

FAU FINANCE CORPORATION

BOARD OF DIRECTORS

Thursday, December 9, 2010

MINUTES

(Approved with Correction during the January 20, 2011 FAUFC Meeting.)

1. **ROLL CALL AND APPROVAL OF MINUTES OF THE AUGUST 12, 2010 FAU FINANCE CORPORATION BOARD OF DIRECTORS MEETING.**

Handout: Draft Minutes of the August 12, 2010 FAUFC Meeting.

The meeting of the FAU Finance Corporation Board of Directors (FAUFC BOD) was convened by the Chair, Mr. Dennis Crudele, at 10:40 a.m. Roll call commenced, confirming quorum, with the following FAUFC BOD members in addition to Mr. Crudele, participating:

Mr. Scott Adams (via teleconference) and Mr. Peter LoBello (via teleconference).

The following officials were in attendance:

Ms. Stacey Semmel, FAUFC Secretary/Treasurer; and, Ms. Audra Lazarus, FAU Associate General Counsel.

Guests in attendance:

McGladrey & Pullen, LLP representatives Mr. Donovan Maginley, Director; Mr. Frank Compiani, Assurance Partner; and, Ms. Chantelle Knowles, Assurance Partner; and, Ms. Linda Elliott.

Upon call, a motion was made by Mr. LoBello and seconded by Mr. Adams to approve the minutes of the August 12, 2010 meeting without change or correction. **The motion passed unanimously.**

2. **REQUEST FOR APPROVAL OF AMENDMENT TO THE BY-LAWS OF THE FAU FINANCE CORPORATION.**

Handout: Amended By-Laws of the FAUFC.

Mr. Crudele explained that this is a request to amend Section 3.3(c) the FAUFC By-Laws. This amendment adds a requirement that the FAU Board of Trustees (BOT) approve the appointment of all members to the FAUFC BOD. FAU's and FAUFC's bond counsel has determined that by making this change to the By-Laws, the FAUFC should qualify for an exemption from the IRS requirement to file Form 990, Return of

Organization Exempt from Income Tax. The amendment adds efficiency which can save money, time and effort for the FAUFC. It was noted that for 2010 the Form 990 will be filed, but with this amendment the filing requirement should be eliminated in the future.

Discussion followed with clarification given that in November 2009 the FAU BOT approved the existence and operational functions, as articulated in the By-Laws, of the FAUFC. This amendment modifies one specific section within the By-Laws which will now require FAU BOT approval of any individual nominated to the FAUFC BOD. Upon FAUFC BOD approval, this amendment will be presented to the FAU BOT for their review and approval.

With no further questions or comments, a motion was made by Mr. Adams and seconded by Mr. LoBello to approve the amendment to the FAUFC By-Laws, Section 3.3(c), as previously articulated. **The motion passed unanimously.**

3. REVIEW OF THE FAU FINANCE CORPORATION FINANCIAL REPORT FROM THE DATE OF INCEPTION (AUGUST 12, 2009) THROUGH JUNE 30, 2010.

Handout: FAUFC Financial Report 2010.

Mr. Crudele reminded members that preparation of an annual financial report is required by the FAUFC By-Laws and by the FAU BOT. During the August 2010 FAUFC meeting the FAUFC BOD approved the selection of McGladrey & Pullen, LLP to provide audit and tax services for the FAUFC.

Ms. Semmel and representatives of McGladrey & Pullen, LLP were introduced to provide an overview of the 2010 financial statements.

Ms. Semmel began the review by advising that the financial statement encompasses the period August 12, 2009 through the end of the fiscal year June 30, 2010. Members were reminded that since the Innovation Village Housing project has been under construction during this audit period little operating income or expense were incurred outside of the investment income on deposit with the Trustee bank, U. S. Bank. Some payables, consisting of vendor payments, were incurred through June 30, 2010.

The statement of financial position costs consist primarily of deposits with U. S. Bank and construction in progress. During fiscal year 2010, the statement of activities incurred a temporary loss due to the computation of capitalized interest according to recognized accounting principles. During fiscal year 2011, the interest is anticipated to be capitalized since a substantial amount of the project will be completed by June 30, 2011 and therefore the interest will be removed from the fund balance and moved to assets. This is only a timing issue due to the construction period.

Mr. Maginley continued the review noting this report as 'unqualified' or 'clean' which reflects the highest auditing level. He initiated a summary review of all aspects of the report including the unusual aspects of the inclusion of cash with a fiscal agent and the IRS interest credit related to the Build America Bonds rebate. Additionally, per disclosure requirements, he advised members that no difficulties were encountered in access to management or FAUFC records.

Mr. Compiani advised of a separate report (**See ATTACHMENT A**) that, issued in conjunction with the financial statements audit, summarizes certain matters required to be communicated to those with oversight responsibility for FAUFC's financial reporting process. The main issue within this report is that no significant deficiencies or material weaknesses were identified in internal controls.

Upon conclusion of this presentation, clarifying conversation focused on capitalized interest reporting requirements and procedures. Additionally, members were advised that the FAUFC financial statements would be presented to the BOT Audit and Finance Committee during its February 2011 meeting.

4. UPDATE ON THE FAU INNOVATION VILLAGE STADIUM PROJECT FINANCING PLAN.

Handout: FAU Innovation Village Stadium Project.

Mr. Crudele begin an update on the stadium financing plan noting that after extensive discussions and negotiations with Regions Bank, agreement was reached and the final closing was accomplished on November 23, 2010. The report on bond sales to be provided to the Florida Board of Governors (BOG) will articulate the football stadium Capital Improvement Revenue Bonds, Series 2010, at \$44,500,000. The effective interest rate, after the Build America Bond subsidy, is 3.756 percent; capitalized through April 2012.

Noteworthy, is the significant savings of approximately 50 basis points since the interest rate came in under the initially estimated 4.25 percent rate. Additional goals that have been accomplished include the fully funded construction account and a fully funded debt service reserve fund.

Mr. Crudele advised members of the considerable progress made in stadium construction and that its completion is on target for October 2011. He noted the next critical steps as belonging to University Advancement and the Athletics departments. University Advancement is in the process of finalizing the hiring of two fundraisers to initiate the stadium capital campaign. Athletics is diligently working to hire appropriate staff for stadium operations; most importantly in promoting the sale of season tickets and the various stadium seating options.

Mr. Crudele reiterated that, as required, a Sale of Bonds Report is being prepared with the assistance of bond counsel for submission to the BOG. As soon as the report is finalized a copy will be forwarded to members.

Mr. Crudele noted that Chancellor Brogan and the Board of Governors' staff have been advised of the successful completion of the stadium financing project and were pleased.

Mr. Crudele then took a moment to thank the FAUFC BOD for their flexibility in arranging their schedules to meet the needs of reviewing and providing approvals necessary to advance the Innovation Village projects. Additional recognition was given to various BOT members and FAU General Counsel and Financial Affairs employees whose diligence and dedication were instrumental in the success of these projects.

Discussion followed with members being assured of receiving periodic updates on meeting stadium construction completion goals to be provided from the monthly construction project meetings. A URL to the stadium construction webcam will be forwarded as well.

Additional conversation was held of the recent approval by the Department of Transportation to start construction earlier on the I-95 interchange link to Spanish River Boulevard. It was explained that Mr. Tom Donaudy, Vice President for Facilities and University Architect, participates in the ongoing discussions with DOT and the Boca Raton City traffic engineers and will give updates as they become available on the realities involved in this project. Mr. Crudele commented that since this project is considered 'shovel ready' some members of the Legislature have been backing fast tracking the project.

5. **ADJOURNMENT OF MEETING.** With no further issues or new business to discuss, **the meeting was adjourned at 11:04 a.m.**



ATTACHMENT A

FAU Finance Corporation

Report to the Board of Directors

December 7, 2010



Board of Directors
FAU Finance Corporation
777 Glades Road, 10/158
Boca Raton, FL 33431

Attention: Stacey Semmel, Controller

We are pleased to present this report related to our audit of the financial statements of FAU Finance Corporation from the date of inception (August 12, 2009) through June 30, 2010. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for FAU Finance Corporation's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to FAU Finance Corporation.

McGladrey & Pullen, LLP

Fort Lauderdale, Florida
December 7, 2010

Contents

Required Communications 1 - 2

Summary of Recorded Audit Adjustments 3

Exhibit A – Certain Written Communications Between Management and Our Firm
Representation Letter

Required Communications

Statement on Auditing Standards No. 114 requires the auditor to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications.

Area	Comments
Auditor's Responsibility Under Professional Standards	Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated August 20, 2010.
Accounting Practices	Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Corporation. Since this is the first year of operations, all accounting policies were adopted during the current period. Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. Alternative Treatments Discussed with Management We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.
Management's Judgments and Accounting Estimates	No significant accounting estimates.
Audit Adjustments	Audit adjustments recorded by FAU Finance Corporation are shown on the attached "Summary of Recorded Audit Adjustments."

Uncorrected Misstatements	No uncorrected misstatements were noted.
Disagreements with Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations with Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed with Management	No significant issues arising from the audit were discussed or were the subject of correspondence with management.
Difficulties Encountered in Performing the Audit	We did not encounter any difficulties in dealing with management during the audit.
Letter Communicating Significant Deficiencies and Material Weaknesses	There were no significant deficiencies or material weaknesses identified during our audit of the financial statements.
Certain Written Communications Between Management and Our Firm	Copies of certain written communications between our firm and the management of the Corporation are attached as Exhibit A.

FAU Finance Corporation
 Summary of Recorded Audit Adjustments
 Year Ended June 30, 2010

FAU Finance Corp			
Summary of Adjustments for SAS 114 Communication			
30-Jun-10			
AJE #1			
CIP - Capitalized Interest		810,269	
Interest expense		2,074,280	
Accrued Accounts Payable			2,884,549
AJE #2			
Due from IRS		934,873	
IRS interest credit			934,873

**Exhibit A - Certain Written Communications Between
Management and Our Firm**

FAU FINANCE CORPORATION

777 Glades Road
Administration Building 10, Room 345
Boca Raton, Florida 33431

November 29, 2010

McGladrey & Pullen, LLP
100 N.E. Third Avenue, Suite 300
Fort Lauderdale, FL 33301

In connection with your audit of the statement of financial position of FAU Finance Corporation (the "Corporation"), a direct support Corporation and component unit of Florida Atlantic University, as of June 30, 2010 and the related statements of activities, and cash flows from the date of inception (August 12, 2009) through June 30, 2010, we confirm, we are responsible for the fair presentation in the financial statements of financial position, results of activities, and cash flows in conformity with accounting principles generally accepted in the United States of America.

We confirm, to the best of our knowledge and belief, as of November 29, 2010 the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We have made available to you all:
 - a. Financial records and related data.
 - b. Minutes of the meetings of directors and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. We have no knowledge of fraud or suspected fraud affecting the Corporation involving:
 - a. Management or employees who have significant roles in the internal control.
 - b. Others where the fraud could have a material effect on the financial statements.
4. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
5. We have no knowledge of any allegations of fraud or suspected fraud affecting the Corporation received in communications from employees, former employees, analysts, regulators, or others.
6. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Corporation's ability to record, process, summarize, and report financial data.
7. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

8. We have no plans or intentions that may materially affect the carrying value or classification of assets. In that regard:
 - a. The Corporation has no significant amounts of idle property and equipment or permanent excess plant capacity.
 - b. The Corporation has no plans or intentions to discontinue the operations of any subsidiary or branch or to discontinue any significant services or activities.
 - c. Provision has been made to reduce all investments, intangibles, and other assets which have permanently declined in value to their realizable values.

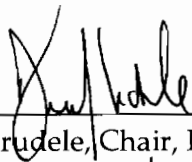
9. The following have been properly recorded and/or disclosed in the financial statements:
 - a. Related-party relationships, transactions and related amounts receivable or payable including sales, purchases, loans, transfers, leasing arrangements, and guarantees, all of which have been recorded in accordance with the economic substance of the transactions.
 - b. All other liens or encumbrances on assets and all other pledges of assets.
 - c. Amounts of contractual obligations for construction and/or purchase of real property, equipment, other assets and intangibles.
 - d. All leases and material amounts of rental obligations under long-term leases.
 - e. Assets and liabilities measured at fair value in accordance with the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification.
 - f. Tax status. All current and deferred assets and liabilities related to the accounting for income taxes. Additionally, we have evaluated the tax positions under the two-step approach for recognition and measurement of uncertain tax positions required by the Income Taxes Topic of the FASB Accounting Standards Codification.
 - g. Amounts of contractual obligations for construction and/or purchase of real property, equipment, other assets and intangibles.

10. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.
 - a. For any material loss to be sustained in the fulfillment of or from the inability to fulfill any commitment, including promises to give.
 - b. For environmental clean-up obligations.
 - c. For amounts held for others under agency and/or split interest agreements.

11. There are no:
 - a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
 - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Environmental Protection Agency in connection with any environmental contamination.


- c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5.
 - d. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
 - e. Lines of credit or similar arrangements.
 - f. Liabilities which are subordinated to any other actual or possible liabilities of the Corporation.
 - g. Donated contributions.
 - h. Conditional promises to give.
 - i. Reclassifications between net asset classes.
 - j. Derivative financial instruments.
 - k. Refundable advances.
 - l. Post retirement benefits other than pensions and deferred compensation agreements.
 - m. Agreements to repurchase assets previously sold.
 - n. Security agreements in effect under the Uniform Commercial Code.
 - o. Liens or encumbrances on assets and all other pledges of assets.
 - p. Material losses to be sustained in the fulfillment of or from the inability to fulfill any commitment, including promises to give.
 - q. Environmental cleanup obligations.
 - r. Amounts held for others under agency and/or split interest agreements.
 - s. Temporarily or permanently restricted net assets.
 - t. Un-adopted standards that we believe could have a material effect on the financial statements when adopted.
 - u. All significant estimates and material concentrations known to management which are to be disclosed in accordance with the Risks and Uncertainties Topic of the FASB Accounting Standards Codification. Significant estimates are estimates at the statement of financial position date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year.
 - v. Long-lived assets, including intangibles, which are impaired or to be disposed of.
12. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with the Contingencies Topic of the Accounting Standards Codification.
13. The Corporation has satisfactory title to all owned assets.
14. We have complied with all aspects of contractual agreements, grants, and donor restrictions that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act and OMB Circular No. A-133, because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.

15. We have received a determination from the Internal Revenue Service that we are exempt from federal income taxes as a Section 501(c)(3) not-for-profit corporation, and we have complied with the IRS regulations regarding this exemption.
16. We are responsible for determining that significant events or transactions that have occurred since the balance sheet date and through November 29, 2010, have been recognized or disclosed in the financial statements. No events or transactions other than those disclosed in the financial statements have occurred subsequent to the balance sheet date and through November 29, 2010 that would require recognition or disclosure in the financial statements. We further represent that as of November 29, 2010, the financial statements were complete in a form and format that complied with accounting principles generally accepted in the United States of America, and all approvals necessary for issuance of the financial statements had been obtained.
17. During the period covered by your engagement and through the date of this letter, neither the Corporation nor any of its affiliates has owned a direct or material indirect interest in H&R Block, Inc.
18. During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.



Dennis Crudele, Chair, FAU Finance Corporation

Date Signed 11/30/2010



Stacy Semmel, Secretary/Treasurer, FAU Finance Corporation

Date Signed 11/30/2010