be proved by the certificate of any officer in any jurisdiction, who has the power by law to take acknowledgments within that jurisdiction, that the person signing the writing acknowledged that execution before that officer, or by affidavit of any witness to that execution; and

(b) the fact of ownership of Bonds of any Series shall be proved by the Bond Registrar/Paying Agent for such Series.

SECTION 8.14. VALIDATION AUTHORIZED. The attorneys for the Division of Bond Finance are hereby authorized, but not required, to institute proceedings to validate the Bonds, pursuant to Chapter 75, Florida Statutes.

SECTION 8.15. GOVERNING LAW. The laws of the State shall govern the construction of this Resolution and of all Bonds issued hereunder.

SECTION 8.16. REPEAL OF INCONSISTENT RESOLUTIONS. All resolutions and parts of resolutions heretofore adopted pertaining to the subject matter of this Resolution, to the extent that they are inconsistent with this Resolution, are hereby repealed, revoked, and rescinded, but only to the extent of any such inconsistencies.

SECTION 8.17. EFFECTIVE DATE. This Resolution shall take effect immediately upon its adoption.

ADOPTED October 23, 2012.

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APPENDIX C

FORM OF

GUARANTY

BY

THE FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.

Dated as of
January 4, 2013

Relating to:

$11,920,000

State of Florida
Board of Governors
The Florida State University Research Foundation, Inc.
Revenue Refunding Bonds
Series 2012

THIS GUARANTY dated as of January 4, 2013, by THE FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC., a Florida not-for-profit corporation (the "Guarantor"), having its principal address in Tallahassee, Florida, to STATE BOARD OF ADMINISTRATION OF FLORIDA (the "Board of Administration"), pursuant to a Resolution adopted by the Governing Board of the Division of Bond Finance (the "Division of Bond Finance") of the State Board of Administration on October 23, 2012 (the "Resolution"), authorizing the issuance of not to exceed $21,000,000 State of Florida, Board of Governors, The Florida State University Research Foundation, Inc., Revenue Bonds, Series 2012 (the "2012 Bonds");

W I T N E S S E T H:

WHEREAS, concurrently herewith the 2012 Bonds are being issued in the aggregate principal amount of $11,920,000, under and pursuant to the Resolution; and

WHEREAS, the proceeds derived from the issuance of the 2012 Bonds are to be used to (i) refund all or a portion of the outstanding State of Florida, State Board of Education, The Florida State Research Foundation, Incorporated Revenue Bonds, Series 2001 (the "2001 Bonds") and (ii) pay related expenses with respect to the costs of issuing 2012 Bonds; and

WHEREAS, under the terms of the Lease, the Guarantor has agreed to make Lease Payments in amounts which will be sufficient to pay principal of and interest on the outstanding 2012 Bonds as they become due, and sufficient to make certain deposits into reserves and to pay certain expenses which may arise under the Resolution and the Lease; and

WHEREAS, the Guarantor has consented to the pledging of the Lease revenues by the University for the purpose of securing the 2012 Bonds; and

WHEREAS, the Guarantor is willing to enter into this Guaranty (the "Guaranty") and the execution and delivery hereof have been in all respects duly and validly authorized by resolutions passed and approved by the Guarantor;

NOW, THEREFORE, in consideration of the premises and in order to enhance the marketability of the 2012 Bonds and thereby achieve cost and other savings to the Guarantor, and in consideration of the sum of $10.00, the receipt and sufficiency of which are hereby acknowledged, the Guarantor does hereby, subject to the terms hereof, covenant and agree for the benefit of the holders from time to time of the 2012 Bonds as follows:

ARTICLE I

REPRESENTATIONS AND WARRANTIES OF GUARANTOR

(a) The Guarantor hereby represents and warrants that it is a not-for-profit corporation duly incorporated, validly existing and in good standing under the laws of the State of Florida; is not in violation of any provision of its articles of incorporation, its by-laws or the laws of the State of Florida by executing and delivering this Guaranty; has power to enter into this Guaranty; has duly authorized the execution and delivery of this Guaranty by proper corporate action; and neither this Guaranty nor the agreements herein contained contravene or constitute a default under any agreement, instrument or indenture to which it is a party or any provision of its articles of incorporation or by-laws or any other requirement of law.

(b) The Guarantor hereby represents and warrants that it is an exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and will take all steps to maintain such status.

(c) The Guarantor hereby represents and warrants that it is not and has not ever been in default as to principal or interest with respect to an obligation issued or guaranteed by it.

ARTICLE II

COVENANTS AND AGREEMENTS

SECTION 2.1. (a) The Guarantor hereby unconditionally guarantees to the Board of Administration for the benefit of the holders from time to time of the 2012 Bonds (the "Bondholders") (a) the full and prompt payment of the principal of all the 2012 Bonds when and as the same shall become due, whether at the stated maturity thereof, by acceleration, by call for redemption or otherwise; (b) the full and prompt payment of any interest on any 2012 Bonds when and as the same shall become due, (c) the lien free completion of the Project, and (d) the full and prompt payment of all other amounts due under the Lease and under the Resolution. All payments by the Guarantor shall be paid in lawful money of the United States of America immediately upon demand therefor by the Board of Administration. Each and every default in payment of the principal of, premium, if any, or interest on any Bond shall give rise to a separate cause of action hereunder, and separate suits may be brought hereunder as each cause of action arises.

(b) The Guarantor pledges, for the benefit of the Bondholders, that it will pay all amounts due hereunder from any funds legally available to the Guarantor, including but not limited to royalties and other amounts derived from patents, copyrights, trademarks and other intellectual property assigned to the Guarantor by the University pursuant to Section 1004.23, Florida Statutes.

SECTION 2.2. The obligations of the Guarantor under this Guaranty shall be absolute and unconditional and shall remain in full force and effect until the entire principal of and interest on the 2012 Bonds and any amounts due to any insurer of the 2012 Bonds shall have been paid or such 2012 Bonds shall have been defeased in accordance with the Resolution and any amounts due to any insurer of the 2012 Bonds shall have been paid, and such obligations shall not be affected, modified or impaired upon the happening from time to time of any event other than such payment or defeasance, including without limitation any of the following, whether or not with notice to, or the consent, of the Guarantor:

> (a) the compromise, settlement, release or termination of any or all of the obligations, covenants or agreements of the University, the Board of Governors, the Division of Bond Finance or the Board of Administration with regard to the 2012 Bonds under the Resolution or the Lease; or
>
> (b) the failure to give notice to the Guarantor of the occurrence of an event of default under the terms and provisions of this Guaranty or the Resolution or the Lease with respect to the 2012 Bonds; or
>
> (c) the assignment or mortgaging or the purported assignment or mortgaging of all or any part of the right, title and interest of the University in the "Pledged Revenues," as defined in the Resolution, except when for the benefit of the holders of 2012 Bonds; or
>
> (d) the waiver of the payment, performance or observance by the Board of Governors, the University, the Board of Administration, or the Division of Bond Finance or the Guarantor of any of the obligations, covenants or agreements of any of them contained in the Resolution, the Lease or this Guaranty with respect to the 2012 Bonds; or
>
> (e) the extension of the time for payment of any principal of or interest on any 2012 Bonds or under this Guaranty or of the time for performance of any other obligations, covenants or agreements under or arising out of the Resolution, the Lease or this Guaranty with respect to the 2012 Bonds or the extension or the renewal of any thereof, whether or not with notice to the Guarantor; or
>
> (f) the modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in the Resolution or the Lease with respect to the 2012 Bonds; or
>
> (g) the taking or the omission of any of the actions referred to in the Resolution or the Lease and any actions under this Guaranty with respect to the 2012 Bonds; or

(h) any failure, omission, delay or lack on the part of the Board of Administration to enforce, assert or exercise any right, power or remedy conferred on the Board of Administration in this Guaranty or in the Resolution or the Lease with respect to the 2012 Bonds, or any other act or acts on the part of the Board of Administration or any of the holders from time to time of the 2012 Bonds; or

(i) the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all the assets, marshaling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or readjustment of, or other similar proceedings affecting the Guarantor or any of the assets of either of them or any allegation or contest of the validity of this Guaranty, the Resolution or the Lease in any such proceeding; or

(j) the release or discharge of the Guarantor from the performance or observance of any obligation, covenant or agreement contained in the Lease or the Resolution with respect to the 2012 Bonds by operation of law or otherwise; or

(k) to the extent permitted by law, the release or discharge of the Guarantor from the performance or observance of any obligation, covenant or agreement contained in this Guaranty by operation of law;

(l) the default or failure of the Guarantor fully to perform any of its obligations set forth in this Guaranty or in the Lease with respect to the 2012 Bonds; or

(m) the termination of the Lease.

SECTION 2.3. No set-off, counterclaim, reduction or diminution of any obligation, or any defense of any kind or nature which the Guarantor has or may have against the University, the Board of Governors, the Division of Bond Finance or the Board of Administration shall be available hereunder to the Guarantor against the Board of Administration.

SECTION 2.4. In the event of a default in the payment of principal of any 2012 Bond when and as the same shall become due, whether at the stated maturity thereof, by acceleration, by call for redemption or otherwise, or in the event of default in the payment of any interest on any 2012 Bond when and as the same shall become due, or should the 2012 Project not be completed within the budget, the Board of Administration may, and if requested so to do by the holders of 51% in aggregate principal amount of 2012 Bonds then outstanding, and upon indemnification as hereinafter provided, shall be obligated to proceed hereunder and the Board of Administration, in its sole discretion, shall have the right to proceed first directly against the Guarantor under this Guaranty without proceeding against or exhausting any other remedies which it may have against the Guarantor or any other person, firm or corporation and without resorting to any other security held by the Board of Administration.

SECTION 2.5. The Guarantor hereby expressly waives notice from the Board of Administration or the holders from time to time of any of the 2012 Bonds of their acceptance and reliance on this Guaranty. To the extent permitted by applicable law, the Guarantor agrees to pay all costs, expenses and fees, including all reasonable attorneys' fees and expenses, which may be incurred by the Board of Administration in enforcing or attempting to enforce this Guaranty following any default on the part of the Guarantor hereunder, whether the same shall be enforced by suit or otherwise, and including actions in any bankruptcy proceeding.

SECTION 2.6. The Guarantor agrees that it (i) will maintain its corporate existence, (ii) will not dispose of all or part of its assets (except for dispositions in the ordinary course of business of the Guarantor) which would impair its ability to perform its obligations pursuant to this Guaranty, (iii) will not merge into or consolidate with another corporation unless the Guarantor is the survivor or unless such entity agrees in writing to assume the obligations and liabilities as Guarantor under this Guaranty and will not adversely impact the exclusion from gross income of interest on the 2012 Bonds; and (iv) will not incur or guaranty any debt, in addition to any such debt outstanding as of the date hereof, including the 2012 Bonds, unless the most recent audited financial statements of the Guarantor demonstrate that the net assets of the Guarantor equal at least 110% of the amount of such debt outstanding, plus the principal amount of the debt proposed to be incurred or guaranteed. For purposes of the foregoing provision, “net assets” means cash and investments on hand, plus receivables, minus payables.

Guarantor shall provide written notice to the Board of Administration of any additional debt it incurs or guarantees during the term of this agreement, which notice shall demonstrate to the satisfaction of the Board of Administration that Guarantor remains in compliance with the covenant set forth in subparagraph (iv) above.

SECTION 2.7. This Guaranty is entered into by the Guarantor with the Board of Administration for the benefit of the holders from time to time of the 2012 Bonds, all of whom shall be entitled to enforce performance and observance of this Guaranty to the same extent provided for the enforcement of remedies under the Resolution.

ARTICLE III

AMENDMENTS

SECTION 3.1. The Guarantor and the Board of Administration, at any time and from time to time, may enter into one or more instruments supplemental hereto, in form satisfactory to the Board of Administration and the Guarantor, for any of the following purposes:

(a) to add to the covenants and obligations of the Guarantor, for the benefit of the holders of the 2012 Bonds, or to surrender any right or power herein conferred upon the Guarantor; or

(b) to cure any ambiguity, to correct or supplement any provision herein or in any such instrument supplemental hereto which may be inconsistent with any other provision herein or in any such instrument supplemental thereto, or to make any other provisions with respect to matters or questions arising under this Guaranty which shall not be inconsistent with the provisions of this Guaranty, provided that such action shall not adversely affect the interests of the holders of the 2012 Bonds; or

(c) To provide for (1) the issuance of Additional Bonds; (2) the addition of Facilities; (3) the disposition of Facilities; or (4) modifications to Facility Revenues or Excess Existing Facilities Revenues, provided such modifications do not violate any provisions or covenants contained in the Resolution.

SECTION 3.2. With the consent of the holders of the percentage in aggregate principal amount of 2012 Bonds then outstanding which would be required for amendment of the Resolution, the Guarantor and the Board of Administration, at any time and from time to time, may enter into one or more instruments supplemental hereto for the purpose of adding any provisions to or changing or eliminating the provisions of this Guaranty; provided, however, that the provisions of Section 8.02 of the Resolution with respect to amendments of the Resolution shall apply to each instrument supplemental hereto to the same extent as if set forth herein.

ARTICLE IV

THE BOARD OF ADMINISTRATION

SECTION 4.1. The Board of Administration hereby accepts the trusts imposed upon it by the Resolution, and agrees to perform said trusts as a corporate trustee ordinarily would perform said trusts under a corporate resolution, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into this Guaranty against the Board of Administration:

(a) The Board of Administration may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees but shall not be answerable for the conduct of the same in accordance with the standard specified in paragraph (e) below, and shall be entitled to advice of counsel concerning all matters of trusts hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Board of Administration may act upon the opinion or advice of any attorney. The Board of Administration shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice.

(b) The Board of Administration shall not be responsible for any recital herein, or for the validity of the execution by the Guarantor of this Guaranty or any instruments of further assurance, or for the sufficiency of the security for the 2012 Bonds issued under the Resolution or intended to be secured thereby.

(c) The Board of Administration shall be protected in acting upon any ordinance, notice, request, resolution, consent, certificate, affidavit, letter, telegram or other paper or document believed to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Board of Administration pursuant to this Guaranty upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the owner of any Bond shall be conclusive and binding upon all future owners of the same Bond and upon 2012 Bonds issued in exchange therefor or upon transfer or in place thereof.

(d) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Board of Administration shall be entitled to rely upon a certificate signed on behalf of the Guarantor by the President or any Vice President of the Guarantor as sufficient evidence of the facts therein contained, and prior to the occurrence of a default hereunder, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Board of Administration may accept a certificate signed on behalf of the Guarantor by its Secretary or Assistant Secretary to the effect that a resolution in the form therein set forth has been adopted by the Guarantor as conclusive evidence that such resolution has been duly adopted and is in full force and effect.

(e) The permissive right of the Board of Administration to do things enumerated in this Guaranty shall not be construed as a duty and the Board of Administration shall not be answerable for other than its negligent or willful misconduct.

(f) The Board of Administration shall not be required to give any bond or surety in respect of the execution of its trusts and powers hereunder.

(g) All moneys received by the Board of Administration or the Bond Registrar/Paying Agent (as defined in the Resolution) shall, until used or applied or invested as provided herein or in the Resolution, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. Neither the Board of Administration nor the Bond Registrar/Paying Agent shall be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

(h) If any default under this Guaranty shall have occurred and be continuing, the Board of Administration shall exercise such of the rights and powers vested in it by this Guaranty and shall use the same degree of care as a prudent man would exercise or use in like circumstances in the conduct of his own affairs.

ARTICLE V

NOTICE AND SERVICE OF PROCESS, PLEADINGS AND OTHER PAPERS

SECTION 5.1. The Guarantor covenants that it will remain qualified to do business and be subject to service of process in the State of Florida so long as any of the 2012 Bonds are outstanding. If for any reason the Guarantor should not be so qualified, the Guarantor hereby designates and appoints, without power of revocation the present Secretary of the Guarantor, and his successor as Secretary of Guarantor, and if such agent shall cease to act, such other person upon whom service may be made on behalf of a corporation pursuant to Florida law, as the respective agents of the Guarantor upon whom may be served all process, pleadings, notices or other papers which may be served upon the Guarantor as a result of any of its obligations under this Guaranty.

ARTICLE VI

MISCELLANEOUS

SECTION 6.1. To the extent not defined herein, the definitions set forth in the Resolution apply to any capitalized term used in this Guaranty.

SECTION 6.2. The obligations of Guarantor hereunder shall arise absolutely and unconditionally when the 2012 Bonds shall have been issued, sold and delivered.

SECTION 6.3. No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Board of Administration to exercise any remedy reserved to it in this Guaranty, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. In the event any provision contained in this Guaranty should be breached by the Guarantor and thereafter duly waived by the Board of Administration as directed in writing by at least a majority of Bondholders, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver, amendment, release or modification of this Guaranty shall be established by conduct, custom or course of dealing, but solely by an instrument in writing duly executed by the Board of Administration.

SECTION 6.4. This Guaranty constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof and may be executed simultaneously in several counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

SECTION 6.5. The invalidity or unenforceability of any one or more phrases, sentences, clauses or sections in this Guaranty shall not affect the validity or enforceability of the remaining portions of this Guaranty, or any part thereof.

SECTION 6.6. Any consent, approval, direction or other instrument required by this Guaranty to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any such consent, approval, direction or other instrument or of the writing appointing any such agent and of the ownership of 2012 Bonds, if made pursuant to the Resolution, shall be sufficient for any of the purposes of this Guaranty, and shall be conclusive in favor of the Board of Administration with regard to any action taken under such request or other instrument.

SECTION 6.7. This Guaranty shall be governed exclusively by the applicable laws of the State of Florida.

SECTION 6.8. With the exception of rights herein expressly conferred, nothing herein expressed or mentioned in or to be implied from this Guaranty is intended or shall be construed to give to any person other than the parties hereto and the holders of the 2012 Bonds any legal or equitable right, remedy or claim under or in respect of this Guaranty. This Guaranty and all of the covenants, conditions and provisions hereof are intended to be and are for the sole and exclusive benefit of the parties hereto and the holders of the 2012 Bonds and shall inure to the benefit of and bind their respective successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this Guaranty to be executed in their respective corporate names by their respective officers, thereunto duly authorized and their respective corporate seals to be hereto affixed as of the date first above written.

THE FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.,
as Guarantor

By:_________________________________
Name:
Title:

(CORPORATE SEAL)
ATTEST:

____
Name:
Title:

STATE BOARD OF ADMINISTRATION OF FLORIDA,
as Fiscal Agent

By:_________________________________
Name:
Title:

(CORPORATE SEAL)
ATTEST:

____
Name:
Title:

APPENDIX D

FLORIDA STATE UNIVERSITY [1]
Tallahassee, Florida

Introduction and Brief History

Florida State University (the "University") is a fully accredited, public educational institution operated within the State University System of Florida. More than 41,000 students are enrolled, representing all 50 states and 132 foreign countries. With 16 colleges, students may take courses of study leading to the baccalaureate degree in 105 degree programs, to the master's degree in 116 degree programs, to the advanced master's degree in one program, to the specialist degree in 22 degree programs, to the doctorate degree in 76 degree programs, and to the professional degree in two degree programs. The academic divisions are the Colleges of Applied Sciences; Arts and Sciences; Business; Communication and Information; Criminology and Criminal Justice; Education; Engineering; The Graduate School; Human Sciences; Law; Medicine; Motion Picture Arts, Music; Nursing; Social Sciences and Public Policy; Social Work; and Visual Arts, Theatre and Dance. The University is designated a Research University by the Carnegie Foundation, which indicates robust research activity.

History

Florida State University, one of the largest and oldest of the 12 institutions of higher learning in the State University System of Florida, had its beginning with an 1851 act of the Florida Legislature establishing two seminaries, one located east and the other west of the Suwannee River. The West Florida Seminary first offered instruction at the postsecondary level in 1857. Its Tallahassee campus has been the site of an institution of higher education longer than any other site in Florida. In 1901, the institution became Florida State College, a four-year institution with a student body of 252.

In a 1905 reorganization of Florida's educational system by the Legislature, the University of Florida in Gainesville was established and designated a men's school, with Florida State College becoming a women's school called the Florida Female College. During 1909 the name of the college was changed to Florida State College for Women, an institution which grew to become the third largest women's college in the nation during the 1930's.

During the post-World War II era, demand by returning veterans brought men back to the campus in 1946, with the establishment of the Tallahassee Branch of the University of Florida. In 1947, the school returned to coeducational status and the name changed to Florida State University. The University has grown from an enrollment of 4,056 in 1947 to an enrollment of over 41,000 in the fall semester of 2012.

The 1950's brought further development and expansion to the University with the addition of colleges and schools for Library Science, Social Welfare (later divided into Social Work and Criminology), Business and Nursing. During the 1960's the University acquired the Shaw Poetry Collection, established the Institutes of Molecular Biophysics and Space Biosciences, founded the College of Law, opened the Panama City Branch and established the Program in Medical Sciences. The colleges of Social Sciences and Communication and the schools of Theatre and Visual Arts and Dance were founded during the 1970's.

Expanding on its longstanding reputation in the performing arts and to keep pace with professional movie studios opening in Florida, the University is currently the professional training ground for the expanding industry of film production. Florida State University admitted its first film students to the School of Motion Picture, Television and Recording Arts in the fall of 1989.

[1] Source: Information in Appendix D was provided by Florida State University.

Among the special programs that have won national or international distinction in research are the Program in Nuclear Research, the Institute for Molecular Biophysics, the Florida State University Coastal and Marine Laboratory, the Center of Music Research, the Learning Systems Institute, the Florida State University Proton-Induced X-Ray Emission (PIXE) Laboratory, and the Florida State University Institute of Science and Public Affairs.

In 1990, the National Science Foundation announced that Florida State University would be the home of the National High Magnetic Field Laboratory. A joint project with the University of Florida and Los Alamos National Laboratory, the lab is the nation's top center for research on magnets millions of times more powerful than the Earth's magnetic field. This facility was the first national lab located in Florida and began operations in 1994. Research at the lab is conducted in such diverse fields as biology, materials science, medicine, physics, chemistry, engineering and superconductivity.

In 2000, the Florida Legislature passed legislation funding the establishment of a medical school at the University. The University's College of Medicine has a mission centered on primary care, geriatric training, and service to rural and underserved areas. The medical school is community-integrated and provides the first two years of medical education on campus in Tallahassee and the last two years in community clinical settings around the state.

Since 2001, the University has operated the Ringling Center for the Cultural Arts in Sarasota, which includes the John and Mable Ringling Museum of Art and is the largest museum/university complex in the nation.

In addition to the branch campus, the University offers a variety of overseas study opportunities for students during the regular academic year located in Florence, Italy; Panama City, Republic of Panama; Valencia, Spain; and London, England. Courses at the study centers are offered each semester and cover a wide range of subject areas. International Programs also offers study programs, some general and some major specific, in: Tianjin, China; San Jose, Costa Rica; Dubrovnik, Croatia; Prague, Czech Republic; London, England; Paris, France; Dublin, Ireland; Tokyo, Japan; Amsterdam, Netherlands; Moscow, Russia; and Leysin, Switzerland. A summer Law program is offered in Oxford, England. There is one Linkage Institute, FLORICA, in Costa Rica, and Beyond Borders programs in Turrialba, Costa Rica, Kingston, Jamaica, and Dresden, Germany.

Governance

Effective January 7, 2003, a statewide Board of Governors was created pursuant to Article IX, Section 7(d), of the Florida Constitution to operate, regulate, control and be fully responsible for the management of the State University System. The Board of Governors defines the mission of each university and ensures the well-planned coordination and operation of the State University System. The Governor appoints fourteen members to the Board of Governors for staggered terms of seven years. The appointed members are subject to confirmation by the Senate. The Commissioner of Education, the chair of the Advisory Council of Faculty Senates and the president of the Florida Student Association also serve as members.

Each university is directly governed by a Board of Trustees ("the Trustees"), consisting of thirteen members. The Boards of Trustees were created pursuant to Article IX, Section 7(c), of the Florida Constitution. The Governor appoints six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Senate and serve staggered terms of five years. The chair of the faculty senate and the president of the student body of the university are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the university which provide governance in accordance with the rules of the State Board of Education and the Board of Governors. The university President serves as the executive officer and corporate secretary of the Trustees and is responsible for all operations of the university. Other senior administrative officers of the universities are designated by the President. Generally, the Provost/Vice President for Academic Affairs assumes responsibility for the president during any absence and is the chief academic officer in the university organization. Other vice presidents have responsibility for specific areas within the organization. The deans of colleges and schools are responsible to the Provost for all matters relating to programs and personnel in their respective academic units.

On December 8, 2009, the University Board of Trustees selected Eric J. Barron to serve as the University's 14th President. Dr. Barron received a doctorate in oceanography from the University of Miami in 1980. Prior to assuming the presidency, he served as director of the National Center for Atmospheric Research in Boulder, Colorado. From 2006-2008, Dr. Barron was dean of the Jackson School of Geosciences at the University of Texas at Austin. At Pennsylvania State University from 1986 to 2006, he was professor of geosciences, director of the Earth System Science Center, director of the EMS Environmental Institute, and lastly dean of the College of Earth and Mineral Science.

The establishment of individual University Boards of Trustees has increased the individual institutions' control of their academic and fiscal affairs. Under the new structure, the universities are no longer state agencies, but rather are autonomous state-supported public corporations. While the exact structure of the new system continues to evolve, certain of the changes do provide the individual universities with greater fiscal autonomy and financial control.

Budget. Each university has control over its own budget, once State funds have been received. The Florida Legislature retains control of the appropriations process.

Tuition. The universities have been granted certain powers with regard to setting of tuition and the right to retain their own tuition revenues instead of sending them to the State for redistribution. Still, tuition-setting power for in-state students remains largely in the hands of the Legislature, with lawmakers determining the maximum allowable rates of tuition increase and universities setting the tuition within those limits. The ability for the University to set and collect a number of student service fees provides a meaningful offset to limitations regarding tuition.

Bonding Authority. Bond-issuing authority is retained by the State of Florida Division of Bond Finance; the University can borrow through affiliated foundations outside the Division of Bond Finance. The Board of Governors is authorized to request the issuance of revenue bonds to finance or refinance capital outlay projects permitted by law.

Buildings and Other Capital Facilities

The University has expanded from the original few acres and buildings to over 533 buildings on 1,588 acres, including the downtown Tallahassee main campus of 446 acres, the Seminole Reservation (a recreational facility), the Coastal and Marine Laboratory on the Gulf Coast, the FAMU/FSU College of Engineering facility, the National High Magnetic Field Laboratory and Division of Research at Innovation Park, and the branch campus in Panama City, Florida.

Capital Improvement Plan

The following table shows the capital improvement projects currently in progress for the University as well as the current and future funding sources for each. Many of these projects are funded with Public Education Capital Outlay monies generated from the collection of gross receipts taxes levied on utilities and telecommunication services. Various other funding sources (general revenue, capital improvement fee trust fund, private funds, bond proceeds, etc.) provide monies to finance the remainder of the capital improvement projects.

Current Capital Improvement Projects*
as of June 30, 2012

	Funding Source		
Project	**Public Education Capital Outlay**	**Other Funding Sources**	**Total Project Cost**
Educational and General Projects:			
FAMU/FSU College of Engineering	$985,665	$0	$985,665
Wellness Center	18,027,196	31,739,861	49,767,057
Johnston Building Annex	1,103,159	2,300,000	3,403,159
Warren Building Renovations	-	2,635,000	2,635,000
Aeropropulsion Mechatronics Energy Building	14,000,000	9,744,688	23,744,688
Asian Art Study Center	-	8,200,000	8,200,000
Library Information Commons	1,000,000	1,144,889	2,144,889
Eppes Building & Hecht House Renovations	-	2,900,000	2,900,000
Earth Ocean Atmospheric Sciences Building	-	-	-
Free Electron Laser Building	-	691,000	691,000
Total Educational and General Projects	$35,116,020	$59,355,438	$94,471,458
Infrastructure Projects & Repairs and Renovations:			
Repairs and Renovations	$9,485,886	$13,302,917	$22,788,803
Utility / Infrastructure / Reroofing / Sidewalks and Plazas	8,550,183	-	8,550,183
Total Infrastructure Projects	$18,036,069	$13,302,917	$31,338,986
Student Athletic Projects			
Indoor Practice Facility	$-	$750,000	$750,000
Total Student Projects	$-	$750,000	$750,000
Total Capital Improvement Projects	$53,152,089	$73,408,355	$126,560,444

* Amounts are estimates and are subject to change.

The following table lists the University's 5-year capital improvement plan in priority level.

Five Year Capital Improvement Plan and Legislative Budget Request
In Order of Priority

Priority Number	Project Name	Request per Fiscal Years Ended June 30: 2013-14	2014-15	2015-16	2016-17	2017-18	Total Requested
1	Utilities/Infrastructure/Roofing/Capital Renewal	$10,000,000	$10,000,000	$15,000,000	$15,000,000	$15,000,000	$65,000,000
2	FAMU-FSU College of Engineering III - Joint Use	4,000,000	11,034,335	-	-	-	15,034,335
3	EAOS Building	30,000,000	26,100,000	5,000,000		3,700,000	64,800,000
4	STEM Teaching Lab Building	2,250,000	27,750,000	4,000,000	-	-	34,000,000
5	Firestone / Winchester Building Remodeling	1,600,000	17,400,000	2,900,000	600,000	6,600,000	29,100,000
6	Library Information Commons	2,250,000	18,000,000	37,000,000	5,000,000	-	62,250,000
7	Land Acquisition	5,000,000	-	5,000,000	-	5,000,000	15,000,000
8	Academic Support Building	2,000,000	31,000,000	4,000,000	-	-	37,000,000
9	Dittmer Building Remodeling	3,000,000	22,500,000	16,000,000	5,000,000		46,500,000
10	Physics Building	-	3,800,000	50,000,000	5,000,000		58,800,000
11	Clinical Training Center (nonmedical)	-	2,000,000	20,000,000	3,000,000		25,000,000
12	Kellogg Research Building Remodeling	-	-	-	1,500,000	15,000,000	16,500,000
13	Biology Unit I Building Remodeling	-	-	-	2,400,000	26,000,000	28,400,000
14	College of Business Building	-	-	-	1,900,000	27,851,000	29,751,000
15	Eppes Building Remodeling	-	-	-	1,000,000	12,000,000	13,000,000
	Total	$60,100,000	$169,584,335	$158,900,000	$40,400,000	$111,151,000	$540,135,335

Budgetary Process

The University's operating budget is comprised of the following budget entities: Educational and General, Auxiliary Enterprises, Contracts and Grants, Student Activities, Intercollegiate Athletics, Financial Aid and Concessions.

Educational and General. The University receives an allocation of educational and general resources from the Florida Legislature. The allocation is developed in accordance with the General Appropriations Act, the Implementing Legislation Bill, the Legislative Appropriations Work Papers and the Letter of Intent. The University president approves the general guidelines for the allocation of educational and general resources at the University level. Within the president's guidelines and guidelines provided by the Board of Trustees, an allocation is made to each vice president for the functional areas under his/her direction. In coordination with the University Budget Office and the Division of Administration and Finance, a distribution is made by account/department.

Auxiliary Enterprises, Intercollegiate Athletics and Concessions. Vice presidents and the athletics director prepare operating budget requests for these budgets based on anticipated revenues. The University Budget and Analysis Department then coordinates the vice presidents' presentations and justifications of annual budget requests as required and finalizes them based on the Board of Trustees guidelines. Budget revisions required by the president are incorporated into the requests.

Student Activities. This budget consists of planned expenditures to be funded from activity and service fees which the University is authorized by the rules of its Board of Trustees to charge its students. The budget is developed and approved in accordance with Section 1009.24(8) and (9)(a)(b), Florida Statutes.

Contracts and Grants. This budget consists of estimated expenditures supported by various private businesses and federal, state and local units of government.

Financial Aid. This budget consists of estimated expenditures of revenues received for loans, grants, scholarships and other student financial aid.

The University submits all budgets to the Board of Trustees for approval. Approved budgets are released for expenditures to the University. All of the colleges/campuses of the University submit budget requests for additional resources to the University Budget Office. Any new State resources are allocated to the University according to the priorities set by the president, as are any University-wide reductions. A comparison of the operating budgets of the University is included below for the Fiscal Years 2008-09 through 2012-13.

Operating Budget

	Fiscal Years Ended June 30				
Budget Entity	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**
Educational and General	$491,307,422	$468,944,706	$490,150,079	$460,329,159	$416,365,346
Technology Fee	-	3,879,217	9,080,776	12,723,181	14,793,661
Auxiliary Enterprises	204,659,608	199,587,448	190,591,925	212,790,357	229,377,831
Contracts and Grants	220,776,621	193,318,597	225,897,900	225,271,136	225,666,700
Student Activities	17,577,473	16,896,645	19,775,303	20,627,859	19,069,104
Intercollegiate Athletics	49,332,477	46,050,380	52,933,766	53,443,145	55,253,158
Financial Aid	127,725,120	119,652,752	141,889,324	156,572,417	133,198,879
Concessions	347,670	348,997	423,111	533,591	568,438
Total	$1,111,706,391	$1,048,678,772	$1,130,742,184	$1,142,290,845	$1,094,293,117

Historical Summary of Revenue Sources. The following table sets forth the percentage of the University's total revenues represented by each revenue source for the periods indicated.

Historical Summary of Current Fund Sources*
(as a Percent of Total)

	Fiscal Years Ended June 30				
Fund Source	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
State Appropriations	40.47%	40.41%	35.02%	34.39%	29.65%
Student Tuition and Fees	13.29%	13.83%	15.90%	15.51%	19.67%
Federal Grants and Contracts	13.89%	14.05%	15.18%	15.95%	16.27%
Auxiliary Enterprises	14.12%	14.40%	13.81%	13.44%	14.88%
State and Local Grants and Contracts	2.91%	3.25%	2.83%	1.81%	1.23%
Nongovernmental Grants and Contracts	1.76%	0.33%	0.29%	0.40%	1.63%
Noncapital Grants, Contracts, and Gifts	0.00%	2.07%	2.32%	4.06%	3.89%
Sales and Services of Educational Activities	0.16%	0.16%	0.14%	0.04%	0.04%
Federal and State Student Financial Aid	8.75%	9.21%	10.69%	11.68%	10.04&
Other Sources	4.65%	2.29%	3.82%	2.71%	2.69%
Total Current Fund Sources	100.00%	100.00%	100.00%	100.00%	100.00%

* Numbers may not add to 100% due to rounding.

Tuition and Fees. The following table lists the registration, tuition and local fees charged to each undergraduate student per credit hour.

Registration, Tuition and Local Fees for Undergraduate Students per Credit Hour by Academic Year

	2008-09	2009-10	2010-11	2011-12	2012-13
Registration and Tuition Fees					
In-State Students:					
Matriculation Fee[1]	$82.03	$88.59	$95.67	$103.32	$103.32
Building Fee[2]	2.32	2.32	2.32	2.32	-
Student Financial Aid Fee [1]	4.1	4.42	4.78	5.16	5.16
Capital Improvement Trust Fund Fee[2]	2.44	2.44	2.44	2.44	4.76
Sub Total	$90.89	$97.77	$105.21	$113.24	$113.24
Out-of-State Students (in addition to the above fees):					
Tuition	$458.56	$458.56	$458.56	$481.48	$481.48
Supplemental Student Financial Aid Fee	22.92	22.92	22.92	24.07	24.07
Sub Total	$572.37	$579.25	$586.69	$618.79	$618.79
Local Fees*					
Activity & Service Fee	$9.48	$9.96	$11.69	$11.69	$12.24
Athletic Fee	6.47	6.77	7.24	7.39	7.54
Health Fee	8.38	8.81	12.44	12.96	13.42
Transportation Access Fee	7.40	7.40	7.90	8.40	8.90
Tuition Differential Fee	6.96	13.74	22.00	32.00	49.59
Student Affairs Facility Use Fee[3]	2.00	2.00	2.00	2.00	2.00
Technology Fee	-	4.42	4.78	5.16	5.16
Sub Total	$40.69	$53.10	$68.05	$79.60	$96.85
Total In-State Tuition and Fees	$131.58	$150.87	$173.26	$192.84	$212.09
Total Out-of-State Tuition and Fees	$613.06	$632.35	$654.74	$698.39	$717.64

[1] The increases to the Matriculation Fee and Student Financial Aid Fee for Academic Year 2007-08 were not instituted until the spring semester of 2008.
[2] Beginning in fiscal year 2012-13 the Building Fee and Capital Improvement Trust Fund Fee were combined by the Legislature.
[3] Plus $20 flat fee per semester.
* Local Fees are assessed to both in-state and out-of-state students in addition to the registration and tuition fees.

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The following table lists the registration, tuition and local fees charged to each graduate student per credit hour.

Registration, Tuition and Local Fees for Graduate Students per Credit Hour by Academic Year

	2008-09	2009-10	2010-11	2011-12	2012-13
Registration and Tuition Fees					
In-State Students:					
Matriculation Fee	$230.73	$265.33	$305.12	$350.88	$403.51
Building Fee[2]	2.32	2.32	2.32	2.32	-
Student Financial Aid Fee	11.53	13.26	15.25	17.54	20.17
Capital Improvement Trust Fund Fee[2]	2.44	2.44	2.44	2.44	4.76
Sub Total	$247.02	$283.35	$325.13	$373.18	$428.44
Out-of-State Students (in addition to the above fees):					
Tuition	$601.34	$601.34	$601.34	$601.34	$601.34
Supplemental Student Financial Aid Fee	30.06	30.06	30.06	30.06	30.06
Sub Total	$878.42	$914.75	$956.53	$1,004.58	$1,004.58
Local Fees*					
Activity & Service Fee	$9.48	$9.96	$11.69	$11.69	$12.24
Athletic Fee	6.47	6.77	7.24	7.39	7.54
Health Fee	8.38	8.81	12.44	12.96	13.42
Transportation Access Fee	7.40	7.40	7.90	8.40	8.90
Student Affairs Facility Use Fee [1]	2.00	2.00	2.00	2.00	2.00
Technology Fee	-	4.42	4.78	5.16	5.16
Sub Total	$33.73	$39.36	$46.05	$47.60	$49.26
Total In-State Tuition and Fees	$280.75	$322.71	$371.18	$420.78	$477.70
Total Out-of-State Tuition and Fees	$912.15	$954.11	$1,002.58	$1,052.18	$1,053.84

[1] Plus $20 flat fee per semester.
[2] Beginning in fiscal year 2012-13 the Building Fee and Capital Improvement Trust Fund Fee were combined by the Legislature.
* Local Fees are charged to both resident and non-resident students in addition to the registration and tuition fees.

History of General Revenue Appropriations. The following table sets forth the history of general revenue appropriations available to the University. General Revenue appropriations are primarily funded from Florida's sales tax.

History of General Revenue Appropriations

Fiscal Year Ended June 30	Educational & General
2008-09	$326,305,976
2009-10	275,351,820
2010-11	278,229,368
2011-12	250,310,540
2012-13	193,367,370

The Fiscal Year 2012-13 General Appropriations Act (the "GAA"), Chapter 2012-118, Laws of Florida, incorporated reductions in appropriations to the State University System institutions totaling approximately $300 million. The allocation of the total reduction varied by institution, with legislative expectations that the reduced appropriations wouid be nonrecurring and that the universities would offset a portion of the cuts with available unrestricted reserves and the authorization to raise tuition up to 15% for in-state undergraduate students.

The GAA appropriated $193.4 million in general revenue to Florida State University, reflecting a net reduction of $56.9 million in general revenue appropriations from Fiscal Year 2011-12. The Board of Governors approved a 13% tuition differential increase for Florida State University for the 2012-13 academic year, which will recoup $8.5 million in revenues.

History of Trust Fund Appropriations. The following table sets forth the history of trust fund appropriations available to the University, by budget entity.

History of Trust Fund Appropriations

Fiscal Year Ended June 30	Educational & General [1]	Contracts & Grants	Auxiliary Enterprises [2]	Other [3]	Total
2008-09	$165,001,446	$220,776,621	$204,659,608	$194,962,740	$785,400,417
2009-10	193,592,886	193,318,597	199,587,448	186,828,021	773,326,952
2010-11	211,920,711	225,897,900	190,591,925	224,102,280	852,512,816
2011-12	210,018,619	225,271,136	212,790,357	243,900,193	891,980,305
2012-13	222,997,976	225,666,700	229,377,831	222,883,240	900,925,747

[1] Includes funds received from the State's Educational Enhancement Trust Fund from sales of lottery tickets, from student matriculation and out-of-state fees and from other miscellaneous revenues. Also includes non-recurring funds of $24,184,093 in Fiscal Year 2009-10 and $23,127,026 in Fiscal Year 2010-11 from the 2009 American Recovery and Reinvestment Act (Federal Stimulus).

[2] Includes revenues generated primarily from sales to students, faculty and staff, University departments and other individuals.

[3] Includes student activities, athletics, campus concessions and financial aid.

History of Financial Aid Awards. The following table sets forth the history of financial aid awards.

History of Financial Aid Awards by Fiscal Year

Source of Award	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Federal					
Number	73,477	78,549	92,397	102,321	99,542
Amount	$188,063,373	$207,068,685	$241,032,856	$261,586,630	$271,016,685
State					
Number	45,940	44,373	46,284	41,131	27,784
Amount	$57,279,089	$59,737,666	$60,809,079	$61,435,638	$51,059,063
Institutional					
Number	24,212	25,091	24,647	26,520	27,595
Amount	$23,716,647	$29,140,180	$29,860,777	$36,206,573	$38,605,031
Private					
Number	8,057	7,473	6,403	7,285	7,780
Amount	$8,648,280	$8,837,870	$8,699,589	$8,452,140	$9,384,969
Tuition Waivers					
Number	11,451	11,712	11,320	12,251	12,057
Amount	$36,134,706	$36,353,235	$38,535,444	$44,342,878	$49,202,502
Total					
Number	163,137	167,198	181,051	189,508	174,758
Amount	$313,842,095	$341,137,636	$378,937,745	$412,023,859	$419,268,250
Type of Award					
Grants					
Number	38,335	40,083	47,168	55,366	50,228
Amount	$42,229,546	$51,920,963	$65,457,838	$84,524,492	$83,595,227
Loans					
Number	56,848	61,573	67,708	71,771	74,065
Amount	$165,288,952	$182,329,400	$202,006,191	$210,589,701	$221,915,380
Scholarships & Tuition Waivers					
Number	66,654	63,978	65,334	61,573	49,631
Amount	$104,805,645	$105,275,494	$109,953,253	$115,555,363	$112,013,246
Student					
Number	1,300	1,564	841	798	834
Amount	$1,517,952	$1,611,779	$1,520,462	$1,354,304	$1,744,397
Total					
Number	163,137	167,198	181,051	189,508	174,758
Amount	$313,842,095	$341,137,636	$378,937,745	$412,023,860	$419,268,250

Selected Historical Financial Information

Selected University financial information for Fiscal Years 2007-08 through 2011-12 is set forth in the following two tables. This selected historical information has been derived from, and should be read in conjunction with the University's financial statements and the related notes thereto, included as Appendix I to this Official Statement. Such financial information has been subjected to audit procedures by the State of Florida Auditor General's Office. Implementation of GASB 34 and 35 is reflected in the presentation of the financial information below.

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Statement of Net Assets
for Fiscal Years Ended June 30 (In Thousands)

ASSETS:	2007-08	2008-09	2009-10	2010-11	2011-12*
Current Assets:					
Cash and Cash Equivalents	$9,016	$16,308	$3,403	$10,684	$14,792
Investments	466,064	490,943	544,340	599,794	619,422
Net Accounts Receivable	29,307	32,116	37,739	36,864	36,086
Due From State Agencies	86,145	108,372	72,138	42,761	12,067
Due From Component Units	8,782	8,153	12,224	13,838	10,453
Inventories	3,640	2,861	2,621	2,899	2,727
Net Loans and Notes Receivable - Current	3,655	2,157	2,140	2,509	2,211
Deferred Charges and Other Current Assets	1,377	1,512	3,210	3,659	7,081
Total Current Assets	$607,986	$662,422	$677,815	713,008	740,840
Non-Current Assets:					
Restricted Cash and Cash Equivalents	$120	$19	$27	$2,637	$50
Restricted Investments	42,353	37,184	36,817	82,065	43,577
Loans and Notes Receivable	14,061	14,248	13,247	11,975	11,927
Other Non-Current Assets	1,940	5,590	3,633	3,533	3,433
Net Property and Equipment	1,472,980	1,520,147	1,574,125	1,667,918	1,734,902
Total Non-Current Assets	$1,531,454	$1,577,188	$1,627,849	$1,768,128	$1,793,889
Total Assets	$2,139,440	$2,239,610	$2,305,664	$2,481,136	$2,498,729
LIABILITIES:					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	$36,699	$31,668	$38,236	$51,406	$41,691
Due to State Agencies	1,071	326	291	805	788
Due to Component Units	10,562	7,403	7,887	9,138	10,407
Deferred Revenues	58,318	83,252	60,465	40,718	26,209
Long Term Debt - Current Portion	14,814	15,271	11,705	13,615	14,097
Other Current Liabilities	956	937	920	1,028	942
Total Current Liabilities	$122,420	$138,857	$119,504	$116,710	$94,134
Non-Current Liabilities:					
Compensated Absences Liability	$45,287	$47,011	$47,995	$49,644	$53,221
Bonds Payable and Related Accounts	236,889	235,099	-	-	-
Capital Improvement Debt Payable	-	-	179,669	234,615	225,255
Other Non-Current Liabilities	4,718	22,764	27,323	30,606	39,640
Total Non-Current Liabilities	$286,894	$304,874	$254,987	$314,865	$318,116
Total Liabilities	$409,314	$443,731	$374,491	$431,575	$412,250
NET ASSETS:					
Invested in Capital Assets, Net of Related Debt	$1,226,832	$1,284,138	$1,384,027	$1,468,820	$1,508,120
Restricted					
Expendable:					
Debt Service	$874	$445	$276	$3,810	$3,748
Loans	19,488	4,021	4,275	4,812	3,970
Capital Projects	77,221	59,487	53,681	38,370	25,866
Other Restricted Assets	93,056	105,110	108,483	128,509	134,969
Unrestricted	312,655	342,678	380,431	405,240	409,806
Total Net Assets	$1,730,126	$1,795,879	$1,931,173	$2,049,561	$2,086,479

* Fiscal Year 2011-12 data is preliminary and unaudited.

Statement of Revenues, Expenses, and Changes in Net Assets for Fiscal Year Ended June 30 (In Thousands)

Operating Revenues	2007-08	2008-09	2009-10	2010-11	2011-12*
Student Tuition and Fees	$220,767	$229,002	$255,108	$289,266	$323,240
Less: Tuition Scholarship Allowances	(90,852)	(96,848)	(98,276)	(117,630)	(123,276)
Net Student Tuition and Fees	129,915	132,154	156,832	171,636	199,964
Federal Grants and Contracts	127,591	126,131	141,405	156,319	156,785
State and Local Grants and Contracts	26,746	29,170	26,366	17,514	11,885
Private Gifts, Grants and Contracts	16,208	2,982	2,703	12,259	15,665
Sales and Services of Educational Departments	1,432	1,443	1,325	420	413
Sales and Services of Auxiliary Enterprises	129,769	129,247	128,657	133,147	143,372
Interest on Loans Receivable	213	245	257	282	268
Other Operating Revenue	15,027	11,491	5,861	6,329	6,977
Total Operating Revenues	$446,901	$432,863	$463,406	$497,906	$535,329
Operating Expenses					
Personnel Services	$509,667	$513,723	$524,482	$570,758	$567,585
Services and Supplies	166,978	171,991	172,821	174,047	189,249
Utilities	47,101	50,128	45,831	41,492	40,148
Scholarships and Fellowships	68,429	67,212	84,738	89,279	78,739
Depreciation Expense	62,726	67,047	66,361	65,945	60,337
Self Insurance Claims and Expense	387	149	411	-	-
Total Operating Expenses	$855,288	$870,250	$894,644	$941,521	$936,058
Total Operating Income (Loss)	($408,387)	($437,387)	($431,238)	($443,615)	($400,729)
Non-Operating Revenues (Expenses)					
State Appropriations	$371,869	$362,682	$302,976	$313,308	$285,598
State Appropriated American Recovery & Reinvest.	-	-	23,376	23,585	-
Investment Income	30,525	13,958	13,953	15,750	15,727
Federal and State Student Financial Aid	80,432	82,618	99,606	114,475	96,727
Unrealized Gains (Losses) on Investments	(758)	(5,523)	17,006	12	4,226
Other Non-Operating Revenue	1,158	1,833	1,050	2,342	294
Noncapital Grants, Contracts and Gifts	-	18,579	21,644	38,637	37,503
Gain/Loss on Disposal of Capital Assets	(3,463)	(3,989)	(1,030)	(1,977)	-
Interest on Asset Related Debt	(10,831)	(10,784)	(8,813)	(8,455)	(8,006)
Other Non-Operating Expenses	(12,821)	(22,988)	(7,301)	(4,342)	(33,011)
Total Non-Operating Revenue (Expenses)	$456,111	$436,386	$462,467	$493,335	$399,058
Income (Loss) Before Contributions	$47,724	($1,001)	$31,229	$49,720	($1,671)
Capital Appropriations	$71,980	$48,172	$40,439	$56,600	$19,087
Capital Grants, Contracts and Donations	29,866	18,582	13,591	12,068	19,502
Change in Net Assets	$149,570	$65,753	$85,259	$118,388	$36,918
Net Assets - Beginning of Year	$1,580,556	$1,730,126	$1,795,879	$1,931,173	$2,049,561
Adjustment to Beginning Net Assets	-	-	50,035	-	-
Net Assets, Beginning of Year, as Restated	1,580,556	1,730,126	1,845,914	1,931,173	2,049,561
Net Assets End of Year	$1,730,126	$1,795,879	$1,931,173	$2,049,561	$2,086,479

* Fiscal Year 2011-12 data is preliminary and unaudited.

Students

General. Student enrollment at the University has steadily grown over the past several years. Approximately 85% of the students enrolled at the University attend full time. Total student enrollment is comprised of 77% undergraduates, 20% graduate students and 3% other students who are not enrolled in degree-granting programs. Women constitute 55.2% of the enrollment, minorities over approximately 29% and foreign international students comprise 3.4%.

The University has a long history of providing recognition and support for outstanding students. Through well-populated honors programs and honors societies, the University encourages excellence in all of its students. On Honors Night and throughout Honors Week, the University salutes students who have received institution-wide recognition for academic achievement. In addition, University students have been recipients of local, regional, or national awards recognizing outstanding student achievement.

Student Enrollment. The following table shows admission and registration data for the University.

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Admission and Registration Headcounts and Percentages by Type of Student

	Fall 2008	Fall 2009	Fall 2010	Fall 2011	Fall 2012
Total Students:					
Applicants	35,075	36,471	39,583	41,367	42,545
Admitted	15,097	18,343	19,632	20,790	20,159
% of Applicants Admitted	43.0%	50.3%	49.6%	50.3%	47.4%
Enrolled	6,615	8,144	8,109	8,385	7,672
% of Admitted Enrolled	43.8%	44.4%	41.3%	40.3%	38.1%
First-Time-in-College:					
Applicants	20,678	18,583	20,469	22,259	23,587
Admitted	8,736	10,669	11,746	12,855	12,501
% of Applicants Admitted	42.2%	57.4%	57.4%	57.8%	53.0%
Enrolled	3,032	3,704	3,747	4,008	3,579
% of Admitted Enrolled	34.7%	34.7%	31.9%	31.2%	28.6%
Community College Transfers:					
Applicants	3,176	4,341	4,484	4,739	4,613
Admitted	1,752	2,395	2,551	2,482	2,401
% of Applicants Admitted	55.1%	55.2%	56.9%	52.4%	52.0%
Enrolled	1,364	1,813	1,818	1,803	1,710
% of Admitted Enrolled	77.8%	75.7%	71.3%	72.6%	71.2%
Other Undergraduate Transfers:					
Applicants	946	2,457	2,640	3,036	2,918
Admitted	132	686	753	774	671
% of Applicants Admitted	14.0%	27.9%	28.5%	25.5%	23.0%
Enrolled	100	379	396	421	361
% of Admitted Enrolled	75.7%	55.2%	52.6%	54.4%	53.8%
Graduate:					
Applicants	7,068	7,790	8,397	8,671	8,926
Admitted	3,429	3,695	3,714	3,895	3,635
% of Applicants Admitted	48.5%	47.4%	44.2%	44.9%	40.7%
Enrolled	1,832	1,975	1,907	1,919	1,783
% of Admitted Enrolled	54.3%	53.4%	51.4%	49.3%	49.1%
Professional Schools:					
Applicants	3,207	3,300	3,593	2,662	2,501
Admitted	1,048	898	868	784	951
% of Applicants Admitted	32.7%	27.2%	24.2%	29.5%	38.0%
Enrolled	287	273	241	234	239
% of Admitted Enrolled	27.4%	30.4%	27.8%	29.8%	25.1%

The table below shows the full-time equivalent (FTE) enrollment of the University and total headcount enrollment by level for the current and past four academic years. The full-time equivalent student calculation factor is a measure of student enrollment based on the number of student credit hours for which students enroll. Under the semester system, 15 undergraduate student credit hours or 12 graduate student credit hours are equivalent to one FTE during the fall and spring semesters. For housing and financial aid purposes, undergraduate students are considered full time if they take 12 credit hours, and graduate students are considered full time if they take 9 credit hours. During the summer semester, 10 undergraduate student credit hours or 8 graduate student credit hours are equivalent to one FTE. Annual full-time equivalency is 40 hours for undergraduate students and 32 hours for graduate students. FTE enrollment is determined by dividing the total number of hours enrolled by all students in a specific category by the appropriate hour requirement.

Full Time Equivalent Enrollment by Level and Total Headcount Enrollment

	Annual Full-Time Equivalent			Fall Headcount			
Academic Year	**Undergraduate**	**Graduate**	**Total**	**Undergraduate**	**Graduate**	**Other**	**Total**
2007-08	22,635	5,522	28,157	31,508	8,529	1,028	41,065
2008-09	21,465	5,519	26,984	29,644	8,370	1,122	39,136
2009-10	22,219	5,493	27,712	30,457	8,557	1,242	40,256
2010-11	22,471	5,483	27,954	31,005	8,511	1,322	40,838
2011-12	22,812	5,500	28,312	31,943	8,155	1,203	41,301

The following table shows the enrollment projections for the University.

Projected Annual Full-Time Equivalent and Headcount Enrollment

		Annual Full Time Equivalent		
Academic Year	**Fall Headcount**	**Undergraduate**	**Graduate**	**Total**
2012-13	41,301	22,810	5,558	28,368
2013-14	41,500	22,805	5,669	28,474
2014-15	42,000	22,815	5,783	28,598
2015-16	42,500	22,825	5,900	28,725
2016-17	43,000	22,835	6,016	28,851

The table below shows the total enrollment of students by area of origin.

Total Enrollment by Area of Origin
at Time of Admission or Readmission

Area	Fall 2008	Fall 2009	Fall 2010	Fall 2011	Fall 2012
Florida	31,886	32,950	33,568	34,272	33,947
Georgia	778	712	710	672	677
Virginia	381	382	374	331	329
New York	256	251	235	232	220
Texas	238	228	230	246	241
Pennsylvania	204	203	222	215	223
North Carolina	242	234	229	255	241
Maryland	167	160	142	142	151
New Jersey	180	176	154	185	200
Illinois	155	165	163	162	157
California	172	150	175	164	165
All Other States	2,065	2,100	2,029	2052	2,016
USA Total	36,724	37,711	38,231	38,928	38,567
U.S. Territories	25	24	18	24	19
Non-U.S.A.	2,387	2,520	2,589	2,758	2,715
Total	39,136	40,255	40,838	41,710	41,301

Student Recruitment. The Office of Admissions is responsible for nationally recruiting and enrolling a student body consisting of outstanding academic talent. Students are recruited for whom intense study with faculty in seminars and tutorials will have rich personal meaning. The annual national campaign to recruit and enroll the fall class involves creating and updating publications; communicating with prospective students through direct mail and email campaigns; traveling to selected secondary schools, college fairs, Florida state colleges, and national and regional professional meetings of college placement counselors and admissions officers; and entertaining prospective students through tours, on-campus information sessions, and overnight stays in the residence halls. Affirmative action efforts include special mailings to minority students and hosting on-campus events for students and counselors.

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Student Quality Indicators. The following table shows the ranges of high school grade point averages (GPA), average Scholastic Aptitude Test (SAT) scores and average American College Test (ACT) scores for first-time-in-college students at the University.

Student Quality Indicators
for First-Time-In-College Students

Fall	Middle 50% Range High School GPA [1]	Middle 50% Range SAT Score [1]	Middle 50% Range ACT Score [1]
2008	3.4-4.0	1,120-1,280	24-28
2009	3.4-4.0	1,120-1,270	24-28
2010	3.5-4.0	1,130-1,280	24-28
2011	3.6-4.2	1,160-1,300	26-29
2012	3.7-4.2	1,160-1,290	26-29

[1] Ranges represent the middle 50% statistics. Includes only regularly admitted students who meet the Florida Board of Education's freshman admissions requirements and excludes students admitted under the alternative admissions program.

A second measure of student quality is the University's number of National Merit Scholars, National Achievement Scholars and National Hispanic Scholars. The table below shows the number of National Merit Scholars, National Achievement Scholars and National Hispanic Scholars attending the University.

National Merit, National Achievement and National Hispanic Scholars

Fall	Scholar	New	Other Undergraduate
2007	National Merit Scholars	14	41
	National Achievement Scholars	0	12
	National Hispanic Scholars	3	12
2008	National Merit Scholars	9	42
	National Achievement Scholars	1	7
	National Hispanic Scholars	4	9
2009	National Merit Scholars	18	43
	National Achievement Scholars	4	4
	National Hispanic Scholars	4	10
2010	National Merit Scholars	18	51
	National Achievement Scholars	4	5
	National Hispanic Scholars	4	13
2011	National Merit Scholars	16	62
	National Achievement Scholars	4	6
	National Hispanic Scholars	2	14
2012	National Merit Scholars	13	61
	National Achievement Scholars	4	10
	National Hispanic Scholars	2	12

The following table shows the degrees awarded to the students at the University.

Degrees's Granted by Discipline

School/College	2008-09 B	2008-09 M	2008-09 S/P [1]	2008-09 D [2]	2009-10 B	2009-10 M	2009-10 S/P [1]	2009-10 D [2]	2010-11 B	2010-11 M	2010-11 S/P [1]	2010-11 D [2]	2011-12 B	2011-12 M	2011-12 S/P [1]	2011-12 D [2]
Arts & Sciences	1,608	273	-	138	1,572	266	-	139	1,705	294	-	173	1,789	279	-	194
Business	1,426	266	-	13	1,574	295	-	18	1,657	238	-	19	1,553	281	-	11
Communications*	358	119	-	9	N/A	-	-	-	N/A	-	-	-	476	347	-	22
Criminology & Criminal Justice	349	35	-	-	386	50	-	3	371	59	-	11	480	47	-	5
Communications & Information	N/A	-	-	-	483	415	5	20	442	383	8	17	-	-	4	-
Education	581	400	46	65	551	359	37	38	422	382	50	61	333	343	55	65
Engineering	253	52	-	18	253	43	-	15	229	57	-	18	305	52	-	20
Human Sciences	798	47	-	16	800	52	-	17	782	34	-	22	772	50	-	11
Information Studies*	113	240	1	4	N/A	-	-	-	N/A	-	-	-	N/A	-	-	-
Law	-	1	263	-	-	4	249	-	-	2	267	-	-	3	288	-
Medicine	-	-	-	76	-	10	-	97	-	13	-	117	-	13	-	123
Motion Picture, TV/Recording Arts	25	29	-	-	26	28	-	-	22	28	-	-	30	27	-	-
Music	146	118	-	34	164	91	-	42	161	115	-	48	137	84	-	41
Nursing	189	24	-	-	220	38	-	-	130	33	-	-	108	5	-	16
Social Sciences	1,339	223	-	34	1,475	281	-	32	1,419	268	-	26	1,468	290	-	41
Social Work	99	192	-	1	106	166	-	7	87	175	-	5	112	221	-	7
Visual Arts, Theater & Dance	346	110	-	9	317	105	-	6	338	91	-	13	297	98	-	6
Total	7,630	2,129	310	417	7,927	2,203	291	434	7,765	2,172	325	530	7,860	2,140	347	562

Note: B= Baccalaureate Degree, M= Master's Degree, S= Specialist Degree, P= Professional Degree, D= Doctoral Degree.

[1] Includes J.D. degrees

[2] Includes M.D. degrees

*Effective July 1, 2009, the College of Communications and the College of Information Studies merged to create the College of Communications and Information.

Faculty

In fall 2011, 35.2% of faculty held the rank of Professor, 24.3% were Associate Professors, 15.7% were Assistant Professors, 0.2% were Instructors and 24.6% were in other faculty classifications. Approximately 92% of faculty held terminal degrees. The fall 2011 student to faculty ratio was 26 to 1.

The University's faculty includes nationally and internationally recognized scholars. Faculty members have been elected to serve as members of the National Academy of Sciences and the American Academy of Arts and Sciences. Additionally, a total of six Nobel laureates have served on the staff at Florida State University.

Faculty Data

Academic Year	Full-Time Faculty [1]	Part-Time Faculty [1]	Tenured Faculty [2]
2007-08	2,131	77	836
2008-09	2,085	65	822
2009-10	2,011	61	825
2010-11	1,791	66	829
2011-12	1,779	65	812

[1] Faculty is salaried regular appointments and does not include adjunct faculty. Librarians and Development Research School employees on faculty lines have been excluded.

[2] Tenured faculty includes service professors with tenure.

Personnel

The University employed the following personnel as of fall 2012:

Traditional Faculty	1,844
OPS Faculty	462
Administrative and Professional Employees	1,839
USPS (Support Personnel)	2,137
Graduate Assistants	3,218
Post Doctorates	203
OPS (Work Study, Temporary, Student Assistants)	3,985
Lab School	112
Librarians	56
Total Employees	13,856

Division of Student Affairs

The University provides students with opportunities outside the classroom to stimulate social and cultural awareness, physical well-being, intellectual expansion and spiritual and moral growth. The Division of Student Affairs works to ensure that all students are able to take advantage of the formal and informal educational experiences offered by the University.

The Vice President for Student Affairs and staff offer and coordinate programs that provide housing, career guidance, mental and physical health care, recreation, child care, self-governance, leadership development, enhancement of academic skills to students and mentoring programs for women. The Oglesby Student Union, with its information center, main lounge and several restaurants and banking facilities, along with the world's only collegiate circus, the Flying High Circus, are under the aegis of Student Affairs. Student Affairs is also responsible for programs and services for international students, disabled students, minority students and student activities and organizations.

One of the goals of Student Affairs is to encourage the moral development of students so that they can make positive contributions to society. To support service learning opportunities, the Campus-Community Partnership Program was established. The Florida Office of Campus Volunteers is hosted by the University and guided by Student Affairs staff, who also assist with the selection of the President's Humanitarian of the Year Award.

Direct Support Organizations

There are currently seven direct-support organizations, which are considered component units of the University including: Florida State University Foundation, Inc., Florida State University Alumni Association, Inc., Florida State University International Programs Association, Inc., Seminole Boosters, Inc., Florida State University Financial Assistance, Inc., The Florida State University Research Foundation, Inc. and John and Mable Ringling Museums of Art Foundation, Inc.

Endowments and Fund Raising Efforts

A non-profit 501(c)(3) organization, the Florida State University Foundation, Inc. (the "University Foundation") was organized in 1960, and exists to secure and manage private voluntary contributions. It is specifically responsible for receiving, investing and administering all private gifts and bequests made to the University, except those made to The Florida State University Research Foundation, Inc.

Although the University Foundation was chartered in 1960, academic fund-raising was not a priority until 1991 when the University's first capital campaign, Investment in Learning, was launched with a goal of $200 million. When the Investment in Learning Campaign ended on December 31, 1997, it had raised more than $301 million.

In the spring of 2000, the Foundation Board of Trustees approved the initiation of the University's second capital campaign and its five-year campaign budget. Florida State University publicly announced the launch of the FSU CONNECT

Campaign on October 26, 2001, which was completed on December 31, 2005 and raised more than $630 million to support students, faculty and academic programs over five years.

The University is currently in the silent phase of its next comprehensive campaign. Detailed planning is underway with the University leadership to identify the strategic fundraising priorities along with analysis of the prospect pool. The campaign's goal is expected to be at least $1.0 billion. During the past five years, the University has raised approximately $500 million.

The table below sets forth financial information relating to the University Foundation.

Fiscal Year Ended June 30	Assets	Liabilities	Revenues	Expenditures
2007-08	$506,246,521	$11,351,903	$44,896,397	$44,115,915
2008-09	415,129,839	18,726,067	(49,545,339)	48,945,507
2009-10	447,345,645	16,800,324	85,339,438	51,197,889
2010-11	504,811,417	12,274,686	117,256,509	55,265,099
2011-12	498,250,336	12,641,411	47,701,757	54,629,563

Gifts received by the University Foundation are shown in the table below by donor type.

Gift Report by Fiscal Year
Current Receipts and Deferred Additions by Donor Type

	2007-08	2008-09	2009-10	2010-11	2011-12
Current Operations:					
Unrestricted	$255,825	$158,157	$137,992	$86,855	$110,338
Restricted [1]	16,983,233	27,195,924	36,293,761	39,614,236	38,548,584
Loan Funds	412	-	3,318	2,333	9,094
Property, Buildings, Equipment	8,078,237	3,386,564	1,676,938	1,836,684	3,729,361
Total Current Gifts	$25,317,707	$30,740,645	$38,112,009	$41,540,008	$42,397,377
Endowment:					
Restricted [2]	$31,156,189	$16,382,608	$14,812,500	$7,975,988	$11,930,647
Total Endowment Gifts	$31,156,189	$16,382,608	$14,812,500	$7,975,988	$11,930,647
Total Cash Gifts	$56,473,896	$47,123,253	$59,924,509	$49,515,966	$54,328,024
Deferred at Present Value [3]	$988,364	$201,337	$1,021,194	$397,163	$614,302

[1] Gifts restricted for use by the University for Academic Support, scholarships, research, etc.
[2] Endowed gifts restricted for use by the University for Academic Support, scholarships, research, etc.
[3] Represents the present value of deferred gifts (trusts and annuities) received during the fiscal year.

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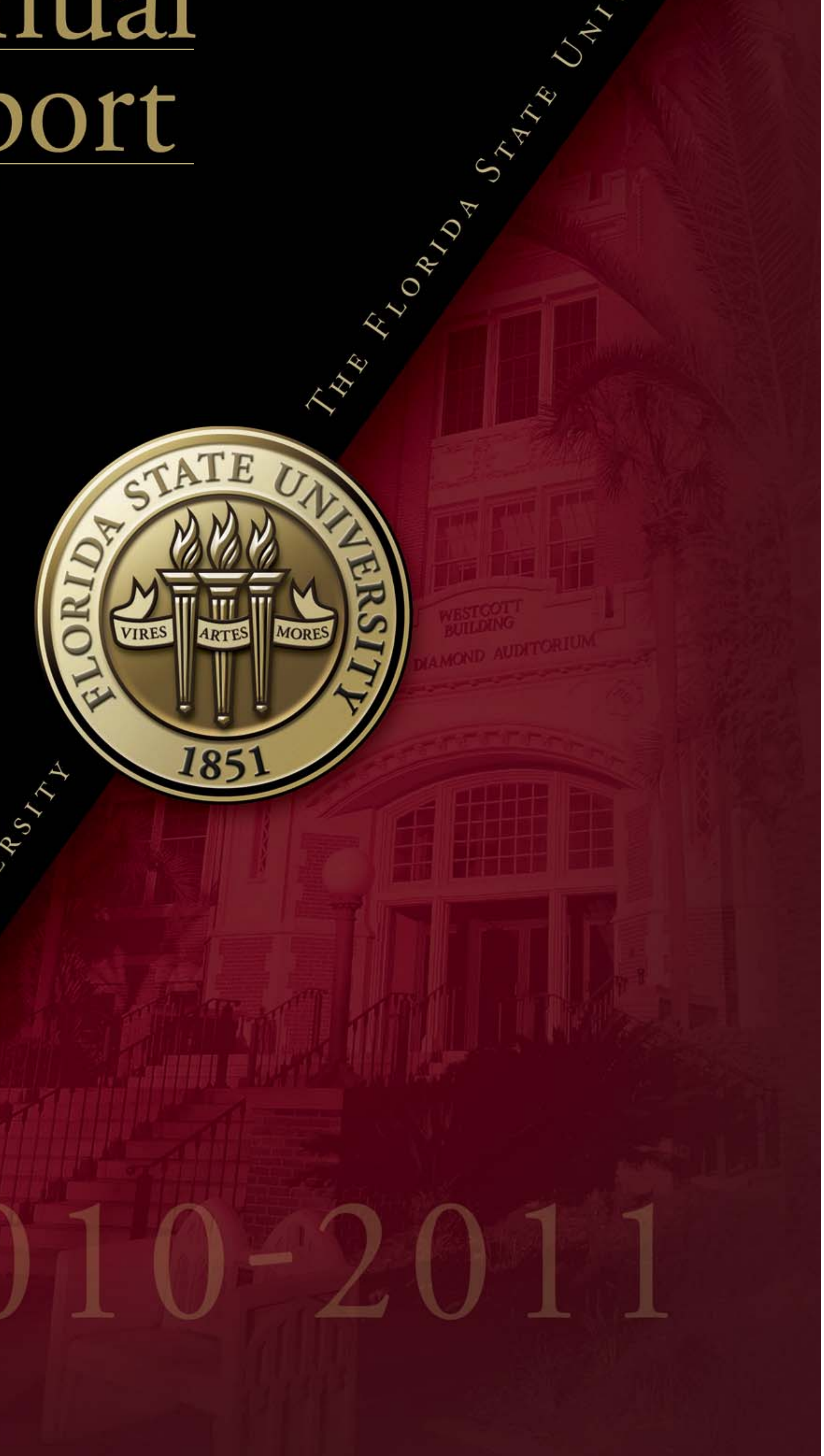
APPENDIX E

Annual Report

THE FLORIDA STATE UNIVERSITY

FLORIDA STATE UNIVERSITY
VIRES ARTES MORES
1851



THE FLORIDA STATE UNIVERSITY

2010-2011

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THE FLORIDA STATE UNIVERSITY ANNUAL REPORT 2010 • 2011

Message from The President

Dr. Eric J. Barron

This year at Florida State University, we welcomed the most exceptional class of freshmen in our history. Those students know this is a world-class university that is a remarkable value.

What they probably do not know is how incredibly efficient we are in providing them that "budget ivy" education. According to U.S. News & World Report, 49 of the top 100 public universities have more money than FSU but rank below it in quality.

Coming after years of serious budget setbacks, that is quite a testament to our faculty and staff and their skill in managing our resources. To keep Florida State accessible and maintain the high level of quality such students expect and deserve, however, we must find the resources to compete and the flexibility to be creative and responsive in a challenging economy.

Consider that the average high school GPA of the accepted students who made up the approximately 6,100-member freshman class is 3.9. Their average total SAT score is 1850, and their average composite ACT score is 27. The accepted honors students have an impressive average high school GPA of 4.3.

They came because we're doing many things right. But "research intensive" universities such as Florida State have to compete at the highest levels. So, we have launched some Big Ideas – major initiatives to develop innovative ways we can attract the Federal and corporate dollars needed to invest in our faculty and programs and produce graduates who are more competitive for jobs:

- We are excelling at STEM education – the science, technology, engineering and math fields. We are in our fourth year of offering FSU-Teach, a program that helps students get science or math degrees simultaneously with an education degree, an incentive to help steer them into teaching. A properly educated workforce draws corporations and corporate dollars.
- Entrepreneurial university – We are exploring a major cultural shift in our university. We're looking at expanding the entrepreneurial programs in the College of Business, building upon the Jim Moran Institute and Student Incubator Program, to create a university in which all students and majors have the opportunity to understand and embrace what it means to be entrepreneurial.

These are just two examples of more than a dozen Big Ideas that I hope will move our great University forward.

To support this effort, we are working hard on philanthropy and will soon launch the largest capital campaign in Florida State's history.

We are strong, but we could be much better. We need the ability to put our good ideas to work to govern the University without being constrained by overregulation as we pursue new ways to generate – and invest – revenue.

We are already performing at an enviable level when it comes to accountability. What we need now is not only enough resources to be able to compete with other major research universities, but recognition we will use our money wisely and in exciting new ways to propel us forward.

Keeping the best and brightest students in Florida is not only the state's goal – it is our goal, too. Students want to go where the smart people are. We want them to continue to come here, confident they will graduate well-trained and ready to create innovations of their own.

Introduction from The Senior Vice President for Finance and Administration

John R. Carnaghi

The end of fiscal year 2010-11 found Florida State University growing its student body for the 2011 fall semester and developing new ways to find the resources needed to protect the high level of excellence that is its hallmark.

After several years of reduced state funding and lackluster investment revenues, many of the struggles FSU faces in this difficult economic climate are just as familiar to other universities and corporations. How do we continue to deliver our "product" — a quality education — at an affordable cost in a safe, customer-oriented and sustainable fashion? At FSU, we've answered by implementing innovative, cost-saving initiatives; soliciting external partnerships when possible; and carefully utilizing our limited resources. These actions have allowed us to maintain a welcoming, supportive and challenging environment that maximizes opportunities for student learning and success.

There is ample evidence of our commitment. In recognition of Florida State's cost-saving measures, for example, the University received 11 Davis Productivity Awards from Florida Tax Watch in 2011. Permit me to name just a handful of the winning submissions: Integrated Legacy User Account Management with PeopleSoft Security; Electronic Personnel Action Form; Recovery of Reimbursement Monies by Challenging Erroneous Unemployment Claims; Seized Criminal Assets for Law Enforcement Use and Developing Liaison Partnership Teams to Improve Operational Effectiveness. Our Environmental Health and Safety unit received recognition for significant reduction in claims costs by the Department of Financial Services' Division of Risk Management. I am extremely proud of not only staff within the Division of Finance and Administration, but also of the employees throughout campus who put forth a conscious effort to reduce costs whenever and wherever possible. Even the mindful act of turning off their computer at the end of the workday contributes to FSU's energy saving program, which reduced our utility bill by $2.6 million this year.

In November 2010, FSU established a Campus Sustainability Office and after a successful nationwide search hired the University's first director of sustainability. The new director is working hand in hand with our campus operations to ensure the University does all it can to lessen its impact on local resources and the environment. To that end, during the 2010-11 fiscal year we achieved a 4% reduction in the cost per square foot for all E&G utilities, implemented a major re-lamping program and increased our recycling efforts throughout campus. We recycled over 38 tons of electronics, diverted 850 tons of yard waste to our nursery for mulch and compost, and over 350 tons of construction material went to a local recycling center. These efforts resulted in a savings of over $65,000 in tipping fees and an increase in recycling income in excess of $93,000. In addition, we received the LEED Gold certification for the Student Success Phase II project and a Silver award for the new Turnbull Conference Center.

The University also takes every possible opportunity to develop working relationships with external partners to provide, expand or enhance services. For example, in this past fiscal year, we outsourced the FSU Computer Store to our bookstore partners Follett Corporation; continued collaboration with New College for facilities support services of FSU's Ringling Center for the Cultural Arts in Sarasota; and the FSU Police Department partnered with Florida Department of Law Enforcement (FDLE)'s Technical Investigations Workgroup to use FDLE's electronic surveillance equipment at no cost, including technical support and personnel.

A few years ago, we installed the Enterprise Resources Planning (ERP) system, which continues to enable staff to be more productive. We implemented several additional ERP applications this year, such as: ePAF, an electronic application for processing position and personnel transactions; FACET, an electronic application for processing Faculty Assignment of Responsibilities/Effort Certification Reports; eSettlement, a process that allows suppliers to view purchase order and invoice data online; Strategic Sourcing, an automated analysis and award of bid to best offer; and TeamDynamix, a project management tool.

Due to reduced funding in recent years, Florida State focused primarily on budget stabilization efforts. We are now looking ahead to better economic times when we can shift our attention to budget restoration.

Under the leadership of President Eric J. Barron with assistance from our Florida legislators, our university will be able to continue its strong legacy as a major research institution with a focus on serving the students and citizens of Florida.


2010

University Overview

MISSION

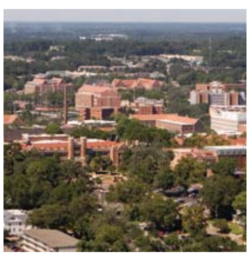
The Florida State University (the University) is a comprehensive, graduate-research university with a liberal arts base. It offers undergraduate, graduate, advanced graduate and professional programs of study; conducts extensive research; and provides service to the public. The University's primary role is to serve as a center for advanced graduate and professional studies while emphasizing research and providing excellence in undergraduate programs.

In accordance with the University's mission, faculty members have been selected for their commitment to excellence in teaching, their ability in research and creative activity and their interest in public service.

Given its history, location and accomplishments, the University does not expect major changes in its mission during the next decade. Rather, it sees further refinement of that mission with concentration on its strong liberal-arts base and on quality improvement.

HISTORY

The University is one of the largest and oldest of the 11 public institutions of higher learning in the state of Florida. It was established as the Seminary West of the Suwannee by an act of the Florida Legislature in 1851 and first offered instruction at the post-secondary level in 1857. Its Tallahassee campus has been the site of an institution of higher education longer than any other site in the state. In 1905, the Buckman Act reorganized higher education in the state and designated the Tallahassee school as the Florida Female College. In 1909, it was renamed Florida State College for Women. In 1947, the school returned to coeducational status, and the name was changed to The Florida State University. It has grown from an enrollment of 4,056 in 1947 to an enrollment of 40,838 in the fall semester of 2010.



CAMPUS / CENTERS / PROGRAMS

In each succeeding decade, the University has added to its academic organization and now comprises 17 colleges and schools. It has expanded to over 545 buildings on approximately 1,614 acres, including the downtown Tallahassee main campus of 452 acres, the Ringling Museum of 57 acres and the Panama City branch campus of 26 acres. The University also offers degree programs in Sarasota, Florida and the Republic of Panama; instructional programs in London, Florence, and Valencia; and research, development, and/or service programs in Costa Rica, Croatia, and Italy.

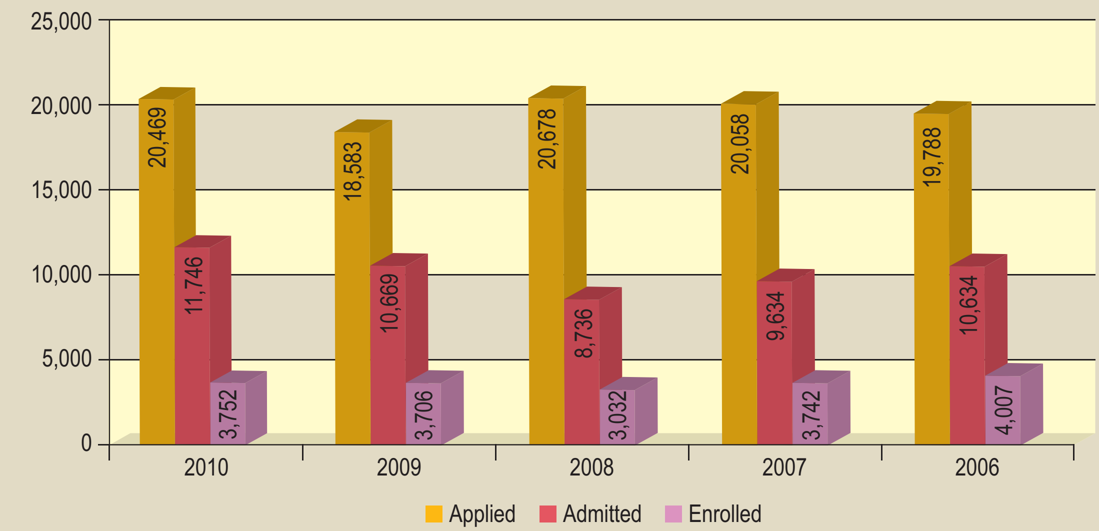
Through the Office of Distance Learning, the University offers courses and degree programs online and at many off-campus sites around the State. The Center for Academic and Professional Development offers non-credit programs, workshops, seminars and conferences. The University also operates the John and Mable Ringling Museum of Art located in Sarasota, Florida, which is the largest museum/university complex in the nation.

STUDENTS

As a major comprehensive residential state university, the University attracts students from every county in Florida, every state in the nation and 132 foreign countries. The University is committed to high admission standards that ensure quality in its student body, which includes some 95 National Merit, National Achievement and Hispanic scholars, as well as students with superior creative talents. The University also provides alternative admissions and highly successful retention programs for special student populations.

Graduate students comprise 21 percent of the student body and are enrolled in 144 graduate/specialist degree programs, 75 doctoral programs and 2 professional programs.

FRESHMAN APPLIED, ADMITTED, AND ENROLLED (FALL TERM)



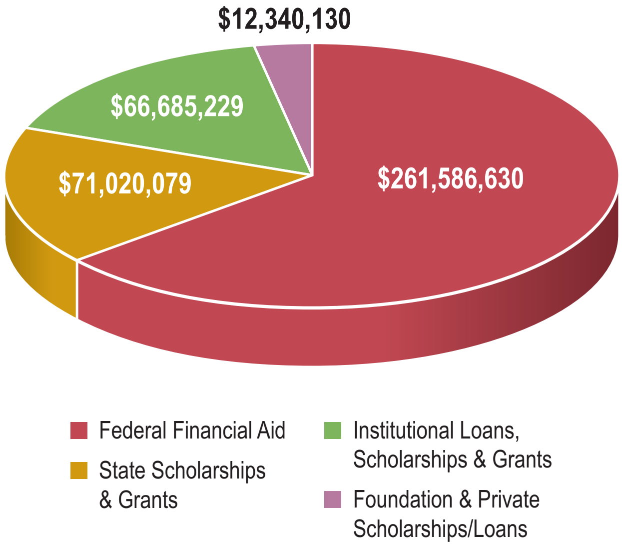
Headcount by School/College (Fall Term)	2010	2009	2008	2007	2006
Arts & Sciences	10,046	9,507	8,842	9,312	9,113
Business	5,825	5,985	6,145	6,308	6,086
Communication & Information*	2,701	2,702	1,615	1,752	1,670
Criminology & Criminal Justice	1,653	1,466	1,342	1,378	1,407
Education	2,377	2,642	2,941	3,360	3,396
Engineering	1,873	1,763	1,608	1,739	1,716
The Graduate School-Materials Science Program	9	4	-	-	-
Human Sciences	2,962	3,098	3,170	3,174	3,135
Information	-	-	1,125	1,144	1,139
Law	783	768	762	766	758
Medicine	517	490	435	374	297
The College of Motion Picture Arts	182	188	181	181	178
Music	1,136	1,149	1,120	1,184	1,153
Nursing	856	902	906	905	918
Social Sciences	4,812	4,888	4,704	4,669	4,385
Social Work	741	675	694	751	792
Visual Arts, Theatre & Dance	1,576	1,535	1,615	1,829	1,784
Undecided/Special	2,789	2,493	1,931	2,239	2,547
Total	**40,838**	**40,255**	**39,136**	**41,065**	**40,474**

*The College of Communication and the College of Information merged in Fall 2009 to form the College of Communication and Information.

Degrees Awarded - Academic Year	2010-11	2009-10	2008-09	2007-08	2006-07
Bachelor's	7,818	7,927	7,630	7,615	7,189
Master's	2,210	2,203	2,129	2,075	1,989
Specialist	59	42	47	62	54
Juris Doctorate	268	249	263	305	233
Doctorate	429	340	343	368	350
M.D.	113	94	74	57	48
Total	**10,897**	**10,855**	**10,486**	**10,482**	**9,863**

ANNUAL REPORT

FINANCIAL AID ADMINISTERED



FACULTY

It is the official policy of the University to recruit the most talented faculty from leading centers of learning throughout the world. The University faculty has included six Nobel Laureates and twelve members of the National Academy of Sciences. Many of the University's faculty have received national and international recognition, and the University enjoys national ranking in a number of disciplines.

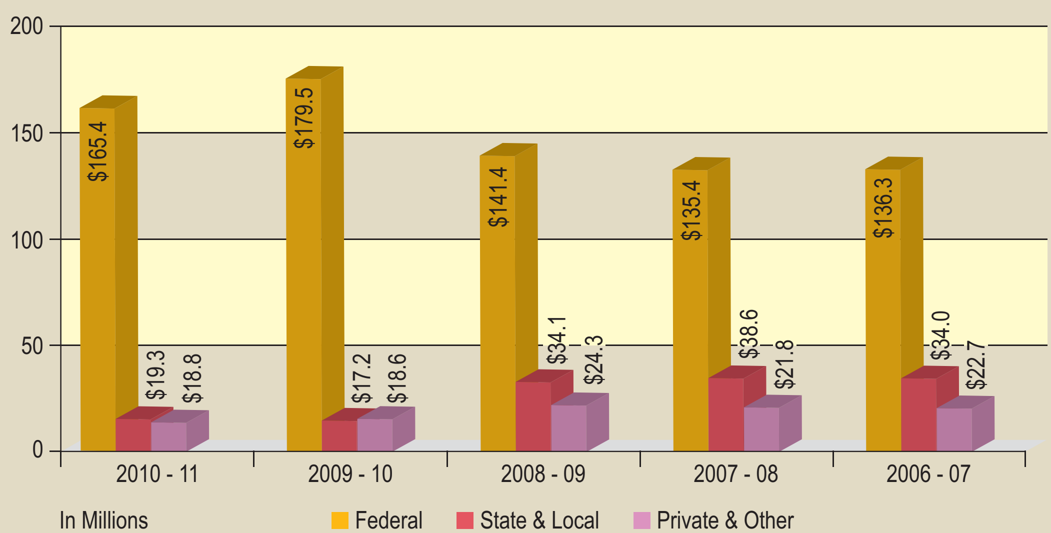
Faculty Data

Academic Year	Full-Time Faculty	Part-Time Faculty	Tenured Faculty	Faculty with Terminal Degrees	Faculty/ Student Ratio
2006-07	1,868	60	790	1,774	21:1
2007-08	1,932	56	836	1,829	21:1
2008-09	1,944	65	822	1,848	21:1
2009-10	1,835	59	825	1,742	22:1
2010-11	1,791	66	829	1,708	22:1

RESEARCH

Since its designation as a university in 1947, the University has built a reputation as a strong center for research in the sciences, the humanities and the arts. In the 2010-11 fiscal year, the University faculty and administrators generated more than $203 million in external funding to supplement State funds used for research. These external funds, derived through contracts and grants from various private foundations, industries and government agencies, are used to provide stipends for graduate students, to improve research facilities and to support the research itself.

CONTRACTS & GRANTS AWARDS RECEIVED
(in millions)



LIBRARIES

The University's library system, which ranks among the nation's top research libraries, is made up of eight libraries on campus. The libraries' total collection includes more than 3 million volumes of books and periodicals. Also, access to 746 databases, 878,000 e-books and 50,265 e-journals allows students, faculty and staff to do research from their offices or homes.

AUDITOR GENERAL

STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

DAVID W. MARTIN, CPA
AUDITOR GENERAL

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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Florida State University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2011, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of University management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida State University and of its aggregate discretely presented component units as of June 30, 2011, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the financial statements, the Florida Medical Practice Plan, Inc., a discretely presented component unit, reported financial activities for a 12-month period ended June 30, 2011, while the amounts reported for the 2009-10 fiscal year were for an 18-month period ended June 30, 2010. This affects the comparability of amounts reported for the 2010-11 fiscal year to amounts reported for the 2009-10 fiscal year.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of Florida State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PREFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** and the **OTHER REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Florida State University's basic financial statements. The Message from the President, the Introduction from the Senior Vice President for Finance and Administration, and the University Overview, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Message from the President, the Introduction from the Senior Vice President for Finance and Administration, and the University Overview have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,

David W. Martin

David W. Martin, CPA
January 20, 2012
Audit Report No. 2012-078

Management's Discussion and Analysis

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of The Florida State University (the University) for the fiscal year ended June 30, 2011, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto are the responsibility of University management.

Financial Highlights

The University's assets totaled $2.5 billion at June 30, 2011. This balance reflects a $175.5 million, or 7.6 percent increase from the 2009-10 fiscal year. Total investments increased by $100.7 million or 17.3 percent as a result of investments related to new bonds issued during the year. Net capital assets increased by $93.8 million or 6 percent primarily due to the addition of several buildings and construction work in progress. The amount due from the State decreased by $29.4 million or 40.7 percent due to timing differences in the receipt of proceeds for construction projects. Liabilities increased for the year by $57.1 million, or 15.2 percent, totaling $431.6 million at June 30, 2011, compared to $374.5 million at June 30, 2010. This increase is due to a net increase in capital improvement debt payable of $57.3 million to construct new facilities on campus. Additionally, deferred revenue decreased by $19.8 million or 32.7 percent because of a reduction in State capital appropriations received from, but not yet approved for spending by the State. As a result, the University's net assets increased by $118.4 million, or 6.1 percent, reaching a year-end balance of $2 billion.

The University's operating revenues totaled $497.9 million for the 2010-11 fiscal year, representing a 5.6 percent increase over the 2009-2010 fiscal year, primarily as a result of tuition and fee increases. Operating expenses totaled $941.5 million for the 2010-11 fiscal year, representing an increase of 2.7 percent over the 2009-10 fiscal year due mainly to an increase in compensation and employee benefits expense. Net nonoperating revenues for the 2010-11 fiscal year totaled $493.3 million, representing an increase of 3.6 percent from the 2009-10 fiscal year primarily due to an increase in State noncapital appropriations as well as an increase in Federal and State student financial aid offset by a decrease in the net increase in the fair value of investments.

Overview of Financial Statements

Pursuant to GASB Statement No. 35, the University's financial report includes three basic financial statements: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows. The financial statements and notes thereto, encompass the University and its component units. Based upon the application of the criteria for determining component units, the Florida State University College of Medicine Self-Insurance Program is included within the University as a blended component unit. In addition, eight direct-support organizations and the Florida State University Developmental Research School are included within the University reporting entity as discretely presented component units.

Information regarding these component units, including a description of each and summaries of their separately issued financial statements, is presented in notes 1, 2, 5, and 15 to the financial statements. This MD&A focuses on the University, excluding the component units. For those component units reporting under GASB standards, MD&A information is included in their separately issued audit reports.

While audited financial statements for the 2009-10 fiscal year are not presented with this report, condensed data will be presented in the MD&A to illustrate certain increases and decreases.

The Statement of Net Assets

The statement of net assets presents the financial position of the University at fiscal year end. This statement provides a picture of assets minus liabilities and their availability for expenses by the University. The change in net assets is one indicator of the overall improvement or decline in the financial condition of the University during the year.

The following table shows a condensed statement of net assets at June 30:

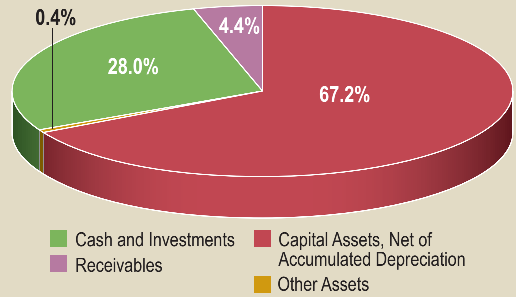
Condensed Statement of Net Assets
(in thousands)

	2011	2010
Assets		
Current Assets	$ 713,008	$ 677,815
Capital Assets, Net	1,667,918	1,574,125
Other Noncurrent Assets	100,210	53,724
Total Assets	**2,481,136**	**2,305,664**
Liabilities		
Current Liabilities	116,710	119,505
Noncurrent Liabilities	314,865	254,986
Total Liabilities	**431,575**	**374,491**
Net Assets		
Invested in Capital Assets, Net of Related Debt	1,468,820	1,384,027
Restricted	175,501	166,715
Unrestricted	405,240	380,431
Total Net Assets	**$ 2,049,561**	**$ 1,931,173**

Assets are what the University owns and are measured in current value, except for property and equipment, which are recorded at historical cost less accumulated depreciation. Assets are categorized as either current or noncurrent. Current assets are generally considered to be convertible to cash within one year.

The following chart presents assets by percent:

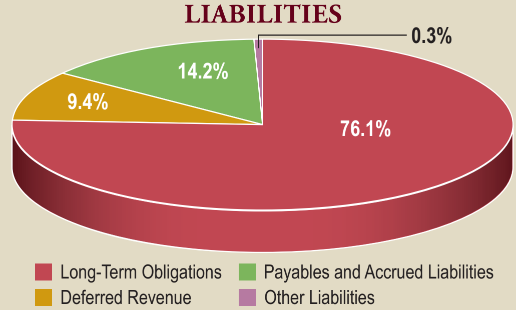
ASSETS



Liabilities are what the University owes to others or what it has collected from others before it has provided the related services. Liabilities are also categorized as either current or noncurrent. Current liabilities are amounts becoming due and payable within the next year.

The following chart presents liabilities by percent:

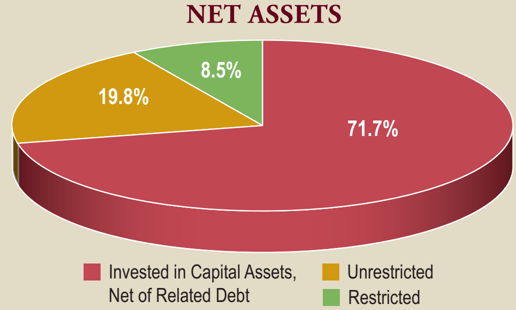
LIABILITIES



Net assets are divided into three categories. Invested in capital assets, net of related debt represents the historical cost of capital assets reduced by the balance of related outstanding debt and accumulated depreciation. Restricted net assets include amounts that have been restricted for use by an external party and are further broken down into nonexpendable and expendable. Restricted expendable net assets include amounts restricted by external parties for such things as debt service, student loans and capital projects. Finally, unrestricted net assets include amounts institutionally designated or committed to support specific academic and research programs, and for working capital requirements.

The following chart presents net asset categories by percent:

NET ASSETS



The Statement of Revenues, Expenses, and Changes in Net Assets

The statement of revenues, expenses, and changes in net assets presents the University's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. Beginning with the 2010-11 fiscal year, certain transfers between the University and its Component Units were categorized as either exchange or non-exchange transactions and reported as either operating or non-operating accordingly. In order to fairly present comparative information, the related 2009-10 fiscal year amounts have been revised. There was no effect on net assets due to this modification.

The following table summarizes the University's activities for the 2010-11 and 2009-10 fiscal years:

Condensed Statement of Revenues, Expenses, and Changes in Net Assets
(in thousands)

	2010-11	2009-10
Operating Revenues (1)	$ 497,906	$ 471,414
Operating Expenses (1)	(941,521)	(916,468)
Operating Loss	**(443,615)**	**(445,054)**
Net Nonoperating Revenues	493,335	476,283
Income Before Other Revenues, Expenses, Gains, or Losses	**49,720**	**31,229**
Net Other Revenues	68,668	54,030
Net Increase in Net Assets	**118,388**	**85,259**
Net Assets, Beginning of Year	1,931,173	1,795,879
Adjustments to Beginning Net Assets (2)	-	50,035
Net Assets, Beginning of Year, as Restated	1,931,173	1,845,914
Net Assets, End of Year	**$ 2,049,561**	**$ 1,931,173**

Note (1) To provide comparative information, the 2009-10 fiscal year operating revenues were revised by an increase of $8,008, operating expenses were revised by an increase of $21,824 and non-operating revenues were revised by an increase of $13,816. The impact of these revisions for net assets is $0.

Note (2) Due to a change in reporting State University System Capital Improvement Trust Fund Revenue Bonds for the 2009-10 fiscal year.

Operating Revenues

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either give up or receive something of equal or similar value.

The following table summarizes the operating revenues by source that were used to fund operating activities during the 2010-11 and 2009-10 fiscal years:

Operating Revenues
(in thousands)

	2010-11	2009-10
Net Tuition and Fees	$ 171,636	$ 156,832
Grants and Contracts (1)	186,092	178,482
Sales and Services of Educational Departments	420	1,325
Sales and Services of Auxiliary Enterprises	133,147	128,657
Other	6,611	6,118
Total Operating Revenues	**$ 497,906**	**$ 471,414**

Note (1) To provide comparative information, the 2009-10 fiscal year grants and contracts were revised by an increase of $8,008.

Total operating revenues increased $26.5 million or 5.6 percent with the change being primarily attributable to an increase in student tuition and fees, net of scholarship allowances of $14.8 million or 9.4 percent.

Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the University's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net assets and has displayed the functional classification in the notes to financial statements.

The following table summarizes the operating expenses by natural classifications for the 2010-11 and 2009-10 fiscal years:

Operating Expenses
(in thousands)

	2010-11	2009-10
Compensation and Employee Benefits (1)	$ 570,758	$ 545,851
Services and Supplies (1)	174,047	173,176
Utilities and Communications	41,492	45,831
Scholarships, Fellowships, and Waivers (1)	89,279	84,838
Depreciation	65,945	66,361
Self-Insurance Claims and Expense	-	411
Total Operating Expenses	**$ 941,521**	**$ 916,468**

Note (1) To provide comparative information, the 2009-10 fiscal year compensation and employee benefits were revised by an increase of $21,369, services and supplies were revised by an increase of $355 and scholarships, fellowships and waivers were revised by an increase of $100.

Operating expenses increased $25.1 million or 2.7 percent for the fiscal year with the change being primarily attributable to an increase of $24.9 million or 4.6 percent in compensation and employee benefits due primarily to a bonus payout.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets.

The following table summarizes the University's nonoperating revenues and expenses for the 2010-11 and 2009-10 fiscal years:

Nonoperating Revenues (Expenses)
(in thousands)

	2010-11	2009-10
State Noncapital Appropriations	$ 313,308	$ 302,976
Federal and State Student Financial Aid	114,475	99,606
State Appropriated American Recovery and Reinvestment Act	23,585	23,376
Noncapital Grants, Contracts, and Gifts (1)	38,637	35,460
Investment Income	15,762	30,959
Other Nonoperating Revenues	2,342	1,050
Loss on Disposal of Capital Assets	(1,977)	(1,030)
Interest on Capital Asset-Related Debt	(8,455)	(8,813)
Other Nonoperating Expenses	(4,342)	(7,301)
Net Nonoperating Revenues	**$ 493,335**	**$ 476,283**

Note (1) To provide comparative information, the 2009-10 fiscal year noncapital grants, contracts and gifts were revised by an increase of $13,816.

Net nonoperating revenues increased by $17.1 million or 3.6 percent. This was due to an increase in State noncapital appropriations of $10.3 million or 3.4 percent. Also, Federal and State student financial aid increased by $14.9 million or 14.9 percent primarily as a result of increased Pell Grant monies received. However, investment income decreased by $15.2 million or 49.1 percent due to a decrease in the net increase in the fair value of investments for the fiscal year.

Other Revenues, Expenses, Gains, or Losses

This category is composed of capital appropriations and capital grants, contracts, donations and fees.

The following table summarizes the University's other revenues, expenses, gains, or losses for the 2010-11 and 2009-10 fiscal years:

Other Revenues, Expenses, Gains, or Losses
(in thousands)

	2010-11	2009-10
State Capital Appropriations	$ 56,600	$ 40,439
Capital Grants, Contracts, Donations, and Fees	12,068	13,591
Total	**$ 68,668**	**$ 54,030**

Other revenues, expenses, gains or losses increased by $14.6 million or 27.1 percent, primarily as a result of increased State capital appropriations for Public Education Capital Outlay (PECO) projects.

The Statement of Cash Flows

The statement of cash flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from the noncapital financing activities include those activities not covered in other sections.

The following table summarizes cash flows for the 2010-11 and 2009-10 fiscal years:

Condensed Statement of Cash Flows
(in thousands)

	2010-11	2009-10
Cash Provided (Used) By:		
Operating Activities (1)	$ (368,150)	$ (375,129)
Noncapital Financing Activities (2)	500,456	459,307
Capital and Related Financing Activities	(37,410)	(75,872)
Investing Activities	(85,005)	(21,203)
Net Increase (Decrease) in Cash and Cash Equivalents	**9,891**	**(12,897)**
Cash and Cash Equivalents, Beginning of Year	3,430	16,327
Cash and Cash Equivalents, End of Year	**$ 13,321**	**$ 3,430**

Note (1) To provide comparative information, the 2009-10 fiscal year cash used for operating activities was increased by $13,816.

Note (2) To provide comparative information, the 2009-10 fiscal year cash provided by noncapital financing activities was increased by $13,816.

Major sources of funds came from State noncapital appropriations totaling $341.9 million, net student tuition and fees totaling $171.6 million, grants and contracts totaling $188.7 million, Federal and State student financial aid totaling $151.6 million, and sales and services of auxiliary enterprises totaling $132.7 million. Major uses of funds were for payments made to and on behalf of employees totaling $562.9 million; payments to suppliers totaling $216.3 million; purchase or construction of capital assets totaling $148.5 million, purchase of investments, net, totaling $100.7 million, and payments to and on behalf of students for scholarships totaling $89.3 million.

Capital Assets

At June 30, 2011, the University had $2.4 billion invested in capital assets, net of accumulated depreciation of $0.7 billion, for net capital assets of $1.7 billion. Depreciation charges for the current fiscal year totaled $65.9 million.

The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net
(in thousands)

	2011	2010
Land	$ 53,111	$ 51,087
Buildings	1,207,346	1,174,402
Construction in Progress	138,317	78,437
Infrastructure and Other Improvements	71,072	72,562
Furniture and Equipment	89,353	90,161
Library Resources	32,991	31,580
Works of Art and Historical Treasures	73,849	73,762
Computer Software and Other Capital Assets	1,879	2,134
Capital Assets, Net	**$ 1,667,918**	**$ 1,574,125**

Additional information about the University's capital assets is presented in the notes to financial statements.

Capital Expenses and Commitments

Major capital expenses during the 2010-11 fiscal year, were incurred on the following projects:, Johnston Building remodeling totaling $19.6 million, Wildwood Hall Phase II totaling $18.8 million Nursing/Health Facility totaling $18 million and Aero-Propulsion, Mechatronics and Energy Building totaling $9.4 million. The University's major capital commitments at June 30, 2011, are as follows:

Construction Commitments
(in thousands)

	Amounts
Total Commitments	$ 256,941
Completed to Date	(138,317)
Balance Committed	**$ 118,624**

Additional information about the University's capital commitments is presented in the notes to the financial statements.

Capital Debt Administration

As of June 30, 2011, the University had $243.9 million in outstanding capital improvement debt payable and $1.1 million in installment purchases payable, representing an increase from the prior fiscal year of $57.3 million, or 30.7 percent and a decrease of $0.7 million or 38.8 percent, respectively.

The following table summarizes the outstanding long-term capital debt by type at June 30:

Long-Term Capital Debt
(in thousands)

	2011	2010
Capital Improvement Debt	$ 243,866	$ 186,588
Installment Purchases	1,095	1,790
Total	**$ 244,961**	**$ 188,378**

Economic Factors That Will Affect The Future

The condition of the State of Florida's economy is the primary factor impacting the University's future. State noncapital appropriations increased modestly by $10.3 million for the 2010-11 fiscal year. In addition, the University received $23.6 million American Recovery and Reinvestment Act (ARRA) funds from the State. State funding has not been enough to keep pace with the growth of the University. Therefore, the University must rely more heavily on other revenue streams to maintain its quality programs.

For the 2010-11 fiscal year, gross tuition and fee revenues increased by $34.2 million. This increase was possible due to a legislative approved 8 percent tuition increase for undergraduates and an increased tuition differential fee that allowed the University to increase undergraduate tuition up to 15 percent. Given approved increases for 2011-12 tuition and fees and with small estimated enrollment increases, revenues should increase for the near future.

Once again the University finished the 2010-11 fiscal year with an increase in total net assets over the previous year and is well positioned to continue providing excellence in educational programs. The University's tuition levels remain relatively low and continue to attract top students. Also, the ability to attract new research funding, and the outstanding fundraising capabilities are among the factors indicating a bright future for the University.

Requests for Information

Questions concerning information provided in the MD&A, or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the University Controller's Office, Florida State University, 2200A University Center, Tallahassee, Florida 32306.

Statement of Net Assets as of June 30, 2011 (in thousands)

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 10,684	$ 26,235
Investments	599,793	127,405
Accounts Receivable, Net	36,865	22,014
Loans and Notes Receivable, Net	2,509	73
Due from State	42,761	-
Due from Component Units/University	13,838	9,666
Inventories	2,899	313
Other Current Assets	3,659	1,619
Total Current Assets	**713,008**	**187,325**
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	2,637	59,852
Restricted Investments	82,065	465,738
Loans and Notes Receivable, Net	11,975	224
Depreciable Capital Assets, Net	1,402,641	129,838
Nondepreciable Capital Assets	265,277	21,750
Other Noncurrent Assets	3,533	83,029
Total Noncurrent Assets	**1,768,128**	**760,431**
TOTAL ASSETS	**$ 2,481,136**	**$ 947,756**
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 20,443	$ 12,346
Construction Contracts Payable	16,808	-
Salaries and Wages Payable	9,692	49
Deposits Payable	4,463	21
Due to State	805	-
Due to Component Units/University	9,138	13,975
Deferred Revenue	40,718	27,669
Other Current Liabilities	1,028	5,382
Long-Term Liabilities-Current Portion:		
Capital Improvement Debt Payable	9,251	-
Bonds Payable	-	3,102
Loans and Notes Payable	-	1,131
Installment Purchases Payable	435	-
Accrued Self-Insurance Claims	210	-
Compensated Absences Payable	3,719	20
Total Current Liabilities	**116,710**	**63,695**
Noncurrent Liabilities:		
Capital Improvement Debt Payable	234,615	-
Bonds Payable	-	75,795
Loans and Notes Payable	-	11,800
Installment Purchases Payable	660	-
Accrued Self-Insurance Claims	849	-
Compensated Absences Payable	49,644	897
Other Noncurrent Liabilities	15,590	25,847
Other Postemployment Benefits Payable	13,507	-
Total Noncurrent Liabilities	**314,865**	**114,339**
TOTAL LIABILITIES	**$ 431,575**	**$ 178,034**
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$ 1,468,820	$ 56,865
Restricted for Nonexpendable, Endowment	-	417,438
Restricted for Expendable:		
Debt Service	3,810	-
Loans	4,812	-
Capital Projects	38,370	-
Other	128,509	61,347
Endowment	-	128,227
Unrestricted	405,240	105,845
TOTAL NET ASSETS	**2,049,561**	**769,722**
TOTAL LIABILITIES AND NET ASSETS	**$ 2,481,136**	**$ 947,756**

The accompanying notes to the financial statements are an integral part of this statement.

ANNUAL REPORT

Statement of Revenues, Expenses, and Changes in Net Assets for Fiscal Year Ended June 30, 2011 (in thousands)

	University	Component Units
OPERATING REVENUES		
Student Tuition and Fees, Net of Scholarship Allowances of $117,630 ($8,311 Pledged for Parking Facility Capital Improvement Debt and $12,651 Pledged for Health and Wellness Center Capital Improvement Debt)	$ 171,636	$ -
Federal Grants and Contracts	156,319	-
State and Local Grants and Contracts	17,514	-
Nongovernmental Grants and Contracts	12,259	-
Sales and Services of Educational Departments	420	-
Sales and Services of Auxiliary Enterprises ($1,753 Pledged for Parking Facility Capital Improvement Debt, $33,698 Pledged for Housing Facility Capital Improvement Debt and $1,491 Pledged for Dining Facility Capital Improvement Debt)	133,147	-
Sales and Services of Component Units	-	20,665
Royalties and Licensing Fees	-	14,655
Gifts and Donations	-	58,351
Interest on Loans and Notes Receivable	282	-
Other Operating Revenues	6,329	15,711
Total Operating Revenues	**497,906**	**109,382**
OPERATING EXPENSES		
Compensation and Employee Benefits	570,758	35,573
Services and Supplies	174,047	88,355
Utilities and Communications	41,492	653
Scholarships, Fellowships, and Waivers	89,279	-
Depreciation	65,945	6,373
Total Operating Expenses	**941,521**	**130,954**
OPERATING LOSS	**(443,615)**	**(21,572)**
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	313,308	-
Federal and State Student Financial Aid	114,475	-
State Appropriated American Recovery & Reinvestment Act	23,585	-
Noncapital Grants, Contracts, and Gifts	38,637	-
Investment Income	15,750	14,207
Net Increase in the Fair Value of Investments	12	74,394
Investment Expense	-	(74)
Other Nonoperating Revenues	2,342	6,519
Loss on Disposal of Capital Assets	(1,977)	(1)
Interest on Capital Asset-Related Debt	(8,455)	(1,109)
Other Nonoperating Expenses	(4,342)	(11,586)
NET NONOPERATING REVENUES	**493,335**	**82,350**
Income Before Other Revenues, Expenses, Gains, or Losses	**49,720**	**60,778**
State Capital Appropriations	56,600	-
Capital Grants, Contracts, Donations, and Fees	12,068	3,907
Additions to Permanent Endowments	-	5,187
Increase in Net Assets	**118,388**	**69,872**
Net Assets, Beginning of Year	1,931,173	700,015
Adjustments to Beginning Net Assets	-	(165)
Net Assets Beginning of Year, as Restated	-	699,850
NET ASSETS, END OF YEAR	**$ 2,049,561**	**$ 769,722**

The accompanying notes to the financial statements are an integral part of this statement.

Statement of Cash Flows for Fiscal Year Ended June 30, 2011 (in thousands)

		University
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees, Net	$	171,636
Grants and Contracts		188,695
Sales and Services of Educational Departments		429
Sales and Services of Auxiliary Enterprises		132,686
Interest on Loans and Notes Receivable		282
Other Operating Receipts		6,262
Payments to Employees		(562,865)
Payments to Suppliers for Goods and Services		(216,278)
Payments to Students for Scholarships and Fellowships		(89,279)
Payments on Self-Insurance Claims		(292)
Net Collections on Student Loans		574
Net Cash Used by Operating Activities		**(368,150)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Noncapital Appropriations		318,346
State Appropriated American Recovery and Reinvestment Act		23,585
Federal and State Student Financial Aid		151,561
Net Change in Funds Held for Others		5,543
Other Nonoperating Receipts		2,337
Other Nonoperating Disbursements		(916)
Net Cash Provided by Noncapital Financing Activities		**500,456**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Capital Debt		72,278
State Capital Appropriations		61,225
Capital Grants, Contracts, Donations, and Fees		3,374
Capital Subsidies and Transfers		5
Purchase or Construction of Capital Assets		(148,477)
Principal Paid on Capital Debt		(15,020)
Interest Paid on Capital Debt		(10,795)
Net Cash Used by Capital and Related Financing Activities		**(37,410)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments, Net		(100,716)
Investment Income		15,711
Net Cash Used by Investing Activities		**(85,005)**
Net Increase in Cash and Cash Equivalents		9,891
Cash and Cash Equivalents, Beginning of Year		3,430
Cash and Cash Equivalents, End of Year	**$**	**13,321**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	**$**	**(443,615)**
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation Expense		65,945
Change in Assets and Liabilities:		
Loans and Notes Receivable, Net		902
Other Receivables, Net		2,119
Inventories		(278)
Deferred Charges and Other Assets		(334)
Accounts Payable		(455)
Salaries and Wages Payable		1,458
Accrued Insurance Claims		(292)
Deposits Payable		(1)
Compensated Absences Payable		1,560
Other Postemployment Benefits Payable		4,875
Deferred Revenue		(34)
NET CASH USED BY OPERATING ACTIVITIES	**$**	**(368,150)**
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES		
Unrealized gains on investments were recognized on the statement of revenues, expenses and changes in net assets, but are not cash transactions for the statement of cash flows.	$	12
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses and changes in net assets, but are not cash transactions for the statement of cash flows.	$	(1,977)

The accompanying notes to the financial statements are an integral part of this statement.

I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The University is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors (Board of Governors). The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Board of Governors' Regulations. The Trustees select the University President. The University President serves as the executive officer and the corporate secretary of the Trustees, and is responsible for administering the policies prescribed by the Trustees.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete. Based on the application of these criteria, the University is a component unit of the State of Florida, and its financial balances and activities are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

Blended Component Unit

Based on the application of the criteria for determining component units, the Florida State University College of Medicine Self-Insurance Program is included within the University's reporting entity as a blended component unit. The Self-Insurance Program was created on July 1, 2006, by the Board of Governors, pursuant to Section 1004.24, Florida Statutes, and provides professional and general liability protection for faculty, medical residents, and students of the College of Medicine. Beginning July 1, 2009 and July 1, 2010, respectively, the faculty and staff of the College of Nursing and the Student Health Center were included under the Self-Insurance Program.

Discretely Presented Component Units

Based on the application of the criteria for determining component units, the following direct-support organizations (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011) and the Florida State University Schools, Inc., (not a direct support organization) are included within the University reporting entity as discretely presented component units. These legally separate, not-for-profit, corporations are organized and operated exclusively to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests, and valuable education support services. The Statute authorizes these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

- **The Florida State University Foundation, Inc. (Foundation)** - The University's fund raising and private support programs are accounted for and reported separately by the Foundation. The Foundation revenues include unrestricted and restricted gifts and grants, rental income, and investment income. The Foundation expenses include scholarship distributions to students, departmental faculty and staff development support, various memorials and class projects, departmental research, and administrative costs of the Foundation's development program.
- **Seminole Boosters, Inc. (Boosters)** - The primary purpose of the Boosters is to stimulate and promote the education, health, and physical welfare of University students by providing financial support from the private sector for the Intercollegiate Athletic Program. Funds raised by the Boosters are utilized for scholarships, recruiting expenses, and authorized travel and entertainment in accordance with the rules and regulations of the National Collegiate Athletic Association. The Boosters' financial information includes the activities of the Florida State University Financial Assistance, Inc., as a blended component unit.

  The Financial Assistance organization was created for the purpose of securing bond financing in accordance with Section 1004.28, Florida Statutes. Seminole Boosters, Inc., maintains direct control of Financial Assistance and each year makes significant transfers to them to help service the bond debt.

- **Florida State University International Programs Association, Inc. (International Programs Association)** - The purpose of the International Programs Association is to promote intercultural activities among students, educators, and others. It provides teaching, studying, research, and conference opportunities to U.S. students, scholars, and other professionals and community groups through Florida State University Study-Abroad Programs in England, Italy, Costa Rica, and other sites.
- **Florida State University Alumni Association, Inc. (Alumni Association)** - The Alumni Association serves as a connecting link between alumni and the University. The nature and purpose of the Alumni Association is to aid, strengthen, and expand the University and its alumni. The Alumni Association utilizes private gifts, devises, other contributions, and advertising income to publish and exchange information with University alumni, to assist the University's development programs, and to provide public and community service.
- **The Florida State University Research Foundation, Inc. (Research Foundation)** - The Research Foundation was established to promote and assist the research and training activities of the University through income from contracts, grants and other sources, including income derived from the development and commercialization of the University's work products.
- **The John and Mable Ringling Museum of Art Foundation, Inc. (Museum Foundation)** - The Museum Foundation was established to provide charitable and educational aid to the University's John and Mable Ringling Museum of Art. An annual agreement is executed between the Museum and the Foundation to allow the Foundation to act as the direct-support organization for the Museum.
- **Florida Medical Practice Plan, Inc. (FMPP)** – FMPP's purpose is to improve and support medical education in the Florida State University College of Medicine. The financial statements for the 2010-11 fiscal year were for the 12-month period ending June 30, 2011. The financial statements for the 2009-10 fiscal year were for the 18-month period ending June 30, 2010.
- **Florida State University Magnet Research and Development, Inc. (Magnet Research and Development)** - The Magnet Research and Development organization was incorporated to promote, encourage, and assist the research and training activities of faculty, staff, and students of the University and specifically to design, develop, invent, assemble, construct, test, repair, maintain, and fabricate magnets or magnet systems of any type or design.

Florida State University Schools, Inc. (School) - The School is a charter school established pursuant to Section 1002.33(5)(a), Florida Statutes. The School provides a setting where University faculty, School faculty, and graduate students can design, demonstrate, and analyze the effectiveness of new instructional materials, technological advances, and strategies under controlled conditions. It also offers an environment for the systematic research, evaluation, and development of commercial or prototype materials and techniques adaptable to other Florida public schools and supported by School and University researchers or private sector partners.

An annual audit of each organization's financial statements is conducted by independent certified public accountants. The annual report is submitted to the Auditor General and the University Board of Trustees. Additional information on the University's discretely presented component units, including copies of audit reports, is available by contacting the University Controller's Office. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note.

Condensed financial statements are not presented for the following direct support organizations that were not operational during the fiscal year or had activity that was determined to be immaterial to the University's financial statements.

- The Florida State University Performing Arts Center Foundation, Inc., was approved by the Board of Trustees on September 15, 2006 to raise money for building maintenance and improvement for the Center in Sarasota, Florida.
- Florida State University College of Business Investment Fund, Inc., was approved by the Trustees on September 19, 2008, to support a student managed investment fund and other FSU College of Business programs.
- The Florida State University Real Estate Foundation, Inc., was approved by the Board of Trustees on June 2, 2011, to perform transactions related to real estate and to contribute or distribute all or a portion of the net proceeds from such activity to the University, the Foundation or other entities as determined appropriate.

Basis of Presentation

The University's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public universities various reporting options. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
  - Statement of Net Assets
  - Statement of Revenues, Expenses, and Changes in Net Assets
  - Statement of Cash Flows
  - Notes to Financial Statements
- Other Required Supplementary Information

Basis of Accounting

Basis of accounting refers to when revenues, expenses, and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The University's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

The University's discretely presented component units use the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follow GASB standards of accounting and financial reporting except for the Foundation, which follows FASB standards of accounting and financial reporting for not-for-profit organizations.

The University applies all applicable GASB pronouncements and, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, has elected to apply those FASB pronouncements issued on or before November 30, 1989, not in conflict with GASB standards.

Significant interdepartmental sales between auxiliary service departments and other institutional departments have been accounted for as reductions of expenses and not revenues of those departments.

The statement of net assets is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the University's policy to first apply the restricted resources to such programs, followed by the use of the unrestricted resources.

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the University and the amount that is actually paid by a student or a third party making payment on behalf of the student. The University applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered third-party aid.

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and cash in demand accounts. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

Capital Assets

University capital assets consist of land; works of art and historical treasures; construction in progress; buildings; infrastructure and other improvements; furniture and equipment; library resources; and computer software and other capital assets. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

The University has a capitalization threshold of $1,000 for tangible personal property, $50,000 for new buildings and $100,000 for building improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 10 to 50 years
- Infrastructure and Other Improvements – 12 to 50 years
- Furniture and Equipment – 3 to 20 years
- Library Resources – 10 years
- Computer Software and Other Capital Assets – 5 years

Noncurrent Liabilities

Noncurrent liabilities include principal amounts of capital improvement debt payable, installment purchases payable, accrued self-insurance claims payable, compensated absences payable, other postemployment benefits payable and other noncurrent liabilities that are not scheduled to be paid within the next fiscal year. Capital improvement debt payable is reported net of unamortized premiums or discounts and deferred losses on refunding. The University amortizes debt premiums and discounts over the life of the debt using the straight-line method. Deferred losses on refunding are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method. Issuance costs paid from the debt proceeds are amortized over the life of the debt using the straight-line method.

Operating Revenues and Expenses

The University's principal operating activities consist of instruction, research, and public service. Operating revenues include activities that have characteristics of exchange transactions, such as student fees, net of scholarship allowances; sales and services of auxiliary enterprises; Federal, state, local and nongovernmental grants and contracts; and sales and services of educational departments. Operating expenses include all expense transactions incurred other than those related to investing, capital or noncapital financing activities.

Nonoperating Revenues and Expenses

Nonoperating revenues include activities that have characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,* and GASB Statement No. 35, *Basic Financial Statements – Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38, such as appropriations and investment income. Nonoperating expenses include interest paid on capital-asset related debt and losses on the disposal of capital assets.

2 INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration, and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The University's Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Sections 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the State Board of Administration (SBA); interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

External Investment Pools

The University reported investments at fair value totaling $678,134,432 at June 30, 2011, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of Af by Standard & Poor's and had an effective duration of 2.13 years at June 30, 2011. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

State Board of Administration Debt Service Accounts

The University reported investments at fair value totaling $3,724,286 at June 30, 2011, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The University relies on policies developed by the SBA for managing interest rate risk or credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

Component Units Investments

Investments held by the University's component units at June 30, 2011, are reported at fair value as follows:

INVESTMENT TYPE	THE FLORIDA STATE UNIVERSITY FOUNDATION, INC.	SEMINOLE BOOSTERS, INC.	FLORIDA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.	THE FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.	THE JOHN AND MABLE RINGLING MUSEUM OF ART FOUNDATION, INC.	FLORIDA STATE UNIVERSITY SCHOOLS, INC.	TOTAL
External Investment Pools:							
SBA - PRIME	$ -	$ -	$ -	$ 34,487,278	$ -	$ -	$ 34,487,278
SBA - Fund B	-	-	-	1,076,113	-	-	1,076,113
SBA - CAMPMM - Restricted	-	-	-	249,761	-	-	249,761
Certificates of Deposit	-	-	152,538	-	-	-	152,538
Money Market Funds	110,541	-	-	31,434,643	-	4,351,678	35,896,862
U.S. Government Obligations	-	-	-	-	2,737,351	-	2,737,351
Domestic Stocks	-	15,240,421	-	42,005,603	-	-	57,246,024
Real Estate Investments	804,554	17,795,017	-	-	-	-	18,599,571
Mutual Funds	303,338,344	21,699,423	-	-	568,985	-	325,606,752
Investment Agreements	117,090,437	-	-	-	-	-	117,090,437
TOTAL	**$ 421,343,876**	**$ 54,734,861**	**$ 152,538**	**$ 109,253,398**	**$ 3,306,336**	**$ 4,351,678**	**$ 593,142,687**

External Investment Pools

State Board of Administration Florida PRIME

The Research Foundation reported investments at fair value totaling $34,487,278 at June 30, 2011, in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. These investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, at June 30, 2011, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAm by Standard & Poor's and had a weighted-average days to maturity (WAM) of 31 days as of June 30, 2011. A portfolio's WAM reflects the average maturity in days, based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

State Board of Administration Fund B Surplus Funds Trust Fund

On December 4, 2007, the SBA restructured the Local Government Surplus Funds Trust Fund to establish the Fund B Surplus Funds Trust Fund (Fund B). Fund B, which is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the Florida PRIME investment pool, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balances within the Florida PRIME investment pool.

At June 30, 2011, the Research Foundation reported investments at fair value of $1,076,113 in Fund B. The investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.78965331 at June 30, 2011. The weighted-average life (WAL) of Fund B at June 30, 2011, was 7.16 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2011. WAL measures the sensitivity of Fund B to interest rate changes. The component units' investment in Fund B is unrated.

State Board of Administration Commingled Asset Management Program

The Research Foundation reported investments at fair value totaling $249,761 at June 30, 2011, in the Commingled Asset Management Program (CAMP) administered by the SBA. All securities purchased are consistent with Section 215.47, Florida Statutes and may be loaned to qualified borrowers in accordance with Florida Statutes. These funds are invested in the CAMP Money Market Restricted Pool (CAMPMM-Restricted).

The Research Foundation's written investment policy authorizes investment in highly diversified index funds that utilize futures, options, and other securities authorized under Section 215.47, Florida Statutes. The Research Foundation's investment policy for these diversified index funds does not specifically address interest rate risk or credit risks. The Research Foundation relies on policies developed by the SBA for managing interest rate risk and credit risk for this account. The SBA has taken the position that participants in the CAMPMM-Restricted pool are required to disclose information related to credit risk and interest rate risk. These investments pools were not ranked by a nationally recognized rating agency as of June 30, 2011. The CAMPMM-Restricted pool principally consists of segregated securities, which are securities originally purchased in the Commingled Asset Management Pool Money Market Fund (CAMPMM) that (1) defaulted in the payment of principal and interest; (2) were extended; (3) were restructured or otherwise subject to workout; or (4) experienced elevated market illiquidity. Participants in CAMPMM-Restricted pool receive periodic distributions to the extent that CAMPMM-Restricted pool receives proceeds deemed material by the SBA from (1) the natural maturities of securities, coupon interest collections, or collateral interest and principal paydowns; or (2) the sale of securities, collateral liquidation, or other restructure and workout activities undertaken. The weighted average life (based on expected future cash flows) of CAMPMM-Restricted pool at June 30, 2011, is estimated to be 8.69 years. However, because CAMPMM-Restricted pool consists of restructured or defaulted securities, there is considerable uncertainty regarding the weighted-average life.

Other Component Unit Investments

For the component units, the majority of investments are those reported by the Foundation. Because the Foundation reports under the FASB reporting model, disclosure of the various investment risks is not required for the Foundation's investments. The following are required risk disclosures applicable to investments of the remaining component units, which report under the GASB reporting model.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Museum Foundation investment policy limits the investment activity of the Fine Arts Endowment to U.S. Government securities with maturities not to exceed five years. The Museum Foundation's investment policy does not limit the investment maturities of the remaining 30 percent of its portfolio as a means of managing its exposure to fair value losses arising from increasing interest rates. The Research Foundation's investment policy limits the weighted average maturity of its investment portfolio to less than eight years. The Boosters and the School do not have written investment policies addressing interest rate risk. Investments of these component units in debt securities, mutual funds, money market funds and certificates of deposit have their future maturities at June 30, 2011, as follows:

INVESTMENT TYPE		INVESTMENT MATURITIES		
			(IN YEARS)	
	FAIR VALUE	DAILY	LESS THAN 1	1-5
The John and Mable Ringling Museum of Art Foundation, Inc.				
U.S. Government Obligations	$ 2,737,351	-	$ 1,473,759	$ 1,263,592
Mutual Funds	568,985	-	568,985	
TOTAL	$ 3,306,336	-	$ 2,042,744	$ 1,263,592
The Florida State University Research Foundation, Inc.				
Money Market Funds	$ 31,434,643	$ -	$ 31,434,643	$ -
Seminole Boosters, Inc.				
Mutual Funds	$ 21,699,423	$ 21,699,423	$ -	$ -
Florida State University Alumni Association, Inc.				
Certificates of Deposit	$ 152,538	$ -	$ 152,538	$ -
Florida State University Schools, Inc.				
Money Market Funds	$ 4,351,678	$ 4,351,678	$ -	$ -

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States Government or obligations explicitly guaranteed by the United States Government are not considered to have credit risk and do not require disclosure of credit quality. At June 30, 2011, the Museum Foundation had $568,985 of mutual funds that were not rated, the Boosters had $21,699,423 of mutual funds rated as AAAm by Standard & Poor's, the Research Foundation had $31,434,643 of money market funds rated as AAAm by Standard & Poor's, and the School had $4,351,678 of money market funds rated as Aaa by Standard & Poor's.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the component unit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk relates to investment securities that are held by someone other than the component unit and are not registered in the component unit's name. The Museum Foundation, the Research Foundation, the Boosters, the Alumni Association, and the School do not have written investment policies addressing custodial credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the component unit's investment in a single issuer. The Museum Foundation investment policy provides that the maximum amount that may be invested in the securities of an individual issuer other than the U.S. Government and its agencies shall not exceed five percent of the market value of the portfolio. The Boosters investment policy provides that investment in any one issuer must be limited to five percent at cost and seven percent of the market value of the portfolio. The Research Foundation and the School do not have a written investment policy addressing concentration of credit risk.

3 RECEIVABLES

Accounts Receivable

Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2011, the University reported the following amounts as accounts receivable:

DESCRIPTION		AMOUNT
Student Tuition and Fees	$	9,928,404
Contracts and Grants		19,334,740
Sales and Services of Educational Departments		25,644
Sales and Services of Auxiliary Enterprises		6,142,675
Interest		1,462,616
Other		1,017,782
TOTAL ACCOUNTS RECEIVABLE	**$**	**37,911,861**

Loans and Notes Receivable

Loans and notes receivable represent all amounts owed on promissory notes from debtors, including student loans made under the Federal Perkins Loan Program and other loan programs.

Allowance for Uncollectible Receivables

Allowances for doubtful accounts are reported based on management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable, and loans and notes receivable, are reported net of allowances of $1,047,315 and $1,608,994, respectively, at June 30, 2011. No allowance has been accrued for contracts and grants receivable. University management considers these to be fully collectible.

4 DUE FROM STATE

The $42,760,737 due from the State consists of Public Education Capital Outlay allocations to the University for construction of University facilities.

5 DUE FROM AND TO COMPONENT UNITS/UNIVERSITY

The University's financial statements are reported for the fiscal year ended June 30, 2011. The University's component units' financial statements are reported as of the most recent fiscal year for which an audit report is available. One component unit has a fiscal year other than June 30. Accordingly, amounts reported by the University as due from and to component units on the statement of net assets do not agree with amounts reported by the component units as due from and to the University.

6 INVENTORIES

Inventories have been categorized into the following two types:

- Departmental Inventories – Those inventories maintained by departments and not available for resale. Departmental inventories are comprised of such items as classroom and laboratory supplies, teaching materials, and office supply items, which are consumed in the teaching and work process. These inventories are normally expensed when purchased and therefore are not reported on the statement of net assets.
- Merchandise Inventory – Those inventories maintained which are available for resale to individuals and other University departments, and are not expensed at the time of purchase. These inventories are reported on the statement of net assets, and are valued at cost using either the moving average, actual cost, first-in, first-out or last invoice cost method.

7 CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2011, is shown below:

DESCRIPTION	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE
Nondepreciable Capital Assets:				
Land	$ 51,087,111	$ 2,023,894	$ -	$ 53,111,005
Works of Art and Historical Treasures	73,762,125	90,595	4,000	73,848,720
Construction in Progress	78,437,209	127,801,208	67,921,612	138,316,805
TOTAL NONDEPRECIABLE CAPITAL ASSETS	**$ 203,286,445**	**$ 129,915,697**	**$ 67,925,612**	**$ 265,276,530**
Depreciable Capital Assets:				
Buildings	$ 1,488,348,531	$ 63,495,386	$ 513,315	$ 1,551,330,602
Infrastructure and Other Improvements	116,296,938	2,393,902	-	118,690,840
Furniture and Equipment	319,027,886	26,143,677	20,388,735	324,782,828
Library Resources	114,100,487	8,706,846	853,485	121,953,848
Computer Software and Other Capital Assets	29,874,301	543,677	150,631	30,267,347
Total Depreciable Capital Assets	**2,067,648,143**	**101,283,488**	**21,906,166**	**2,147,025,465**
Less, Accumulated Depreciation:				
Buildings	313,946,161	30,302,394	263,792	343,984,763
Infrastructure and Other Improvements	43,735,046	3,883,453	-	47,618,499
Furniture and Equipment	228,867,132	23,812,029	17,249,479	235,429,682
Library Resources	82,520,892	7,252,473	810,927	88,962,438
Computer Software and Other Capital Assets	27,739,882	694,678	45,721	28,388,839
Total Accumulated Depreciation	**696,809,113**	**65,945,027**	**18,369,919**	**744,384,221**
TOTAL DEPRECIABLE CAPITAL ASSETS, NET	**$ 1,370,839,030**	**$ 35,338,461**	**$ 3,536,247**	**$ 1,402,641,244**

8 DEFERRED REVENUE

Deferred revenue includes Public Education Capital Outlay appropriations for which the University had not yet received approval from the Florida Department of Education, as of June 30, 2011, to spend the funds, student tuition and fees, and other revenue received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2011, the University reported the following amounts as deferred revenue:

DESCRIPTION		AMOUNT
Capital Appropriations	$	18,086,634
Athletic Revenues		12,241,678
Sponsored Research		2,882,965
Housing Fees		7,451,086
Other		55,502
TOTAL DEFERRED REVENUE	**$**	**40,717,865**

9 LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2011, include capital improvement debt payable, installment purchases payable, accrued self-insurance claims payable, compensated absences payable, other postemployment benefits payable and other noncurrent liabilities. Other noncurrent liabilities consist mainly of the liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan Program. This amount will ultimately be returned to the Federal Government should the University cease making Federal Perkins Loans or if the University has excess cash in the loan program. Long-term liabilities activity for the fiscal year ended June 30, 2011, is shown below:

DESCRIPTION	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	CURRENT PORTION
Capital Improvement Debt Payable	$ 186,587,815	$ 72,141,705	$ 14,863,084	$ 243,866,436	$ 9,251,303
Installment Purchases Payable	1,789,594	-	694,566	1,095,028	434,383
Accrued Self-Insurance Claims	1,350,477	-	291,666	1,058,811	209,994
Compensated Absences Payable	51,803,897	5,331,003	3,771,613	53,363,287	3,719,381
Other Postemployment Benefits Payable	8,632,000	8,433,000	3,558,000	13,507,000	-
Other Noncurrent Liabilities	16,528,569	-	938,811	15,589,758	-
TOTAL LONG-TERM LIABILITIES	**$ 266,692,352**	**$ 85,905,708**	**$ 24,117,740**	**$ 328,480,320**	**$ 13,615,061**

Capital Improvement Debt Payable

The University had the following capital improvement debt payable outstanding at June 30, 2011:

CAPITAL IMPROVEMENT DEBT TYPE AND SERIES	AMOUNT OF ORIGINAL DEBT	AMOUNT OUTSTANDING (1)	INTEREST RATES (PERCENT)	MATURITY DATE TO
Auxiliary Revenue Debt:				
1993 Housing	$ 3,500,000	$ 1,678,773	3.0	2022
2001 Housing	9,000,000	7,029,955	4.3 - 5.0	2030
2001A Housing	25,500,000	20,538,591	4.4 - 5.0	2031
2004A Housing	23,145,000	18,018,136	3.0 - 4.5	2034
2005A Housing	71,285,000	67,106,617	3.75 - 5.0	2035
2010A Housing	18,910,000	18,234,835	2.5 - 4.75	2040
Total Student Housing Debt	**151,340,000**	**132,606,907**		
2003A Parking	5,585,000	1,643,976	3.5 - 3.75	2014
2003B Parking	15,645,000	10,581,606	3.4 - 4.5	2023
2005A Parking	11,270,000	8,782,312	3.75 - 5.0	2025
2007A Parking	13,230,000	11,002,991	4.0 - 4.625	2026
20011A Parking	22,145,000	21,537,169	2.5 - 5.25	2031
Total Student Parking Debt	**67,875,000**	**53,548,054**		
2005A Dining	10,000,000	8,052,400	5.083 (2)	2025
2010A Wellness Center	31,320,000	31,064,075	3.0 - 5.0	2030
Total Auxiliary Debt	**260,535,000**	**225,271,436**		
2001 Research Foundation Revenue Debt	22,590,000	18,595,000	4.0 - 4.875	2031
TOTAL CAPITAL IMPROVEMENT DEBT	**$ 283,125,000**	**$ 243,866,436**		

Notes: (1) Amount outstanding includes unamortized discounts and premiums, issuance costs paid from debt proceeds and deferred losses on refunding issues and deferred charges.

(2) Rate listed is for interest payments through July 1, 2012. Rates are still to be determined for interest payments due after July 1, 2012.

The University has pledged a portion of future housing rental revenues, traffic and parking fees, food service revenues, and assessed student transportation and student health fees based on credit hours to repay $260.5 million in capital improvement (housing, parking, etc.) revenue bonds issued by the Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct student parking garages, student housing facilities, a health center, and other student service facilities. The bonds are payable solely from housing rental income, traffic and parking fees, food service revenues, and assessed student transportation and student health fees, and are payable through 2040. The University has committed to appropriate each year from the housing rental income, traffic and parking fees, food service revenues, and assessed student transportation and student health fees amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is $350.5 million, and principal and interest paid for the current year totaled $24.1 million. During the 2010-11 fiscal year housing rental revenues, traffic and parking fees, food service revenues, and assessed student transportation and student health fees were as follows:

REVENUE SOURCE	AMOUNT
Housing Rental Income	$ 33,698,001
Traffic, Parking and Transportation Fees	10,064,089
Food Service Revenues	1,490,980
Student Health Fees	12,651,426

The University issued new long-term capital improvement debt instruments as follows:

- On July 15, 2010, the Board of Governors issued $31,320,000 of Florida State University Mandatory Student Fee Revenue Bonds, Series 2010A, with interest rates ranging from 3.0 percent to 5.0 percent. The capital improvement debt proceeds are being used to finance the construction of a Health and Wellness Center on the main campus of the University.
- On August 5, 2010, the Board of Governors issued $18,910,000 of Florida State University Dormitory Revenue Bonds, Series 2010A, with interest rates ranging from 2.5 percent to 4.75 percent. The capital improvement debt proceeds are being used to finance the construction of a dormitory on the main campus of the University.

- On February 10, 2011, the Board of Governors issued $22,145,000 of Florida State University Parking Facility Revenue Bonds, Series 2011A, with interest rates ranging from 2.5 percent to 5.25 percent. A portion of the capital improvement debt proceeds was used to defease $6,775,000 of outstanding Florida State University Parking Facility Revenue Bonds, Series 2001 maturing in the years 2012 through 2022, with the remaining portion used to finance the construction of a parking facility on the main campus of the University. A portion of the proceeds will be deposited into a trust fund to provide for all future debt service payments on the defeased bonds. The trust assets and liability for the defeased bonds are not included in the University's statement of net assets. The trust redeemed the defeased bonds on July 1, 2011. As a result of the refunding, the University reduced its capital improvement debt service requirement by $525,403 over the next eleven years and obtained an economic gain of $441,614.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2011, are as follows:

FISCAL YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2012	$ 9,290,000	$ 10,987,176	$ 20,277,176
2013	9,620,000	10,654,689	20,274,689
2014	9,975,000	10,295,367	20,270,367
2015	9,760,000	9,899,039	19,659,039
2016	10,165,000	9,499,721	19,664,721
2017-2021	57,630,000	40,586,858	98,216,858
2022-2026	60,985,000	26,737,931	87,722,931
2027-2031	50,815,000	13,435,756	64,250,756
2032-2036	21,150,000	3,654,388	24,804,388
2037-2040	4,115,000	499,700	4,614,700
SUBTOTAL	**243,505,000**	**136,250,625**	**379,755,625**
Less: Unamortized Loss on Refundings	862,147	-	862,147
Less: Unamortized Deferred Charges	2,394,627	-	2,394,627
Plus: Unamortized Premiums and Discounts, Net	3,618,210	-	3,618,210
TOTAL	**$ 243,866,436**	**$ 136,250,625**	**$ 380,117,061**

Installment Purchases Payable

The University has entered into several installment purchase agreements for the purchase of equipment reported at $3,273,264. The stated interest rates ranged from 2.43 percent to 3.78 percent. Future minimum payments remaining under installment purchase agreements and the present value of the minimum payments as of June 30, 2011, are as follows:

FISCAL YEAR ENDING JUNE 30	AMOUNT
2012	$ 457,468
2013	214,191
2014	134,412
2015	134,412
2016	134,412
2017	100,809
Total Minimum Payments	1,175,704
Less: Amount Representing Interest	80,676
PRESENT VALUE OF MINIMUM PAYMENTS	**$ 1,095,028**

Compensated Absences Payable

Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2011, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $53,363,287.

Other Postemployment Benefits Payable

The University follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

Plan Description. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer defined-benefit plan (Plan). The University subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the Plan information is not included in the report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The University has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. As of July 1, 2009, the most recent actuarial valuation date, 1,141 retirees received postemployment healthcare benefits. The University provided required contributions of $3,558,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled $4,368,000.

Annual OPEB Cost and Net OPEB Obligation. The University's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation:

DESCRIPTION		AMOUNT
Normal Cost (Service Cost for One Year)	$	4,289,000
Amortization of Unfunded Actuarial Accrued Liability		3,765,000
Interest on Normal Cost and Amortization		322,000
Annual Required Contribution		**8,376,000**
Interest on Net OPEB Obligation		345,000
Adjustment to Annual Required Contribution		(288,000)
Annual OPEB Cost (Expense)		**8,433,000**
Contribution Toward the OPEB Cost		(3,558,000)
Increase in Net OPEB Obligation		**4,875,000**
Net OPEB Obligation, Beginning of Year		8,632,000
Net OPEB Obligation, End of Year	**$**	**13,507,000**

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2011, and for the two preceding years, were as follows:

FISCAL YEAR	ANNUAL OPEB COST	PERCENTAGE OF ANNUAL OPEB COST CONTRIBUTED	NET OPEB OBLIGATION
2008-09	$ 4,243,000	63%	$ 3,677,000
2009-10	8,038,000	38%	8,632,000
2010-11	8,433,000	42%	13,507,000

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $107,457,000, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $107,457,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $356,749,198 for the 2010-11 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 30.1 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The University's OPEB actuarial valuation as of July 1, 2009, used the entry-age cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2011, and the University's 2010-11 fiscal year ARC. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4 percent per year. Healthcare cost trend rates were 9.02 percent, 9.47 percent, and 9.62 percent for the for the current and two previous years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and were 7.11 percent, 10.5 percent and 10.5 percent for the current and two previous years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates are both 6.6 percent in the fourth year grading identically to 5.1 percent over 70 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011, was 26 years.

10 RETIREMENT PROGRAMS

Florida Retirement System

Essentially all regular employees of the University are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits and annual cost-of-living adjustments.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2010-11 fiscal year were as follows:

	PERCENT OF GROSS SALARY	
CLASS OR PLAN	EMPLOYEE	EMPLOYER (A)
Florida Retirement System, Regular	0.00	10.77
Florida Retirement System, Senior Management Service	0.00	14.75
Florida Retirement System, Special Risk	0.00	23.25
Teachers' Retirement System, Plan E	6.25	11.35
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	12.25
Florida Retirement System, Reemployed Retiree	(B)	(B)

Note: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .03 percent for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon retirement class in which reemployed.

The University's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University's contributions, including employee contributions, for the fiscal years ended June 30, 2009, June 30, 2010, and June 30, 2011, totaled $16,157,988, $15,671,982, and $17,334,687 respectively, which were equal to the required contributions for each fiscal year.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. University employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest at one year of service. There were 599 University participants during the 2010-11 fiscal year. Required contributions made to the PEORP totaled $2,783,362.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

State University System Optional Retirement Program. Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in the FRS for six or more years.

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes on behalf of the participant 10.43 percent of the participant's salary, less a small amount used to cover administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the university to the participant's annuity account.

There were 2,126 University participants during the 2010-11 fiscal year. Required employer contributions made to the Program totaled $18,475,863, and employee contributions totaled $8,296,269.

11 CONSTRUCTION COMMITMENTS

The University's construction commitments at June 30, 2011, are as follows:

PROJECT DESCRIPTION	TOTAL COMMITMENT	COMPLETED TO DATE	BALANCE COMMITTED
Johnston Building	$ 51,612,323	$ 39,084,519	$ 12,527,804
Nursing/Health Facility	50,382,717	20,954,632	29,428,085
Wildwood Halls Phase II	31,652,471	20,652,364	11,000,107
Parking Garage #6	17,019,647	1,516,639	15,503,008
1st DCA Building - College of Law Renovation	14,458,193	3,995,201	10,462,992
Other (1)	91,816,012	52,113,450	39,702,562
TOTAL	**$ 256,941,363**	**$ 138,316,805**	**$ 118,624,558**

Note: (1) All other projects with committed balances less than $5 million.

12 RISK MANAGEMENT PROGRAMS

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2010-11 fiscal year, for property losses, the State retained the first $2 million per occurrence for all perils except named windstorm and flood losses. In addition, for named windstorm and flood losses the State retained the first $2 million per occurrence with an annual aggregate of $40 million. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $58.75 million for named windstorm and flood losses through February 14, 2011, and increased to $61 million starting February 15, 2011. For perils other than named windstorm and flood, losses in excess of $2 million per occurrence were commercially insured up to $200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to $100,000 per person and $200,000 per occurrence as set by Section 768.28, Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three fiscal years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain healthcare services through participation in the State group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

University Self-Insurance Program

The Florida State University College of Medicine Self-Insurance Program was established pursuant to Section 1004.24, Florida Statutes on July 1, 2006. The Self-Insurance Program provides professional and general liability protection for the Florida State University Board of Trustees for claims and actions arising from the clinical activities of the College of Medicine faculty, staff and residents physicians. This includes the faculty and staff of the College of Nursing, effective July 1, 2009, and the faculty and staff of the Student Health Center, effective July 1, 2010. Liability protection is afforded to the students of each college. The Self-Insurance Program provides legislative claims bill protection.

The University is protected for losses that are subject to Section 768.28, Florida Statutes, to the extent of the waiver of sovereign immunity as described in Section 768.28(5), Florida Statutes. The Self-Insurance Program also provides $1,000,000 per legislative claims bills inclusive of payments made pursuant to Section 768.28, Florida Statutes; $250,000 per occurrence of protection for the participants that are not subject to the provisions of Section 768.28, Florida Statutes; $250,000 per claim protection for participants who engage in approved community service and act as Good Samaritans; and student protections of $100,000 for a claim arising from an occurrence for any one person, $250,000 for all claims arising from an occurrence and professional liability required by a hospital or other healthcare facility for educational purposes not to exceed a per occurrence limit of $1,000,000.

The Self-Insurance Program's estimated liability for unpaid claims at fiscal year end is the result of management and actuarial analysis and includes an amount for claims that have been incurred but not reported. Changes in the balances of claims liability for the Self-Insurance Program during the 2010-11 fiscal year are presented in the following table:

FISCAL YEAR	CLAIMS LIABILITIES BEGINNING OF YEAR	CURRENT CLAIMS/ CHANGES IN ESTIMATES	CLAIMS PAYMENTS	CLAIMS LIABILITIES END OF YEAR
2008-09	$ 812,481	$ 149,072	$ 12,999	$ 948,554
2009-10	948,554	411,492	9,569	1,350,477
2010-11	1,350,477	(289,032)	2,634	1,058,811

13 FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of an operating expense (instruction, research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of academic departments for which the primary departmental function is instruction may include some activities other than direct instruction such as research and public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net assets are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

FUNCTIONAL CLASSIFICATION	AMOUNT
Instruction	$ 274,275,291
Research	134,101,685
Public Service	32,835,274
Academic Support	60,482,786
Student Services	30,599,736
Institutional Support	54,422,966
Operation and Maintenance of Plant	58,238,484
Scholarships and Fellowships	89,279,004
Depreciation	65,945,027
Auxiliary Enterprises	140,843,540
Loan Operations	497,118
Total Operating Expenses	**$ 941,520,911**

14 SEGMENT INFORMATION

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instruments outstanding with a revenue stream pledged in support of that debt. In addition, the activity's related revenues, expenses, gains, losses, assets, and liabilities are required to be accounted for separately. The following financial information for the University's Parking and Housing facilities represents identifiable activities for which one or more bonds are outstanding:

CONDENSED STATEMENT OF NET ASSETS

	PARKING FACILITY CAPITAL IMPROVEMENT DEBT	HOUSING FACILITY CAPITAL IMPROVEMENT DEBT
Assets		
Current Assets	$ 4,352,793	$ 19,687,863
Capital Assets, Net	64,119,376	189,038,405
Other Noncurrent Assets	16,753,068	36,377,718
Total Assets	**85,225,237**	**245,103,986**
Liabilities		
Current Liabilities	4,383,903	16,594,371
Noncurrent Liabilities	50,959,775	130,533,640
Total Liabilities	**55,343,678**	**147,128,011**
Net Assets		
Invested in Capital Assets, Net of Related Debt	25,100,629	61,896,621
Restricted - Expendable	3,520,509	26,128,049
Unrestricted	1,260,421	9,951,305
Total Net Assets	**$ 29,881,559**	**$ 97,975,975**

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	PARKING FACILITY CAPITAL IMPROVEMENT DEBT	HOUSING FACILITY CAPITAL IMPROVEMENT DEBT
Operating Revenues	$ 10,064,089	$ 33,698,001
Depreciation Expense	(1,554,617)	(4,055,186)
Other Operating Expenses	(4,259,987)	(15,777,800)
Operating Income	4,249,485	13,865,015
Net Nonoperating Expenses	(1,290,863)	(3,764,107)
Income Before Other Revenues, Expenses, Gains, or Losses	2,958,622	10,100,908
Other Revenues, Expenses, Gains, or Losses	(683,360)	(697,714)
Increase in Net Assets	2,275,262	9,403,194
Net Assets, Beginning of Year	27,606,297	88,572,781
Net Assets, End of Year	**$ 29,881,559**	**$ 97,975,975**

CONDENSED STATEMENT OF CASH FLOWS

	PARKING FACILITY CAPITAL IMPROVEMENT DEBT	HOUSING FACILITY CAPITAL IMPROVEMENT DEBT
Net Cash Provided (Used) by:		
Operating Activities	$ 5,966,070	$ 17,230,421
Noncapital Financing Activities	(683,360)	(697,714)
Capital and Related Financing Activities	8,473,487	(9,666,124)
Investing Activities	(13,727,057)	(6,836,491)
Net Increase in Cash and Cash Equivalents	29,140	30,092
Cash and Cash Equivalents, Beginning of Year	5,096	22,588
Cash and Cash Equivalents, End of Year	**$ 34,236**	**$ 52,680**

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COMPONENT UNITS

The University has twelve component units as discussed in note 1, nine of which had activity during the 2010-11 fiscal year. These component units comprise 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. The following financial information is from the most recently available audited financial statements for the component units:

DIRECT-SUPPORT ORGANIZATIONS

	THE FLORIDA STATE UNIVERSITY FOUNDATION, INC. 6/30/2011	SEMINOLE BOOSTERS, INC. 6/30/2011	FLORIDA STATE UNIVERSITY INTERNATIONAL PROGRAMS ASSOCIATION, INC. 9/30/2010	FLORIDA STATE UNIVERSITY ALUMNI ASSOCIATION, INC. 6/30/2011
Condensed Statement of Net Assets				
Assets:				
Current Assets	$ 15,540,281	$ 34,061,423	$ 6,947,702	$ 664,652
Capital Assets, Net	1,096,125	90,419,328	19,724,732	94,411
Other Noncurrent Assets	488,175,011	114,852,688	5,666	68,137
TOTAL ASSETS	**504,811,417**	**239,333,439**	**26,678,100**	**827,200**
Liabilities:				
Current Liabilities	6,040,072	28,803,147	1,983,070	51,783
Noncurrent Liabilities	6,383,717	78,242,191	11,651,350	23,817
TOTAL LIABILITIES	**12,423,789**	**107,045,338**	**13,634,420**	**75,600**
Net Assets:				
Invested in Capital Assets, Net of Related Debt	1,096,125	27,797,517	7,049,646	94,411
Restricted	500,245,994	100,014,068	-	-
Unrestricted	(8,954,491)	4,476,516	5,994,034	657,189
TOTAL NET ASSETS	**$ 492,387,628**	**$ 132,288,101**	**$ 13,043,680**	**$ 751,600**
Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
Operating Revenues	$ 34,306,674	$ 25,410,531	$ 11,608,735	$ 1,646,576
Operating Expenses	53,201,352	36,457,491	9,992,895	1,997,461
OPERATING INCOME (LOSS)	**(18,894,678)**	**(11,046,960)**	**1,615,840**	**(350,885)**
Net Nonoperating Revenues (Expenses)	76,733,107	662,559	(253,625)	178,427
Other Revenues, Expenses, Gains, and Losses	4,003,878	3,013,064	-	-
INCREASE (DECREASE) IN NET ASSETS	**61,842,307**	**(7,371,337)**	**1,362,215**	**(172,458)**
Net Assets, Beginning of Year	430,545,321	139,659,438	11,681,465	924,058
Adjustments to Beginning Net Assets				
NET ASSETS, END OF YEAR	**$ 492,387,628**	**$ 132,288,101**	**$ 13,043,680**	**$ 751,600**

				OTHER	TOTAL
THE FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC. 6/30/2011	THE JOHN AND MABLE RINGLING MUSEUM OF ART FOUNDATION, INC. 6/30/2011	FLORIDA MEDICAL PRACTICE PLAN, INC. 6/30/2011	FLORIDA STATE UNIVERSITY MAGNET RESEARCH AND DEVELOPMENT, INC. 6/30/2011	FLORIDA STATE UNIVERSITY SCHOOLS, INC. 6/30/2011	
$ 110,594,620	$ 2,573,223	$ 2,341,360	$ 696,386	$ 13,906,007	$ 187,325,654
14,616,183	205,861	-	-	25,431,245	151,587,885
3,455,624	1,766,574	-	402,852	116,342	608,842,894
128,666,427	**4,545,658**	**2,341,360**	**1,099,238**	**39,453,594**	**947,756,433**
23,865,805	59,152	935,335	524,648	1,432,603	63,695,615
326,796	-	-	-	17,711,281	114,339,152
24,192,601	**59,152**	**935,335**	**524,648**	**19,143,884**	**178,034,767**
13,609,591	205,861	-	-	7,012,169	56,865,320
-	2,331,209	-	-	4,419,775	607,011,046
90,864,235	1,949,436	1,406,025	574,590	8,877,766	105,845,300
$ 104,473,826	**$ 4,486,506**	**$ 1,406,025**	**$ 574,590**	**$ 20,309,710**	**$ 769,721,666**
$ 13,644,933	$ 1,447,301	$ 8,709,858	$ 505,569	$ 12,101,769	$ 109,381,946
13,623,104	1,275,651	1,562,996	542,447	12,300,550	130,953,947
21,829	**171,650**	**7,146,862**	**(36,878)**	**(198,781)**	**(21,572,001)**
12,390,554	139,420	(6,598,743)	4,720	(906,209)	82,350,210
-	-	-	-	2,076,428	9,093,370
12,412,383	**311,070**	**548,119**	**(32,158)**	**971,438**	**69,871,579**
92,061,443	4,175,436	857,906	771,798	19,338,272	700,015,137
			(165,050)		(165,050)
$ 104,473,826	**$ 4,486,506**	**$ 1,406,025**	**$ 574,590**	**$ 20,309,710**	**$ 769,721,666**

16 SUBSEQUENT EVENTS

On September 9, 2011, the Board of Trustees of the University approved the transfer of the Facility for Fine Arts Research Building from The Florida State University Research Foundation, Inc. to the University. This transfer is expected to be completed within the next fiscal year, upon execution of necessary agreements.

On November 17, 2011, the University received a $27,688,302 distribution from the sale of Florida State University Dormitory Revenue Refunding Debt, Series 2011A with a par value of $27,745,000. The proceeds from this debt will be used to refund all or a portion of the outstanding State of Florida, Board of Regents, Florida State University Housing Facility Revenue Bonds, Series 2001, and the outstanding State of Florida, Florida Board of Education, Florida State University Housing Facility Revenue Bonds, Series 2001A.

SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The July 1, 2009 unfunded actuarial liability of $107,457,000 was significantly higher than the July 1, 2007 liability of $67,043,000 primarily as a result of changes in the methodology used by the actuary to calculate this liability. The most significant of these modifications were due to changes in the long-term trend model, an increase in the coverage election assumption, and changes in the rates of decrement and mortality and the amortization factor.

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (A)	ACTUARIAL ACCRUED LIABILITY (AAL) - ENTRY AGE (B) (1)	UNFUNDED AAL (UAAL) (B-A)	FUNDED RATIO (A/B)	COVERED PAYROLL (C)	UAAL AS A PERCENTAGE OF COVERED PAYROLL [(B-A)/C]
7/1/2007	$ -	$ 67,043,000	$ 67,043,000	0%	$ 355,230,858	18.9%
7/1/2009	-	107,457,000	107,457,000	0%	344,724,148	31.2%

Note: (1) The actuarial cost method used by the institution is the entry-age actuarial cost method.

AUDITOR GENERAL
STATE OF FLORIDA

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AUDITOR GENERAL

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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the financial statements of Florida State University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2011, which collectively comprise the University's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the aggregate discretely presented component units as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, with which noncompliance could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to University management in our operational audit report No. 2012-075.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

David W. Martin, CPA
January 20, 2012
Audit Report No. 2012-078


FLORIDA STATE UNIVERSITY
1851
LEGACY WALK
PAVING the WAY
Since 1851
LEADING
for the Greater Good

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Michael Williams, University Controller
John Bembry, Associate Controller
Alvaro Bernal, Associate Controller
Beverly Miller, Associate Controller
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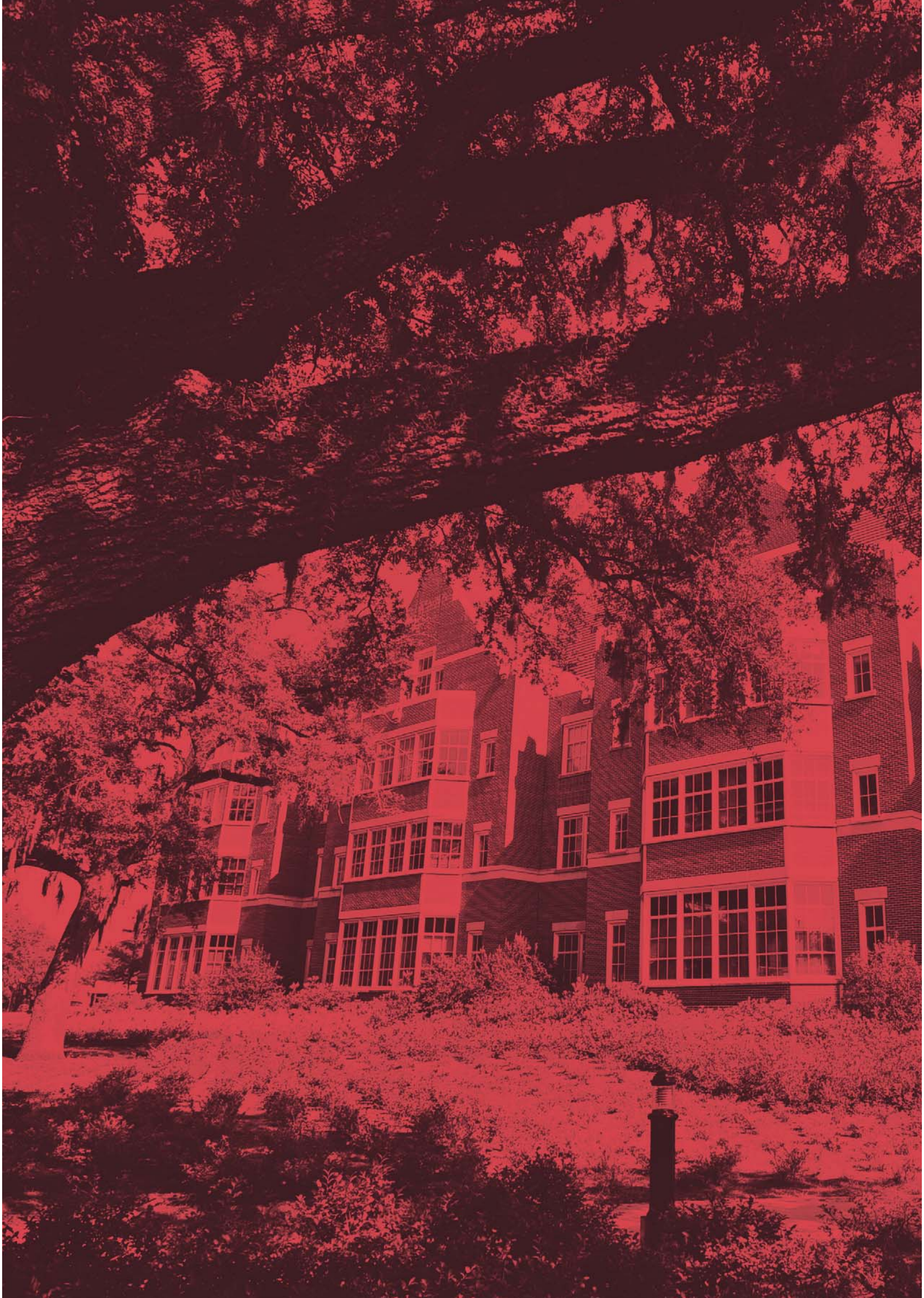

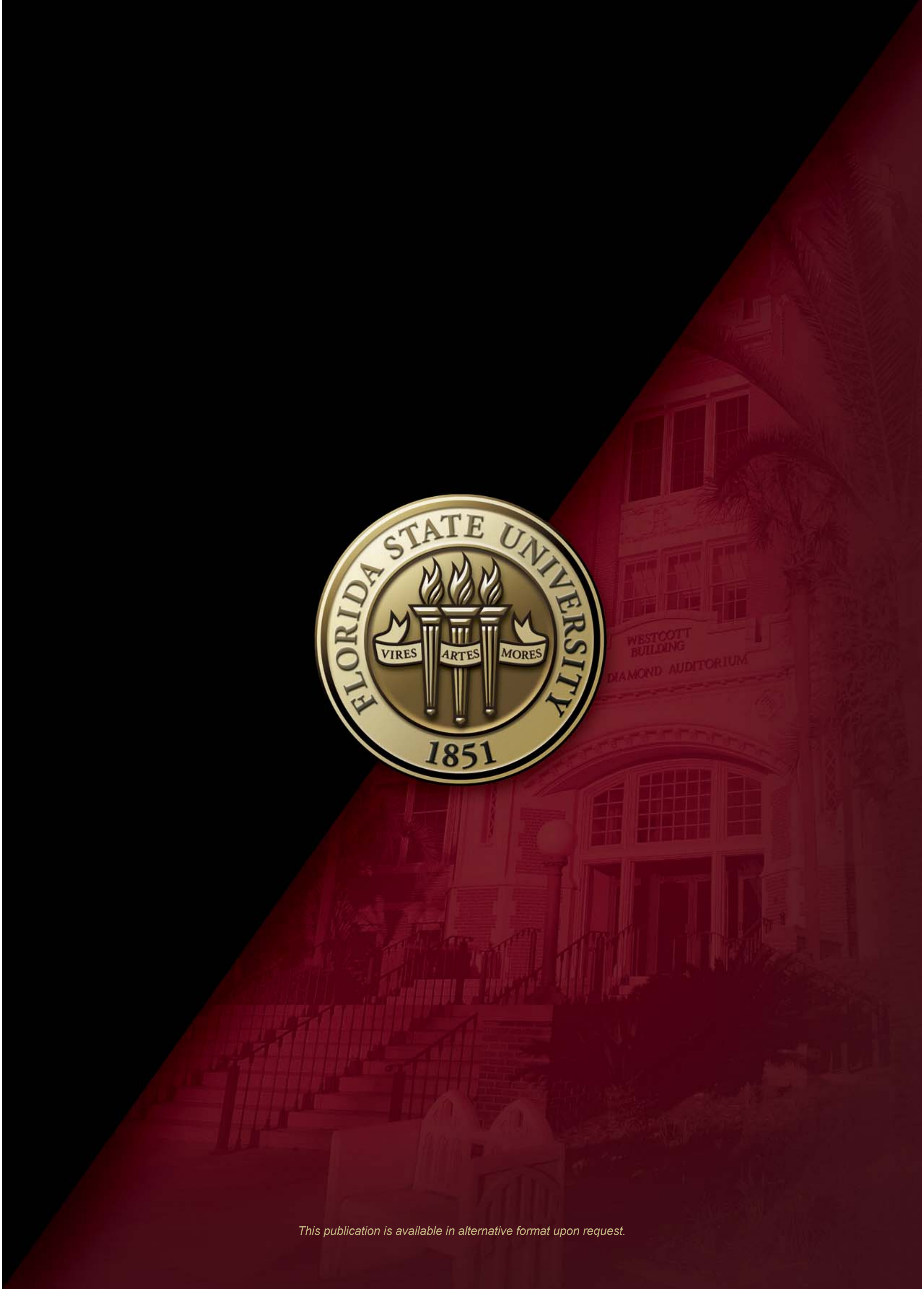
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Financial Statements

Florida State University Research Foundation, Inc.

Years ended June 30, 2012 and 2011
with Report of Independent Auditors

Thomas Howell Ferguson P.A.

Florida State University Research Foundation, Inc.

Financial Statements

Years ended June 30, 2012 and 2011

Contents

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Report of Independent Auditors

The Board of Directors
Florida State University Research Foundation, Inc.

We have audited the accompanying statements of financial position of Florida State University Research Foundation, Inc. (the Research Foundation) as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in fund net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Research Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of Florida State University Research Foundation, Inc. as of June 30, 2012 and 2011, and the changes in its fund net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2012, on our consideration of the Research Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Thomas Howell Ferguson P.A.

September 6, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Florida State University Research Foundation, Inc. (the Research Foundation) is pleased to present its financial statements for fiscal years 2012 and 2011. The intent of this discussion and analysis of financial performance is to provide readers with a comprehensive picture of the Research Foundation's financial condition and results of operations and should be read in conjunction with the audited financial statements and related footnotes as details provided there are not necessarily repeated in this analysis.

This annual report consists of a series of financial statements. The **Statements of Financial Position** and the **Statements of Revenues, Expenses, and Changes in Fund Net Assets** provide information about the activities of the Research Foundation as a whole and present an overall view of the Research Foundation's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All current year revenues and expenses are taken into account regardless of when cash was received or disbursed. The primary purpose of the **Statements of Cash Flows** is to provide information about the cash receipts and disbursements of an entity during a period. This statement aids in the assessment of an organization's ability to generate future net cash flows and meet obligations as they come due. The accompanying footnotes to the financial statements provide further information related to amounts presented on the financial statements. The following discussion is meant to focus on key changes that occurred during the current financial period.

FINANCIAL HIGHLIGHTS

- **Net assets** of the Research Foundation decreased by $4 million in fiscal year 2012. They decreased from $105 million to approximately $101 million by June 30, 2012. Contributions to Florida State University (the University) accounted for most of the net asset decrease. Net assets indicate the overall financial strength of the Research Foundation and are equal to total assets less total liabilities. These net assets will provide the resources necessary to continue funding research programs and research facilities, as well as to meet other obligations in the coming years.

- **Revenues** at the Research Foundation consist of licensing and royalty revenues, privately-funded contracts and grants, building rentals, and investment earnings.

    - **Licensing fees and royalty revenues** decreased from the previous year. During fiscal year 2011, the Research Foundation sold the PortStar intellectual property for $500,000 and secured it with the note receivable. The PortStar sale was a one-time transaction, which did not recur in fiscal year 2012. The Center for Prevention and Early Intervention Policy (CPEIP) royalty revenue decreased by approximately $100,000 from the previous year due to large printing expenses incurred by the CPEIP department.

FINANCIAL HIGHLIGHTS (continued)

- **Privately-funded contract and grant revenue** recognized in fiscal year 2012 increased from the prior year. The dollar value and the number of the awards received by the Research Foundation have consistently increased over the past few fiscal years. The Research Foundation expects the contract and grant revenue to increase in the next fiscal year as well.

- **Building revenues** decreased by 3%, as a result of the donation of the Facility for Arts Research (FAR) Building to the University. In fiscal year 2011, the Research Foundation received rental revenues from the FAR Building in the amount of $93,000. The tenant's lease in the FAR Building ended in March 2011. Since the building would be donated to the University, the Research Foundation decided not to renew the lease; therefore the Research Foundation received no rental revenue in fiscal year 2012 related to this building. Building expenses decreased 15% overall as a result of three factors; (1) the Research Foundation incurred operational expenses during fiscal year 2011 and was released from those obligations when the property was donated to the University at the beginning of fiscal year 2012, (2) the amortization of the Johnson Building ended on November 1, 2011, and (3) the Research Foundation reduced the property insurance amount on certain buildings and was able to negotiate a more favorable rate with the insurance agency for a cost savings of $123,000.

- **Investment revenues** consisted of unrealized gains of $1,774,073 and interest income of $102,021 which comprised the total gain during fiscal year 2012 of $1,876,094. The Research Foundation realized an investment return of 5% in fiscal year 2012, compared to 17% in fiscal year 2011. The change in 2012 compared to 2011 is due to a less favorable variance in the equities investment market.

RESEARCH FOUNDATION FUNDED PROGRAMS HIGHLIGHTS

Past royalty revenue and investment earnings provide resources for various internal research programs developed at the University. Spending for these programs is listed as "Research Foundation funded programs" on the Statements of Revenues, Expenses, and Changes in Fund Net Assets. These programs include:

- ***Eppes Professorships*** **–** assist the University in recruiting national scholars by providing a $40K annual grant to selected scholars employed by the University in various disciplines. Past recipients include Pulitzer Prize winners in literature and music composition, a four-time Emmy Award winner, a Nobel Prize winner in Chemistry, and a former chair of the National Endowment for the Arts. Eppes Professors bring new opportunities to students and campus. The grants are funded from investment earnings with up to $800K committed to this program annually.

RESEARCH FOUNDATION FUNDED PROGRAMS HIGHLIGHTS (continued)

- ***Grants for Application Proof of Concept (GAP) Funding Program*** **–** support enhancements of inventions or other original works that have been disclosed to the University. It funds projects that University researchers and other interested parties agree will quickly improve the odds that current research results will lead to public availability of a new product or service. In fiscal year 2009, the Board of Directors approved this program extension for four years at $250,000 per year.

OVERVIEW OF THE FINANCIAL STATEMENTS

Statements of Financial Position

The Statements of Financial Position present the assets, liabilities, and net assets of the Research Foundation as of the end of the fiscal year. From the data presented, readers are able to determine the assets available to continue the operations of the organization. In 2012, there was a decrease in **total assets** of $6.4 million. The variance was mainly a result of the donation of the FAR Building to the University.

The Research Foundation's **long-term investment** funds with the State Board of Administration Commingled Asset Management Money Market Pool (CAMP-MM) and Local Government Investment Pool Fund B are currently illiquid and therefore restricted for use by the Research Foundation. The restricted balances consist of $222,821 in CAMP-MM and $945,916 in Fund B at June 30, 2012.

The **short-term investments** decreased by approximately $1 million due to the net effect of the $1.87 million investment earnings, the purchase of the Macomb and Call property, and the net result of operations.

Property under capital leases (net) decreased by $1.3 million due to the amortization of the various properties under the capital lease agreements. These assets represent the current amortized cost of various Research Foundation leasehold agreements in Innovation Park.

Statements of Financial Position (continued)

All **construction in progress** was completed during fiscal year 2012. The 2011 construction in progress balance consisted of the Transmission Electron Microscope (TEM) and the Aero-Propulsion, Mechatronics, and Energy (AME) Building. The TEM was capitalized as a Research Foundation asset as of June 30, 2012, but was not depreciated since it will be donated to the University soon after the 2012 fiscal year end. The construction and equipment costs for the AME Building were capitalized as a lease payment in advance.

- *Transmission Electron Microscope (TEM)* – During fiscal year 2009, the Research Foundation entered into a contract to construct a Transmission Electron Microscope and renovate an existing laboratory space to accommodate the microscope.

- *Aero-Propulsion, Mechatronics, and Energy Building (AME)* – During fiscal year 2009, the Research Foundation began preliminary feasibility work on the design and construction of a new building. The Research Foundation Board of Directors agreed to advance funds related to the architectural design of this project. The remaining funds for the construction of this building were provided by Public Education Capital Outlay (PECO) money funded by the State of Florida and the University's Sponsored Research Accounting Distribution.

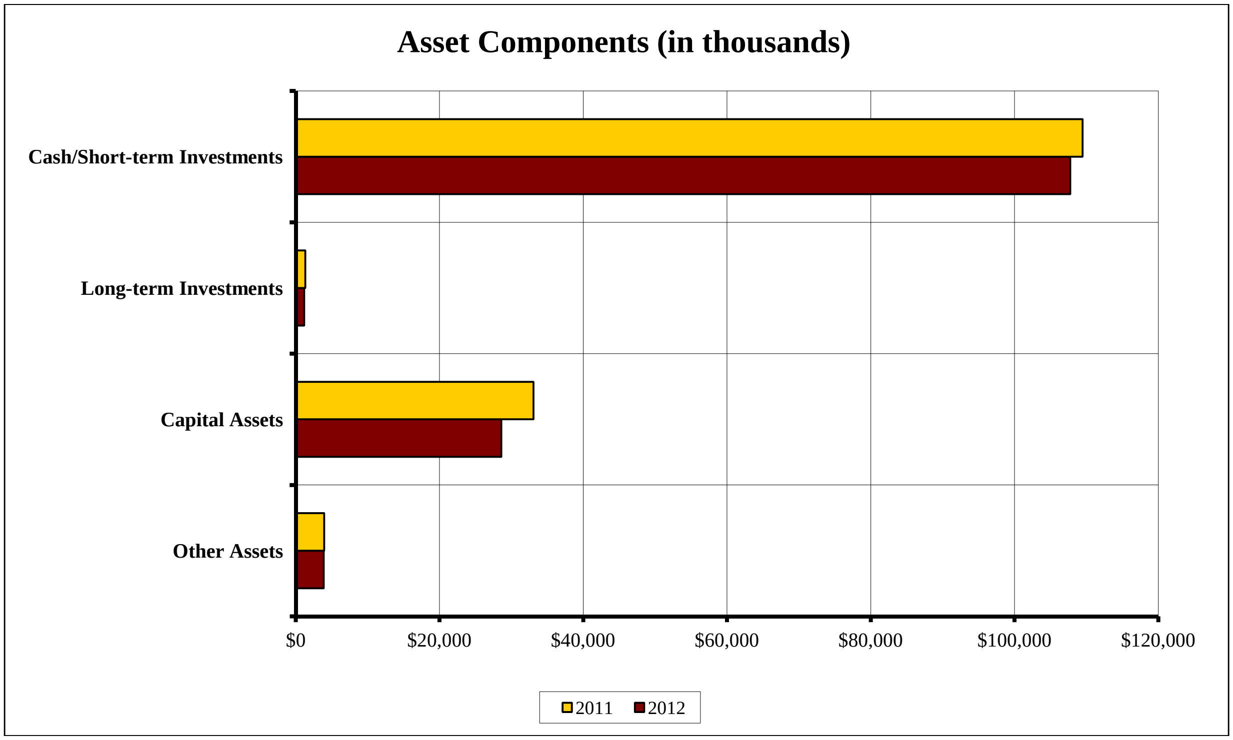
Total liabilities decreased by $2.3 million in fiscal year 2012. The combination of activities in the royalty allocations payable and the obligations under capital leases resulted in the overall change. The royalty allocations payable decreased due to the continuous spending of the department's share of the royalty distributions. The obligations under capital leases decreased by $595,000, which was equal to the amount of the required principal payments made to the State Board of Administration in fiscal year 2012.

The **royalty allocations payable** consists primarily of past royalties not yet spent by departments held on deposit at the Research Foundation. For 2012, this payable declined by $1.8 million due to continued departmental spending.

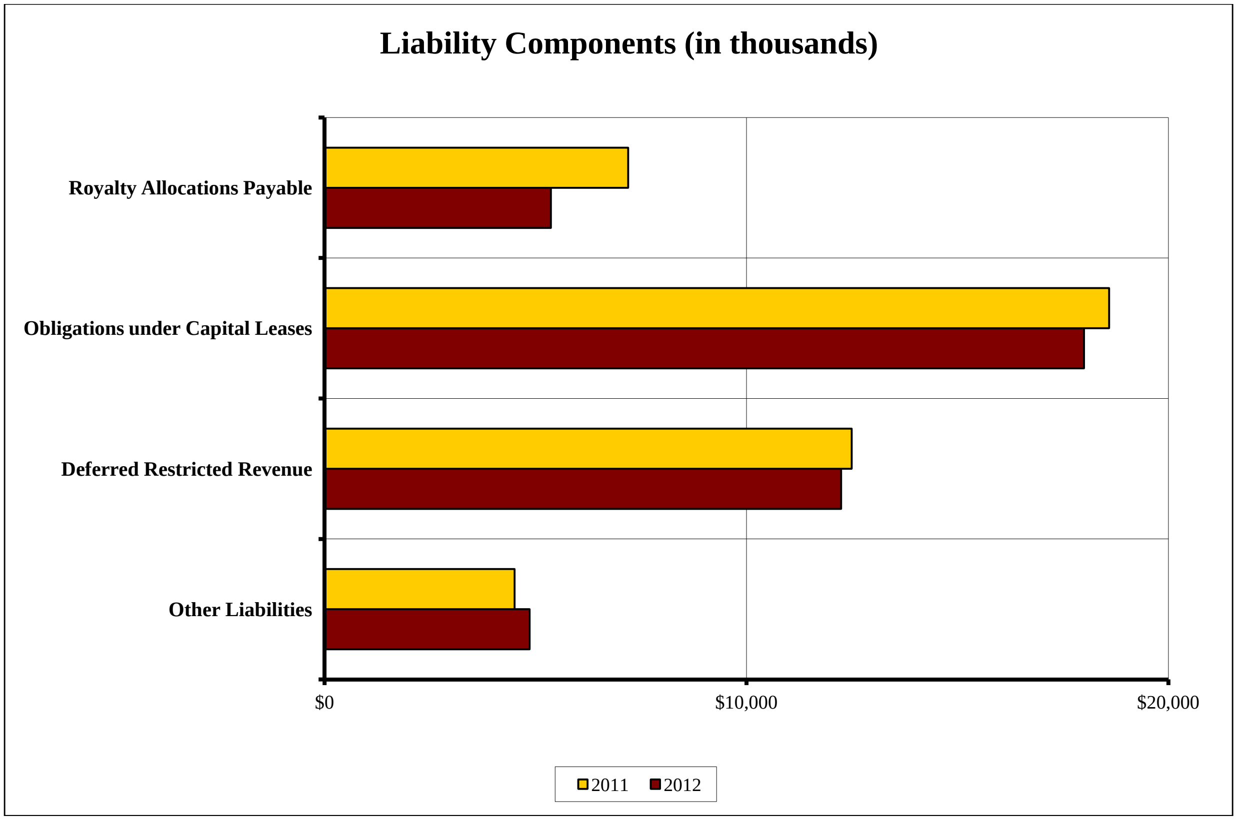
Deferred restricted revenue consists of the unexpended portions of contract and grant revenue receipts that are being administered by the Research Foundation. Revenue per the Statements of Revenues, Expenses, and Changes in Fund Net Assets is recognized only to the extent expenses are incurred in executing the applicable contracts and grants. Deferred restricted revenue decreased by $250,000 in 2012 due to the increase in contract and grant expenses.

Statements of Financial Position (continued)

The following chart illustrates the **asset** components at June 30, 2012 and 2011:



The following chart illustrates the **liability** components at June 30, 2012 and 2011:



Statements of Financial Position (continued)

Computing and presenting net assets (the difference between assets and liabilities) is one way to illustrate the financial health or financial position of the Research Foundation. Over time, increases or decreases in net assets are an indicator of whether the overall financial health is improving or deteriorating. The following table summarizes assets, liabilities, and net assets as of June 30:

Net Assets (in millions), End of Year					
		2012		**2011**	**% change**
Current and Other Assets	$	112.8	$	114.7	-1.7%
Capital Assets and Land		28.6		33.1	-13.6%
Total Assets	**$**	**141.4**	**$**	**147.8**	**-4.3%**
Debt Outstanding - Capital Assets	$	18.0	$	18.6	-3.2%
Other Liabilities		22.5		24.2	-7.0%
Total Liabilities	**$**	**40.5**	**$**	**42.8**	**-5.4%**
Invested in Capital Assets (net of debt)	$	10.3	$	14.1	-27.0%
Unrestricted		90.6		90.9	-0.3%
Total Net Assets	**$**	**100.9**	**$**	**105.0**	**-3.9%**

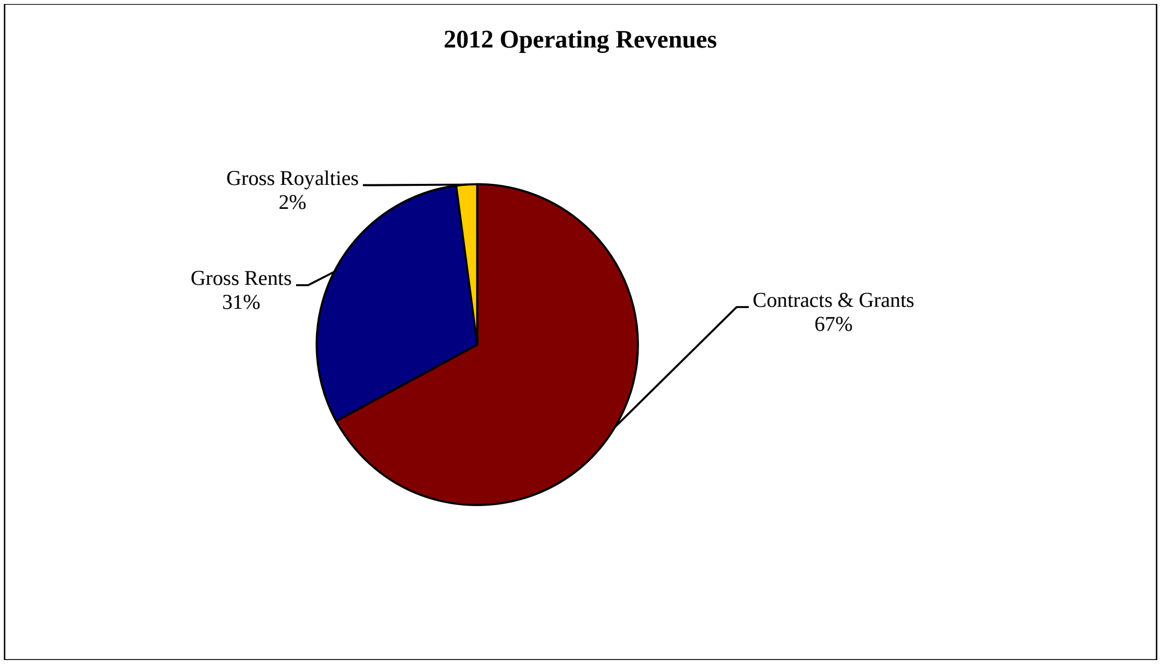
The Research Foundation's overall financial condition remains healthy with total assets exceeding total liabilities by $100.9 million.

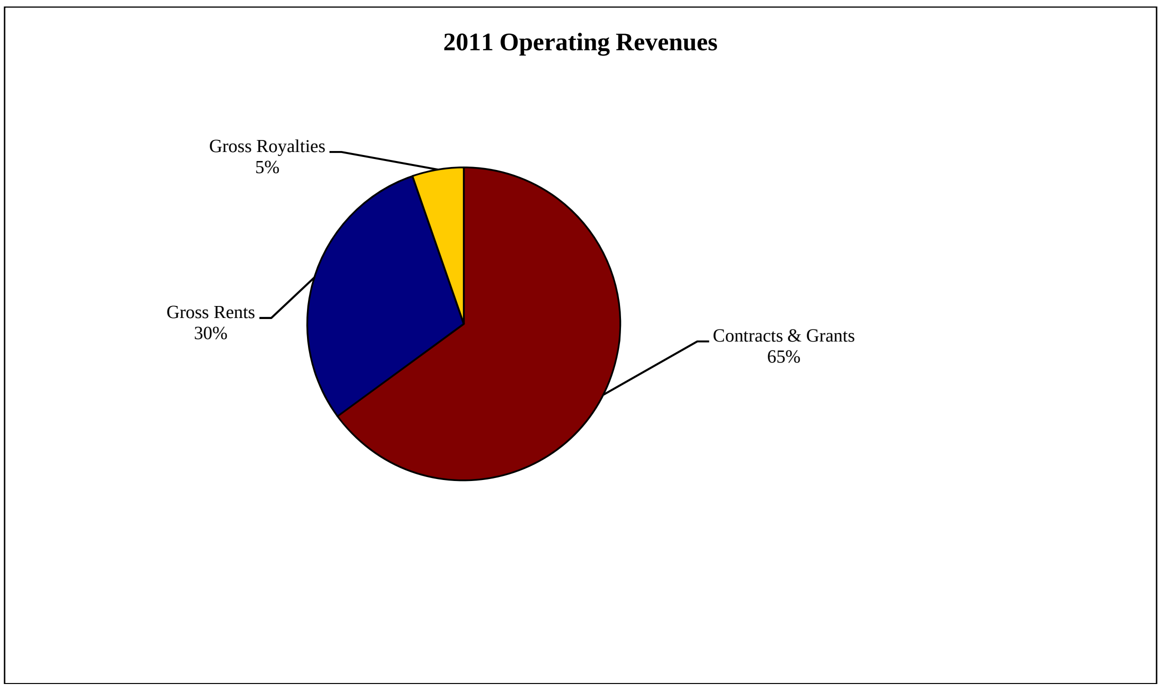
Statements of Revenues, Expenses, and Changes in Fund Net Assets

Royalty revenues, contract and grant revenues, building rents (**Operating income**) and investment earnings (**Nonoperating income**) provide the primary resources used to fund Research Foundation activities. The Research Foundation recognized $8.4 million in contract and grant revenue during fiscal year 2012. This was a 15% increase from the $7.3 million recognized in fiscal year 2011. Net building operations produced $994,000 and $605,000 of revenue in 2012 and 2011, respectively. Gross rents decreased by 3% during fiscal year 2012, due to the decrease in rental revenue received in regards to the FAR Building. At the time of acquisition of the FAR Building, the Department of Revenue's (DOR) lease with the previous owner was transferred to the Research Foundation. The DOR's lease ended in March 2011, and the Research Foundation decided not to renew the lease nor did the Research Foundation enter into any new lease agreements prior to the donation to the University. Total building expenses decreased by 15% from 2011 to 2012. The decrease in building occupancy was due to the donation of the FAR Building to the University, which reduced the expenses, the decrease in the insurance expense related to the remaining properties held or managed by the Research Foundation, and the reduction in the amortization related to the Johnson Building.

Statements of Revenues, Expenses, and Changes in Fund Net Assets (continued)

The following charts depict the sources of operating revenues for the periods ending June 30, 2012 and 2011. The allocation of revenues has remained consistent from the prior year.





Statements of Revenues, Expenses, and Changes in Fund Net Assets (continued)

Other operating expenses increased $3.8 million or 106% in 2012 which is primarily attributable to the increase in **Contributions to Florida State University** (see below).

Contributions to Florida State University increased $3.8 million in 2012 from the prior year due to the variance in the value of the properties donated to the University in fiscal years 2012 and 2011. During fiscal year 2012, the Research Foundation donated the FAR Building, which was valued at $5.7 million. During fiscal year 2011, the Research Foundation donated a building and land in the amount of $2.1 million. The following list describes the types of disbursements made as Contributions to Florida State University in 2012 and 2011:

	Years Ended June 30, 2012	2011
Contributions toward Office of Intellectual Property	$ 46,706	$ 49,979
Residuals available for research spending	280,864	257,885
Advocacy groups assisting with federal funding	80,000	62,232
Contracted services, publications, recruiting, and other	246,312	157,952
Donation of property to the University	5,680,118	2,097,895
Contributions from the University	(352,054)	(500,000)
	$ 5,981,946	$ 2,125,943

Nonoperating revenues decreased over $12.2 million for 2012 compared to 2011. This decrease was primarily due to the fiscal year 2011 favorable equities investment market and the contribution revenue. The Research Foundation had **investment revenues** of $10.9 million in 2011 compared to $1.9 million in 2012. The contribution revenue in fiscal year 2011 consisted of a donation for the excess amount of the appraisal over the purchase price of the FAR Building. This donation was a one-time occurrence.

The Research Foundation is considered a component unit of The Florida State University, and as such, submits required financial information to be included in their government-wide and fund financial statements.

Florida State University financial statements can be viewed at the following website: http://controller.vpfa.fsu.edu/Annual-Financial-Reports

Florida State University Research Foundation, Inc.

Statements of Financial Position

	June 30, 2012	June 30, 2011
Assets:		
Current assets:		
Cash	**$ 978,312**	$ 1,531,722
Short-term investments	**106,769,233**	107,927,524
License fees and royalties receivable	**2,334**	24,600
Grants receivable	**349,482**	448,488
Note receivable, current portion	**15,500**	26,250
Accounts receivable - other	**77,287**	46,988
Prepaid expenses	**108,006**	589,048
Total current assets	**108,300,154**	110,594,620
Noncurrent assets:		
Long-term investments	**1,168,737**	1,325,874
Note receivable, net long-term portion	**217,794**	223,750
Land	**3,447,260**	1,435,000
Property under capital leases, net	**18,969,498**	20,239,159
Building and improvements, net	**2,002,118**	7,547,730
Equipment, net	**4,135,846**	40,629
Computer software, net	**45,466**	62,000
Construction in progress	**-**	3,748,402
Lease payments in advance, net	**2,447,980**	1,906,000
Other assets, net	**668,934**	679,796
Total noncurrent assets	**33,103,633**	37,208,340
Total assets	**$ 141,403,787**	$ 147,802,960
Liabilities and fund net assets		
Current liabilities:		
Royalty allocations payable	**$ 5,363,984**	$ 7,196,168
Other liabilities	**630,231**	327,719
Deferred restricted revenue	**12,242,454**	12,493,401
Florida State University fund payable	**3,914,914**	3,848,517
Obligations under capital leases, current portion	**615,000**	595,000
Total current liabilities	**22,766,583**	24,460,805
Noncurrent liabilities:		
Obligations under capital leases, long-term portion	**17,385,000**	18,000,000
Annuity obligations	**311,972**	326,796
Total noncurrent liabilities	**17,696,972**	18,326,796
Fund net assets:		
Invested in capital assets, net of related debt	**10,288,216**	14,151,124
Unrestricted	**90,652,016**	90,864,235
Total fund net assets	**100,940,232**	105,015,359
Total liabilities and fund net assets	**$ 141,403,787**	$ 147,802,960

See accompanying notes.

Florida State University Research Foundation, Inc.

Statements of Revenues, Expenses, and Changes in Fund Net Assets

	Years ended June 30,	
	2012	**2011**
License and grant revenues		
Licensing fees and royalties	**$ 264,241**	$ 915,270
Contracts and grants - restricted	**8,431,459**	7,329,590
Administrative - unrestricted:		
Contracts and grants	**1,095,408**	1,211,770
Licenses and other	**183,791**	190,754
Total license and grant revenues	**9,974,899**	9,647,384
License and grant expenses		
Royalty allocations	**(205,193)**	(287,160)
Patent and licensing costs	**(783,309)**	(632,849)
Bad debt expense	**-**	(250,000)
Contracts and grants	**(8,431,459)**	(7,329,590)
Total license and grant expenses	**(9,419,961)**	(8,499,599)
Net license and grant income	**554,938**	1,147,785
Rent revenues (expenses)		
Rental income	**3,870,861**	3,997,549
Building occupancy:		
Interest on bonds	**(872,271)**	(895,071)
Amortization and depreciation	**(1,500,247)**	(1,751,818)
Management and leasing fees	**(174,417)**	(168,446)
Utilities, net of reimbursements	**(73,083)**	(101,703)
Other	**(256,395)**	(474,947)
Net rental income	**994,448**	605,564
Other operating expenses		
Personnel costs	**(463,580)**	(460,083)
Contributions to Florida State University	**(5,981,946)**	(2,125,943)
Software amortization	**(18,016)**	(15,266)
Miscellaneous	**(79,545)**	(126,157)
Research Foundation funded programs	**(831,943)**	(852,724)
Total other operating expenses	**(7,375,030)**	(3,580,173)
Operating loss	**(5,825,644)**	(1,826,824)
Nonoperating revenues (expenses)		
Investment revenue	**1,876,094**	10,922,199
Investment portfolio fees	**(72,994)**	(73,593)
Contribution revenue	**-**	3,232,886
Change in annuity value	**(52,686)**	(56,954)
Miscellaneous income	**103**	160
Total nonoperating revenues (expenses)	**1,750,517**	14,024,698
Change in fund net assets	**(4,075,127)**	12,197,874
Fund net assets, beginning of year	**105,015,359**	92,817,485
Fund net assets, end of year	**$ 100,940,232**	$ 105,015,359

See accompanying notes.

Florida State University Research Foundation, Inc.

Statements of Cash Flows

	Years ended June 30, 2012	2011
Operating activities		
Licensed products and building program:		
Licensing fees and royalties	**$ 303,213**	$ 391,449
Administrative fees from licenses and other	**183,791**	190,754
Rental income	**3,896,233**	3,982,733
Departmental allocation payments	**(2,037,377)**	(1,801,244)
Patent and licensing costs	**(639,082)**	(639,757)
Building occupancy	**(1,423,341)**	(1,712,889)
Lease payments in advance	**(607,580)**	(10,506)
Net cash (used in) provided by licensed products and building program	**(324,143)**	400,540
Contracts and grants:		
Receipts	**9,374,926**	11,822,639
Disbursements	**(7,823,918)**	(7,852,007)
Net cash provided by contracts and grants	**1,551,008**	3,970,632
Other receipts/disbursements:		
Personnel costs	**(463,580)**	(460,083)
Research Foundation funded programs	**(855,026)**	(822,507)
Contributions to Florida State University	**(235,430)**	(351,377)
Other disbursements	**(80,284)**	(126,416)
Net cash used in other receipts/disbursements	**(1,634,320)**	(1,760,383)
Net cash (used in) provided by operating activities	**(407,455)**	2,610,789
Noncapital financing activities		
Gift annuity payments	**(67,510)**	(67,510)
Administrative fees and other	**101**	160
Net cash used in noncapital financing activities	**(67,409)**	(67,350)
Investing activities		
Purchases of investment securities	**(2,706,472)**	(78,041,791)
Sales of investment securities	**5,825,000**	81,241,917
Purchases of buildings and equipment	**(2,610,074)**	(4,848,783)
Proceeds from sale of equipment	**8,000**	-
Purchase of software	**-**	(12,032)
Net cash provided by (used in) investing activities	**516,454**	(1,660,689)
Capital and related financing activities		
Principal payments on obligations under capital leases	**(595,000)**	(570,000)
Building purchase and construction	**-**	(103,472)
Net cash used in capital and related financing activities	**(595,000)**	(673,472)
Net change in cash	**(553,410)**	209,278
Cash, beginning of year	**1,531,722**	1,322,444
Cash, end of year	**$ 978,312**	$ 1,531,722

(continued)

Florida State University Research Foundation, Inc.

Statements of Cash Flows (continued)

	Years ended June 30, 2012	2011
Reconciliation of operating loss to net cash (used in) provided by operating activities		
Operating loss	**$ (5,825,644)**	$ (1,826,824)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:		
Amortization and depreciation of capital assets	**1,518,263**	1,767,084
Noncash donation to Florida State University	**5,680,118**	2,097,895
Changes in operating assets and liabilities:		
License fees and royalties receivable	**22,266**	(23,821)
Other receivables	**68,707**	373,721
Notes receivable	**16,706**	(250,000)
Prepaid expenses	**481,042**	(589,048)
Royalty allocations payable	**(1,832,184)**	(1,514,084)
Florida State University fund payable	**66,397**	(323,329)
Other liabilities	**255,401**	16,959
Deferred restricted revenue	**(250,947)**	2,892,742
Lease payments in advance	**(607,580)**	(10,506)
Net cash (used in) provided by operating activities	**$ (407,455)**	$ 2,610,789

See accompanying notes.

1. Summary of Significant Accounting Policies

Reporting Entity

The Florida State University Research Foundation, Inc. (the Research Foundation) is a direct support organization as provided for in Section 1004.28, Florida Statutes, Board of Governors Regulation 9.011, and Board of Trustees Regulation 6C2R-2.025. The Research Foundation is considered a component unit of The Florida State University (the University). The Research Foundation was formed as a not-for-profit organization in September 1993, in the state of Florida. The purpose of the Research Foundation is to promote and assist the research and training activities of the University through income from contracts, grants, and other sources, including income derived from the development and commercialization of the University's work products.

The Research Foundation is responsible for (1) administering awards funded with private monies for research and development activities of the University where there is a commitment of the University's personnel, equipment, or other facilities; (2) administering income derived from patents and copyrights in accordance with the University's Policies on Patents and University-Sponsored Educational Materials (Copyrights); and (3) developing an infrastructure that supports research activities.

Basis of Accounting

The Research Foundation's financial statements are prepared on the accrual basis of accounting in which transactions are recognized when they occur, regardless of the timing of related cash flows. These financial statements are those of the Research Foundation alone and, accordingly, are not intended to present the financial position or the results of operations of the University.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Research Foundation, the accounts of the Research Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, for financial statement reporting purposes all funds are combined.

Election to Apply FASB Statements

The Research Foundation has elected not to apply all FASB Statements and interpretations issued after November 30, 1989, as permitted by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting.*

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash

Cash consists of deposits with financial institutions. Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation up to $250,000 per depositor. Bank deposits at times may exceed federally insured limits. The Research Foundation has not experienced any losses in such accounts.

Investments

Short-term investments have maturities of one year or less. Short-term funds consist of monies invested with the State Board of Administration (SBA) Local Government Investment Pool (LGIP) and two funds with Northern Trust, the Northern Institutional Government Select Portfolio (GSP) and the QM Common Daily United States IMI Fund-Non-Lending (NTGI-QM). The Research Foundation invests in the LGIP of investments and owns a share of the respective pool, not the underlying securities. The LGIP's underlying investments consist of federal agency obligations, U.S. Treasury bonds, commercial paper, and various other securities with short-term maturities. The LGIP is not a registrant with the Securities and Exchange Commission (SEC), and operates as an SEC Rule 2a-7 like fund. The Northern Trust GSP is a short-term fund that invests exclusively in high-quality money market instruments. The NTGI-QM is an equity fund that approximates the overall performance of the MSCI United States Investable Market Index.

Long-term investments have maturities of greater than one year. Long-term funds are invested in the Commingled Asset Management Program Money Market (CAMP-MM) Pool and Fund B at the SBA. The CAMP-MM Pool and Fund B's underlying investments consist of commercial paper, corporate notes, and mutual funds with long-term maturities. These underlying investments are currently illiquid and, therefore, restricted for use by the Research Foundation. At June 30, 2012, the Research Foundation has $222,821 invested in CAMP-MM and $945,916 in Fund B.

1. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Receivables include grants receivables and other receivables such as rents and expense reimbursements, all of which are valued at net realizable value and are unsecured. It is the Research Foundation's policy to provide an allowance for accounts receivable that are not expected to be collected. No allowances were deemed necessary for grants and other receivables at June 30, 2012 and 2011.

Note Receivable

The Research Foundation's note receivable is valued at net realizable value and is secured by an executed note, assets and rights sold pursuant to the PortStar Intellectual Property Acquisition Agreement, and all accounts receivable derived by the PortStar System or the PortStar assets. The receivable resulted from the July 2010 sale of certain intellectual property developed at the University. In April 2011, the original note was modified pursuant to a settlement agreement between the parties. The face amount of both the original and revised note is $500,000, with payments due quarterly in accordance with the terms of the amended note. At June 30, 2012, the Research Foundation had established an allowance for uncollectible amounts of $250,000 related to the note.

Concentration of Credit Risk

The financial instruments exposed to concentrations of credit risk consist primarily of cash, cash equivalents, and investments. All investment transactions have credit exposure to the extent that a counterparty may default on an obligation to the Research Foundation. Credit risk is a consequence of carrying investment positions. To manage credit risk, the Research Foundation limits its exposure by investing primarily in the SBA investment pools and Northern Trust funds which invest in higher quality investments with varying maturity rates.

Property Under Capital Leases

The buildings acquired under capital lease agreements have been capitalized at the present value of the minimum lease payments as of the beginning of the lease term, which approximated their fair value at that time. The buildings are being amortized over the lease terms using the straight-line method.

The Research Foundation made a one-time, nonrefundable prepayment of $784,800 on October 25, 2001, to the Leon County Research and Development Authority. This prepayment entitles the Research Foundation to use certain land for a research facility for approximately 72 years and is amortized at $10,862 per year over that term. The unamortized balance is reported as other assets in the financial statements.

1. Summary of Significant Accounting Policies (continued)

Royalty Allocations Payable

Royalty allocations payable consists of two balance components, the inventors' department allocations payable and the inventors' allocations payable.

The inventors' department allocations payable makes up the largest piece of this liability. The department or unit of which the inventor is a member receives a percentage of royalties earned. When royalties are accrued, the Research Foundation calculates the amount due the department and records an expense and a liability. Allocations stay on deposit with the Research Foundation and departments have authority to spend down the balance on research-related items. At year end, the payable reflects amounts earned and available to the departments. As of June 30, 2012 and 2011, the inventors' department allocations payable balance was $5,322,584 and $7,124,345, respectively.

The inventors' allocations payable is comprised of monies due to individuals responsible for the development of various patented or copyrighted research. As royalties are accrued, the Research Foundation calculates the amount due to the inventors, and records an expense and accrues a liability for this amount. Subsequent distributions are then charged against the accrued liability in the following fiscal year. As of June 30, 2012 and 2011, the inventors' allocations payable balance was $41,400 and $71,823, respectively.

Patent and Licensing Costs

The Research Foundation expenses patent and licensing costs as incurred. For the years ended June 30, 2012 and 2011, the Research Foundation incurred patent and licensing costs of $832,384 and $644,669, respectively, and received reimbursements of $49,075 and $11,820 for the net expense of $783,309 and $632,849, respectively.

Income Taxes

Pursuant to a determination letter received from the Internal Revenue Service, the Research Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and as such is liable for tax only on business income unrelated to the purpose for which it is exempt. No provision for income tax expense or liability has been made.

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Operating revenues - includes activities that have the characteristics of exchange transactions, such as contracts and grants, building rental, and royalties and licensing. Exchange transactions are transactions in which each party receives and gives up essentially equal values.

Nonoperating revenues - includes activities that have characteristics of nonexchange transactions, such as investment income. Nonexchange transactions are transactions in which an entity either gives or receives value to another party without directly giving or receiving equal value in exchange.

Administrative Revenue - Unrestricted

The Research Foundation recognizes administrative overhead and residual revenues on restricted contract, grants, and licenses on an annual basis. These amounts are considered unrestricted and remain on deposit with the Research Foundation to support research activity at the University.

The revenue breakdown for administrative revenue is as follows:

	Years ended June 30,	
	2012	**2011**
Administrative overhead:		
Contracts and grants	**$ 839,326**	$ 953,885
Licenses and other	**183,791**	190,754
Contract and grant residuals	**256,082**	257,885
	$ 1,279,199	$ 1,402,524

2. Investments

Investments at June 30, 2012 and 2011, consist of investments held in multiple investment pools at the SBA and funds held at Northern Trust. Interest earnings of the pools are allocated on a pro rata basis using the weighted average deposit balance per fund. The Research Foundation's fair value of its position in each pool approximates its value of the pool shares.

2. Investments (continued)

At June 30, 2012, the Research Foundation had the following investments:

Investment Type	Fair Value
Short-term – SBA LGIP Fund A	**$ 31,739,713**
Short-term – Northern Trust GSP	**31,365,643**
Short-term – Northern Trust NTGI-QM	**43,663,877**
Long-term – SBA LGIP Fund B	**945,916**
Long-term – SBA CAMP-MM Restricted	**222,821**
Taxolog, Inc. stock	**–**
Total	**$ 107,937,970**

At June 30, 2011, the Research Foundation had the following investments:

Investment Type	Fair Value
Short-term – SBA LGIP Fund A	$ 34,487,278
Short-term – Northern Trust GSP	31,434,642
Short-term – Northern Trust NTGI-QM	42,005,604
Long-term – SBA LGIP Fund B	1,076,113
Long-term – SBA CAMP-MM Restricted	249,761
Taxolog, Inc. stock	–
Total	$ 109,253,398

Interest rate risk – In accordance with its investment policy, the Research Foundation manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to less than eight years. At June 30, 2012, the weighted average maturity of the GSP is 56 days, and there are no weighted average maturities for the NTGI-QM as those investments are considered to be perpetual maturity holdings. The LGIP's weighted average maturity at June 30, 2012, is 38 days. Fund B's underlying investments are illiquid and the Research Foundation has no access or control over the fund; its weighted average life of 5.73 years is based on the dollar-weighted average length of time until securities held reach maturity. Because Fund B consists of restructured or defaulted securities, there is considerable uncertainty regarding the weighted average life. Investments included in Fund B are classified as long-term due to changes in the structure of the LGIP that restricted the Research Foundation's access to the investments and due to the unpredictable nature of the distributions. Subsequent to June 30, 2012, the Research Foundation received distributions of approximately $22,233 from Fund B.

Credit risk – In accordance with an investment services agreement, the Research Foundation follows the investment policies of the SBA, including those related to credit risk. The LGIP is rated by Standard & Poors and had a rating of AAAm as of June 30, 2012. Fund B is not rated by any nationally recognized statistical rating agency. The GSP is rated by Standard and Poor's and had a rating of AAAm at June 30, 2012. The NTGI-QM fund is an equity fund and therefore S&P bond ratings do not exist on its underlying holdings.

2. Investments (continued)

The Research Foundation owns 320,000 shares of Taxolog, Inc. (Taxolog), a privately owned startup company with the exclusive license to develop and commercialize the Taxol® analogs created at the University. The shares of the company are not listed on an exchange and, therefore, there are no readily available market quotations or credit quality ratings available.

Additionally, 50,000 shares of Taxolog common stock were received by the University as part of the original license agreement of certain intellectual property rights. The Research Foundation holds the shares on behalf of the University. No carrying amount has been assigned to the common stock.

Included in the Taxolog shares owned by the Research Foundation are 270,000 shares of Series C convertible preferred stock with a cost of $7,500,600 issued during a round of private financing which netted Taxolog $30,000,000 in a private equity placement in July 2001, concurrent with a collaboration agreement between Taxolog and Wyeth Pharmaceutical, Inc.

Prior to the fiscal year ended June 30, 2006, the Taxolog preferred stock had been carried and reported at cost of $7,500,600. However, after repeated unsuccessful attempts to document the valuation of this investment, management decided to record an investment impairment allowance as of June 30, 2006, in an amount equal to the original cost of the Taxolog preferred stock investment. The result of recording this impairment was a reduction to long-term investments and investment income of $7,500,600 at June 30, 2006. This action will be reevaluated if and when Taxolog is able to provide independent verification or reliable evidence to a market valuation of its shares.

Investment revenues consisted of the following amounts:

	Years ended June 30,	
	2012	**2011**
Realized gains on long-term investments	**$ 11,951**	$ 17,924
Unrealized gains on long-term investments	**115,800**	310,439
Realized gains on short-term investments	**90,070**	88,232
Unrealized gains on short-term investments	**1,658,273**	10,505,604
	$ 1,876,094	$ 10,922,199

3. Deferred Restricted Revenue

Deferred restricted revenue consists of the unexpended portions of contracts and grants that are being administered by the Research Foundation. Revenue is recognized only to the extent expenses are incurred in executing the applicable contracts and grants.

3. Deferred Restricted Revenue (continued)

Changes in deferred restricted revenue from these contracts and grants consist of the following:

	2012	2011
Beginning balance	**$ 12,493,401**	$ 9,600,659
Contracts and grants	**9,275,920**	11,434,102
Restricted expenditures	**(8,431,459)**	(7,329,590)
Administrative revenue – contracts and grants	**(1,095,408)**	(1,211,770)
Ending balance	**$ 12,242,454**	$ 12,493,401

4. Lease Payments in Advance

Materials Research Building

During fiscal year 2007, the Research Foundation began preliminary feasibility work for the construction of a new Materials Research Building. The building was completed during fiscal year 2009. During fiscal years 2010 and 2011, the Research Foundation expended additional resources to complete contract commitments in relation to the original construction of the building. As of June 30, 2012, the Research Foundation had expended or obligated a total of $16,660,401, of which $14,601,334 was funded by the University. The lease agreement between the University and the Research Foundation does not meet the criteria for a capital lease; therefore, the Research Foundation has classified the payments as a Lease Payment in Advance. The lease payment in advance balance at June 30, 2012, is $1,840,400, including accumulated amortization of $218,667. The payment in advance will be amortized over the life of the lease, which runs through June 30, 2040, using the straight-line method.

Aero-Propulsion, Mechatronics, and Energy Building (AME)

During fiscal year 2008, the Research Foundation entered into an agreement with the University to construct the AME Building. The costs of construction were to be funded primarily by the University and supplemented with additional funds by the Research Foundation. The construction of the building began in fiscal year 2009 and was completed in December 2011. Costs expended by the Research Foundation net of University reimbursements were $617,380. The lease agreement between the University and Research Foundation does not meet the criteria for a capital lease; therefore, the Research Foundation has classified the payments as a Lease Payment in Advance. The lease payment in advance balance as of June 30, 2012 is $607,580, including accumulated amortization of $9,800. The payment in advance will be amortized over the life of the lease, which runs through June 30, 2043, using the straight-line method.

5. Buildings and Land

3000 Commonwealth Boulevard

On October 1, 2008, the Research Foundation purchased a building and land for $2.3 million and subsequently renovated the building. The Research Foundation has not entered into a lease agreement with the University; therefore ownership of the property will remain with the Research Foundation. The Research Foundation depreciates the portion of the purchase price allocated to the building over its estimated remaining useful life at the date of acquisition of 23 years using the straight-line method.

On May 1, 2010, the Research Foundation completed construction of a Chemistry Laboratory in the 3000 Commonwealth Boulevard Building at a cost of $500,486. The total cost of the laboratory is depreciated over the remaining useful life of the building.

3200 Commonwealth Boulevard

On December 1, 2008, the Research Foundation purchased a building and land for $2.1 million (including land of $1 million) and subsequently renovated the building. On September 1, 2009, the Research Foundation completed renovations of this building. During the period from September 2009 through June 30, 2010, the Research Foundation depreciated the total cost of the building and renovations over the estimated remaining useful life of the building at the date of acquisition of 23 years using the straight-line method. Total depreciation taken on the building through June 30, 2010 was $41,274. On July 1, 2010, the Research Foundation transferred ownership of the property to the University. The donated value of the building was $2,097,895, and was included in contributions to Florida State University for the year ended June 30, 2011.

Facility for Arts Research (FAR)

On October 1, 2010, the Research Foundation purchased a building and land for $2,392,114. At the time of purchase, an appraisal was obtained which valued the building and land at $5,625,000. The Research Foundation assigned $50,000 of the appraisal value to land. The difference between the appraised value and the purchase price was recorded as contribution revenue in the amount of $3,232,886. During the 2012 fiscal year, the Research Foundation completed additional renovations to the building totaling $237,337. The Research Foundation was depreciating the recorded value of the building over the estimated remaining useful life of the building at the date of acquisition of 32 years using the straight-line method. Total depreciation taken on the building through June 30, 2012 was $174,219. On September 14, 2011, the Research Foundation transferred ownership of the property to the University. The donated value of the building was $5,680,118, and is included in contributions to Florida State University for the year ended June 30, 2012.

5. Buildings and Land (continued)

The Research Foundation's capitalized buildings consisted of the following during the year ended June 30, 2012:

	Beginning Balances	Additions	Deletions	Ending Balances
3000 Commonwealth	$ 1,803,590	$ –	$ –	**$ 1,803,590**
Chemistry Laboratory	500,486	–	–	**500,486**
Facility for Arts Research	5,575,000	237,337	(5,812,337)	**–**
Accumulated depreciation	(331,346)	(144,831)	174,219	**(301,958)**
	$ 7,547,730	$ 92,506	$ (5,638,118)	**$ 2,002,118**

<u>Macomb and Call</u>

On March 7, 2012, the Research Foundation purchased land for approximately $2 million. The Research Foundation subsequently expended $31,206 in demolition and legal fees to prepare the land for use.

6. Capital Leases

The Research Foundation operates all or portions of five buildings as lessor. Four of these buildings have their construction costs capitalized in these financial statements as capital leases under the requirements of the *Leases* Topic of the Financial Accounting Standards Board's *Accounting Standards Codification*. The Research Foundation has guaranteed bonds associated with the construction of each of these buildings as described in the following section. Under the agreements, the Research Foundation receives rents, pays operating costs, and is responsible for making the debt service payments on the related bonds. Construction costs for each of these buildings were funded from bond proceeds and the discounted present value of the debt payments were recorded as obligations under capital lease liabilities.

The Research Foundation was assigned the master lease and operates as lessor for the Sliger Building. The bonds previously associated with this building were paid off prior to the master lease being assigned to the Research Foundation; therefore, no costs are capitalized in these financial statements relative to the construction of this building. The following paragraphs describe the terms of the bonds that the Research Foundation has guaranteed, details the capitalized costs and amortization associated with the property under capital leases, provides a schedule of annual debt obligations, and summarizes minimum lease payments to be received under current leases in force for all five buildings.

6. Capital Leases (continued)

Obligations Under Capital Leases - Guaranty Agreements

On November 1, 1994, the Research Foundation entered into a guaranty agreement for the issuance by the Leon County Research and Development Authority of $3,865,000 of Series 1994 Lease Revenue Bonds, the proceeds of which were to be used to finance the construction of a research facility to be leased to the Research Foundation. Upon completion of the facility, the Johnson Building, on November 1, 1995, the Research Foundation redeemed the outstanding bonds for the entire principal amount of $3,865,000, thereby fully extinguishing its obligations under the guaranty agreement dated November 1, 1994. The Research Foundation continues to operate the rental of the building.

On July 1, 1996, the Research Foundation executed a guaranty agreement on a $4,400,000 Leon County Research and Development Authority bond issued to construct the Shaw Building. During 2007, the Research Foundation redeemed the outstanding bonds for the remaining principal amount of $2,597,816, thereby fully extinguishing its obligations under the guaranty agreement dated July 1, 1996. Subsequent to this debt pay-off, the Research Foundation initiated a renovation project but continued to operate the rental of the building during the fiscal year.

On December 5, 2001, the Research Foundation entered into a guaranty agreement for the issuance of $22,590,000 of Series 2001 Revenue Bonds by the Florida Board of Education. The proceeds were used to construct research and development facilities (Buildings A and B) for the benefit of the University. All rents are collected by the Research Foundation and debt service payments are secured and will be paid from pledged lease payments received by the Research Foundation from the occupants of these buildings. The bonds bear interest ranging from 4.00% to 4.875%. Both Building A and Building B construction was substantially completed during fiscal year 2003. In fiscal year 2006, Building B incurred additional build-out construction costs that were capitalized as part of the property under capital leases and amortized accordingly beginning in fiscal year 2006. During fiscal year 2010, the Research Foundation incurred additional costs in relation to the construction of the CAPS Medium Voltage Laboratory adjacent to Building A and renovations to the tenant space in Building B. The additional costs of the CAPS Lab and the tenant space in Building B were capitalized as part of the property and amortized accordingly beginning in 2010. During fiscal year 2011, the Research Foundation incurred additional costs for renovations to tenant space in Building A. The costs of the renovations in Building A were capitalized as part of the property and amortized accordingly beginning in January 2011.

6. Capital Leases (continued)

Amortization of Capitalized Costs

Building costs are amortized over the payment period of the related bonds using the straight-line method. The detail of capitalized costs and amortization as of June 30, 2012, is as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Johnson Building	$ 3,888,544	$ –	$ –	**$ 3,888,544**
Shaw Building	4,594,292	–	–	**4,594,292**
Building A	14,562,880	–	–	**14,562,880**
Building B	11,102,484	–	–	**11,102,484**
	$ 34,148,200	$ –	$ –	**$ 34,148,200**

Changes in accumulated amortization for each building is as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Johnson Building	$ 3,805,945	$ 82,599	$ –	**$ 3,888,544**
Shaw Building	3,574,263	296,617	–	**3,870,880**
Building A	3,862,427	494,495	–	**4,356,922**
Building B	2,666,406	395,950	–	**3,062,356**
	$ 13,909,041	$ 1,269,661	$ –	**$ 15,178,702**

Obligations Under Capital Leases

Obligations under capital leases described above consist of the following at June 30, 2012:

	Balance July 1, 2011	Principal Payments	Balance June 30, 2012	Due Within One Year
Buildings A and B	$ 18,595,000	$ 595,000	**$ 18,000,000**	**$ 615,000**

6. Capital Leases (continued)

The following is a schedule by years of future minimum lease payments under capital leases.

Year Ending June 30,	Buildings A and B	Interest	Principal
2013	$ 1,463,471	$ 848,471	$ 615,000
2014	1,463,256	823,256	640,000
2015	1,466,376	796,376	670,000
2016	1,467,566	767,566	700,000
2017	1,466,766	736,766	730,000
2018-2022	7,324,621	3,149,621	4,175,000
2023-2027	7,323,270	2,058,270	5,265,000
2028-2031	5,854,350	649,350	5,205,000
Total	$ 27,829,676	$ 9,829,676	$ 18,000,000

Property Leased to Others

During the years ended June 30, 2012 and 2011, the Research Foundation recognized rental income from the properties described in Notes 4 through 6 in the amounts of $3,870,861 and $3,997,549, respectively. As of June 30, 2012, the tenants occupied approximately 93% of the available rental space.

The following is a schedule of future rentals under noncancellable leases as of June 30, 2012. The amounts reflected below may differ from actual future rental income due to new leases entered into, the expiration of existing leases, or the recognition of rental income resulting from escalators, if any:

Year Ending June 30,	Rental Income
2013	$ 3,450,758
2014	2,906,251
2015	2,267,458
2016	1,561,099
2017	1,038,647
Thereafter	9,347
	$ 11,233,560

7. Construction in Progress

During the year ending June 30, 2012, construction in progress consisted of amounts for the Transmission Electron Microscope (TEM); the AME Building; and various renovations to the Facility for Arts Research. The largest component of construction in progress at June 30, 2011, was for the TEM. During fiscal year 2009, the Research Foundation entered into a contract to construct the TEM and renovate an existing laboratory to accommodate the microscope. Construction of the microscope was completed on April 20, 2012. The total cost of the microscope of $4,105,992 is included in the equipment balance as of June 30, 2012. The Research Foundation intends to transfer ownership of this equipment to the University.

	Balance July 1, 2011	**Additions**	**Deletions**	**Balance June 30, 2012**
Construction in progress	$ 3,748,402	$ –	$ 3,748,402	**$ –**

8. Gift Annuity Program

In July of 2002, the Research Foundation accepted a donation of land with an appraised value at the time of donation of $785,000. As a condition of the donation, the Research Foundation entered into a charitable gift annuity agreement with the donor. Required payments under the annuity agreement are $67,510 per year, payable in equal quarterly payments beginning September 30, 2002. At June 30, 2012 and 2011, the annuity payable is recorded at its present value of $311,972 and $326,796, respectively. A discount rate of 3% is used. The annuity obligation is adjusted at the end of each year based on life expectancy tables.

Florida Statutes require that qualified organizations that enter into annuity agreements with a donor must maintain admitted assets at least equal to the sum of the reserves on its outstanding annuity agreements. In addition, the organization must maintain a surplus of 25% of such reserves. To comply with these Statutes, it is management's intention to maintain assets equal to the required reserve until the annuity obligation is satisfied.

9. Commitments and Other Matters

Capital Asset Contract Commitments

The Research Foundation entered into a contract for the architectural fees of the AME Building. As of June 30, 2012, the Research Foundation had $63,367 in outstanding commitments.

9. Commitments and Other Matters (continued)

Property Management Services

The Research Foundation entered into agreements with the Leon County Research and Development Authority for the provision of property management services for the buildings described in Note 6.

The future minimum payments required under the amended lease agreements are as follows by fiscal year:

Year ending June 30,	Property Management and Leasing Fees
2013	$ 73,826
2014	69,595
2015	66,410
2016	65,734
2017	64,365
Thereafter	3,564
	$ 343,494

Other Reports

Thomas Howell
Ferguson P.A.

Certified Public Accountants
2615 Centennial Blvd., Suite 200 (32308)
P. O. Drawer 14569
Tallahassee, FL 32317-4569

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Florida State University Research Foundation, Inc.

We have audited the financial statements of Florida State University Research Foundation, Inc. (the Research Foundation) as of and for the year ended June 30, 2012, and have issued our report thereon dated September 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Research Foundation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Research Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Research Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Research Foundation's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Research Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

* * * * * *

This report is intended solely for the information and use of the Board of Directors and management of Florida State University Research Foundation, Inc., others within the entity, and Florida State University, and is not intended to be, and should not be, used by anyone other than those specified parties.

Thomas Howell Ferguson P.A.

September 6, 2012

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the Florida Board of Governors (the "Board"), Florida State University (the"University"), The Florida State University Research Foundation, Inc. (the "Foundation") and the Division of Bond Finance of the State Board of Administration of Florida (the "Division") in connection with the issuance of $11,920,000 State of Florida, Board of Governors, The Florida State University Research Foundation, Inc. Revenue Refunding Bonds, Series 2012 (the "Bonds"). This Disclosure Agreement is being executed and delivered pursuant to Section 6.05 of the resolution adopted by the Governor and Cabinet, as the Governing Board of the Division, on October 23, 2012, authorizing the issuance of the Bonds. The Board, the University, the Foundation and the Division covenant and agree as follows:

SECTION 1. PURPOSE OF THE DISCLOSURE AGREEMENT. This Disclosure Agreement is being executed and delivered by the Board, the University, the Foundation, and the Division for the benefit of the Registered Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission (the "SEC"). It shall inure solely to the benefit of the Board, the University, the Division, the Registered Owners, the Beneficial Owners and the Participating Underwriters.

SECTION 2. DEFINITIONS. In addition to the definitions set forth in the Resolution of the Division of Bond Finance adopted on October 23, 2012, (the "Resolution") which apply to any capitalized term used in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

SECTION 3. CONTINUING DISCLOSURE. (A) Information To Be Provided. The Board ,the University, and the Foundation assume all responsibilities for any continuing disclosure as described below. In order to comply with the Rule, the Board, the University, and the Foundation hereby agree to provide or cause to be provided the information set forth below, or such information as may be required, from time to time, to be provided by the Rule or the Division. The Division will be responsible for the filing of the information required by the Rule.

(1) Financial Information and Operating Data. For fiscal years ending on June 30, 2012, and thereafter, annual financial information and operating data shall be provided within nine months after the end of the University's and Foundation's fiscal year, respectively. Such information shall include:

(a) University Research Activities (proposals submitted, research awards, research expenditures, patent and licensing activity);
(b) Investment of Research Foundation Moneys;
(c) Maintenance and Equipment Reserve Fund;
(d) Rental rates;
(e) Debt Service Coverage;
(f) Research Foundation Financial Statements;
(g) University Financial statements;
(h) Litigation.

(2) Audited Financial Statements. If not submitted as part of the annual financial information, a copy of the University's and Research Foundation's audited financial statements, prepared in accordance with generally accepted accounting principles, will be provided when and if available.

(3) Material Events Notices. Notice of the following events relating to the Bonds will be provided in a timely manner not in excess of ten business days after the occurrence of the event:

(a) principal and interest payment delinquencies;
(b) non-payment related defaults;
(c) unscheduled draws on debt-service reserves reflecting financial difficulties;
(d) unscheduled draws on credit enhancements reflecting financial difficulties;
(e) substitution of credit or liquidity providers, or their failure to perform;
(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
(g) modifications to rights of security holders, if material;
(h) bond calls, if material, and tender offers;
(i) defeasances;
(j) release, substitution or sale of property securing repayment of the securities, if material;
(k) rating changes;
(l) bankruptcy, insolvency, receivership or similar event of the obligated person;
(m) the consummation of merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
(n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(4) Failure to Provide Annual Financial Information; Remedies.

(a) Notice of the failure of the Board to provide the information required by paragraphs (A) (1) or (A)(2) of this Section will be provided in a timely manner.

(b) The Board acknowledges that its undertaking pursuant to the Rule set forth in this Section is for the benefit of the Beneficial Owners and Registered Owners of the Bonds and shall be enforceable only by such Beneficial Owners and Registered Owners; provided that the right to enforce the provisions of such undertaking shall be conditioned upon the same enforcement restrictions as are applicable to the information undertakings in the Resolution and shall be limited to a right to obtain specific enforcement of the Board's obligations hereunder.

(B) Methods of Providing Information.

(1) (a) Annual financial information and operating data described in paragraph 3(A)(1) and the audited financial statements described in paragraph 3(A)(2) shall be transmitted to the Municipal Securities Rulemaking Board (hereafter "MSRB") using the MSRB's Electronic Municipal Market Access System ("EMMA") or by such other method as may be subsequently determined by the MSRB.

(b) Material event notices described in paragraph 3(A)(3) and notices described in paragraph 3(A)(4) shall also be transmitted to the MSRB using EMMA or by such other method as may be subsequently determined by the MSRB.

(2) (a) Information shall be provided to the MSRB in an electronic format as prescribed by the MSRB, either directly, or indirectly through an indenture trustee or a designated agent.

(b) All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(C) If this Disclosure Agreement is amended to change the operating data or financial information to be disclosed, the annual financial information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(D) The Board's, the University's, and the Foundation's obligations hereunder shall continue until such time as the Bonds are no longer Outstanding or until the Board and the Foundation shall otherwise no longer remain obligated on the Bonds.

(E) This Disclosure Agreement may be amended or modified so long as:

(1) any such amendments are not violative of any rule or regulation of the SEC or MSRB, or other federal or state regulatory body;

(2) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted;

(3) this Disclosure Agreement, as amended, would have complied with the requirements of Rule 15c2-12 of the SEC at the time of the primary offering, after taking into account any amendments or interpretations of the rule, as well as any change in circumstances; and

(4) the amendment does not materially impair the interests of Beneficial Owners or Registered Owners, as determined either by parties unaffiliated with the issuer or obligated person (such as bond counsel), or by approving vote of the Beneficial Owners and Registered Owners pursuant to the terms of the Resolution at the time of the amendment.

SECTION 4. ADDITIONAL INFORMATION. If, when submitting any information required by this Disclosure Agreement, the Board, the University, or the Foundation chooses to include additional information not specifically required by this Disclosure Agreement, the Board, nor the University, nor the Foundation shall have any obligation to update such information or include it in any such future submission.

Dated this 4th day of January, 2013.

The Florida State University Research Foundation, Inc.

By____________________________________
President

Division of Bond Finance

By____________________________________
Assistant Secretary

The Florida State University

By____________________________________
President

Florida Board of Governors

By ____________________________________
Chairman

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APPENDIX H

[FORM OF BOND COUNSEL OPINION]

January 4, 2013

Board of Governors
Tallahassee, Florida

Division of Bond Finance of the
State Board of Administration of Florida
Tallahassee, Florida

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Board of Governors (the "Board"), the Division of Bond Finance of the State Board of Administration of Florida (the "Division of Bond Finance"), the State Board of Administration of the State of Florida, applicable provisions of the Constitution and laws of the State of Florida, and other proofs submitted to us relative to the issuance and sale of:

$11,920,000
STATE OF FLORIDA
BOARD OF GOVERNORS
THE FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
REVENUE REFUNDING BONDS, SERIES 2012
Dated January 4, 2013
(the "Bonds")

The Bonds are being issued by the Division of Bond Finance in the name of and on behalf of the Board for the purpose of refunding all or a portion of the outstanding State of Florida, Florida Board of Education, Florida State University Research Foundation, Incorporated Revenue Bonds, Series 2001 and paying certain costs of issuance of the Bonds under the authority of and in full compliance with the Constitution and statutes of the State of Florida, including particularly Sections 215.57-215.83, Florida Statutes, Sections 1004.28 and 1010.62, Florida Statutes, and other applicable provisions of law. The principal of, premium, if any, and interest on the Bonds will be secured by and payable solely from the Pledged Revenues on a parity with any Additional Bonds hereafter issued (as defined in the hereinafter defined Resolution).

The Bonds do not constitute a general obligation of the State of Florida or any political subdivision thereof within the meaning of any constitutional, statutory or other limitation of indebtedness and the owners thereof shall never have the right to compel the exercise of any ad valorem taxing power or taxation in any form for the payment of the principal of or interest on the Bonds.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. That such proceedings and proofs show lawful authority for issuance and sale of said Bonds pursuant to the Constitution and statutes of the State of Florida and pursuant to resolutions authorizing the issuance and sale of the Bonds duly adopted by the Governing Board of the Division of Bond Finance on October 23, 2012 (the "Resolution").

2. The Bonds (i) have been duly authorized, executed and delivered by the Division of Bond Finance and the Board and (ii) are valid and binding special obligations of the Board enforceable in accordance with their terms, payable solely from the sources provided therefor in the Resolution.

3. The Bonds and the income thereon are not subject to taxation under the laws of the State tax except estate taxes imposed by Chapter 198, Florida Statutes, as amended, and net income and franchise taxes imposed by Chapter 220, Florida Statutes, as amended.

4. The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income for purposes of federal income taxation. Non-compliance may cause interest on the Bonds to be included in federal gross income retroactive to the date of issuance of the Bonds, regardless of the date on which such non-compliance occurs or is ascertained. The Division of Bond Finance and the Board have covenanted in the Resolution to comply with such requirements in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

Subject to compliance by the Division of Bond Finance and the Board with the aforementioned covenants, (a) interest on the Bonds is excluded from gross income for purposes of federal income taxation, and (b) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on such corporations. We express no opinion regarding other federal tax consequences caused by the ownership of or the receipt of interest on or the disposition of the Bonds.

It is to be understood that the rights of the owners of the Bonds and the enforceability thereof may be subject to the exercise of judicial discretion in accordance with general principles of equity, to the valid exercise of the sovereign police powers of the State of Florida and of the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not independently verified the accuracy or truthfulness thereof and the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

Our opinions expressed herein are predicated upon present law, facts and circumstances as of the date of issuance and delivery of the Bonds, and we assume no affirmative obligation to update the opinions expressed herein if such laws, facts or circumstances change after such date.

As Bond Counsel, we have not been engaged nor have we, in such capacity, undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and we express no opinion herein relating thereto.

Very truly yours,

BRYANT MILLER OLIVE P.A.

APPENDIX I

PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM OR REGISTERED BONDS

The Depository Trust Company and Book-Entry Only System

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE DIVISION BELIEVES TO BE RELIABLE; HOWEVER, THE DIVISION TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

DTC will act as securities depository for the State of Florida, Board of Governors, The Florida State University Research Foundation, Inc. Revenue Refunding Bonds, Series 2012 (the "2012 Bonds"). The 2012 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the 2012 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities and Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and together with Direct Participants, the "Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com** and **www.dtc.org**.

Purchases of the 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2012 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2012 Bond (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2012 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2012 Bonds, except in the event that use of the book-entry system is discontinued.

To facilitate subsequent transfers, all 2012 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2012 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in Beneficial Ownership. DTC has no knowledge of the actual Beneficial Owners of the 2012 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2012 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2012 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2012 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2012 Bond documents. For example, Beneficial Owners of 2012 Bonds may wish to ascertain that the nominee holding the 2012 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the 2012 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2012 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Division as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the 2012 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Bond Registrar/Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, (nor its nominee), the Bond Registrar/Paying Agent, the Division, or the Florida Board of Governors (the "Board"), subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Registrar/Paying Agent; disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services with respect to the 2012 Bonds at any time by giving reasonable notice to the Division or Bond Registrar/Paying Agent and discharging its responsibilities with respect thereto under applicable law. The Division may decide to discontinue use of the system of book-entry transfers for the 2012 Bonds through DTC (or a successor securities depository). Under such circumstances, in the event that a successor securities depository is not obtained, certificates for the 2012 Bonds will be printed and delivered as provided in the documents authorizing the issuance and sale of the 2012 Bonds.

For every transfer and exchange of beneficial interests in the 2012 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other government charge that may be imposed in relation thereto.

So long as Cede & Co., as nominee of DTC, is the registered owner of the 2012 Bonds, references herein to the Registered Owners or Holders of the 2012 Bonds shall mean Cede & Co. and not mean the Beneficial Owners of the 2012 Bonds unless the context requires otherwise.

The Division, the Board and the Bond Registrar/Paying Agent will not have any responsibility or obligation with respect to:

(i) the accuracy of the records of DTC, its nominee or any DTC Participant or any successor securities depository, participants thereof or nominee thereof with respect to any beneficial ownership interest in the 2012 Bonds;

(ii) the delivery to any DTC Participant or participant of any successor securities depository or any other person, other than a registered owner, as shown in the Bond Register, of any notice with respect to any 2012 Bond, including, without limitation, any notice of redemption;

(iii) the payment to any DTC Participant or participant of any successor securities depository or any other person, other than a registered owner, as shown in the Bond Register, of any amount with respect to the principal of, premium, if any, or interest on the 2012 Bonds, or the purchase price of, any 2012 Bond;

(iv) any consent given by DTC or any successor securities depository as registered owner; or

(v) the selection by DTC or any DTC Participant or by any successor depository or its participants of the beneficial ownership interests in the 2012 Bonds for partial redemption.

So long as the 2012 Bonds are held in book-entry only form, the Division, the Board and the Bond Registrar/Paying Agent may treat DTC and any successor Securities Depository as, and deem DTC and any successor Securities Depository to be, the absolute owner of the 2012 Bonds for all purposes whatsoever, including, without limitation:

(i) the payment of the principal of, premium, if any, and interest on the 2012 Bonds;

(ii) giving notices of redemption and other matters with respect to the 2012 Bonds;

(iii) registering transfers with respect to the 2012 Bonds; and

(iv) the selection of the beneficial ownership interests in the 2012 Bonds for partial redemption.

Payment, Registration, Transfer and Exchange

The following provisions shall only be applicable if the book-entry-only system of registration is discontinued; for provisions which are applicable while the book-entry only system of registration is in effect, see "Book-Entry Only System" above.

The Division, the Board and the Bond Registrar/Paying Agent may treat the Registered Owner of any 2012 Bond as the absolute owner for all purposes, whether or not such 2012 Bond is overdue, and will not be bound by any notice to the contrary.

Principal of and premium, if any, on the 2012 Bonds will be payable upon presentation and surrender of the 2012 Bonds when due at the corporate trust office of U.S. Bank Trust National Association, New York, New York, as Bond Registrar/Paying Agent.

Each 2012 Bond will be transferable or exchangeable only upon the registration books by the Registered Owner or an attorney duly authorized in writing, upon surrender of such 2012 Bond to the Bond Registrar/Paying Agent together with a written instrument of transfer (if so required) satisfactory in form to the Division of Bond Finance and the Bond Registrar/Paying Agent, duly executed by the Registered Owner or a duly authorized attorney. Upon surrender to the Bond Registrar/Paying Agent for transfer or exchange of any 2012 Bond, duly endorsed for transfer or accompanied by an assignment in accordance with the Resolution, the Bond Registrar/Paying Agent will deliver in the name of the transferee(s) a fully registered 2012 Bond of authorized denomination of the same maturity for the aggregate principal amount which the Registered Owner is entitled to receive.

Neither the Division nor the Bond Registrar/Paying Agent may charge the Registered Owner or transferee for any expenses incurred in making any exchange or transfer of the 2012 Bonds. However, the Division and the Bond Registrar/Paying Agent may require payment from the Registered Owner of a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation thereto. Such governmental charges and expenses must be paid before any such new 2012 Bond is delivered.

The Bond Registrar/Paying Agent will not be required to issue, transfer or exchange any 2012 Bonds on the Record Date.

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