

HARBOR BRANCH
Oceanographic Institution, Inc.

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5600 U.S. 1 NORTH
FORT PIERCE, FLORIDA 34946

April 25, 2007

Frank T. Brogan, President
Florida Atlantic University
777 Glades Road
Boca Raton, FL 33431

RE: *Letter of Intent Regarding Proposed Agreement Between
Harbor Branch Oceanographic Institution, Inc. and Florida Atlantic University*

Dear President Brogan:

I am pleased to write you regarding the proposed Agreement between Harbor Branch Oceanographic Institution, Inc. (hereinafter "Harbor Branch") and Florida Atlantic University (hereinafter "FAU"), the principles of which have been approved by the Harbor Branch Board of Trustees and Board of Directors, as well as the FAU Board of Trustees contingent upon legislative approval of requested funding. These principles are as follows:

1. State Funding Requested from the Florida Legislature
Annual - \$13.750M increase over current levels
One-Time - \$44.641 M
2. Employees
All HBOI employees receive a one year guaranteed employment offer at the same salary they are presently earning, subject to standard FAU employment contract terms and conditions.
3. Organization
HBOI would remain intact as an FAU research institute and would report to the University Provost's Office. Staff (HR, Finance, IS/IT, etc.) would become part of the FAU staff as per #2 above, but would still support HBOI.
4. Land - two options:
 - a) All land not deeded to the county would be deeded to FAU, to support development and operations of FAU HBOI campus. Under this option, FAU would make available necessary space for the new HBOI Foundation to construct a permanent Foundation office facility.
 - b) Approximately 125 acres would be deeded to FAU. Any remaining lands would be owned by the new HBOI foundation. The title documents of the remaining lands would reflect that any future sales, leases, or other disposition by the new HBOI foundation would be subject to the approval of the FAU Board of Trustees. The new HBOI foundation would retain the proceeds of any approved future sales or leases of the remaining land to use for the benefit of HBOI.

A NON PROFIT ORGANIZATION

*Exempt from federal income tax under Internal Revenue Code Section 501(c)(3),
qualifying for tax-deductible contributions under Internal Revenue Code Section 170(c).*

5. Loans
Repayment of existing loans would be from the new HBOI Foundation as an FAU Direct Support Organization (DSO) (See Item 6 below.). Proceeds from the sale of property to St. Lucie County and/or other entities would be deposited with the Foundation. The Foundation could then elect to:
- a) Repay the loans in question from proceeds of the land sale with the balance being added to the corpus of the endowment; or,
 - b) Add the proceeds of the land sale to the corpus of the endowment and subsequently retire the loans from endowment earnings.
6. HBOI Foundation
HBOI Foundation would become a separate, stand-alone DSO of FAU, certified by the FAU Board of Trustees as operating for the benefit of FAU and HBOI. It would thus remain independent of the existing FAU Foundation, Inc., and as such would retain sole discretion for its funding or support of HBOI in terms of grants, endowments etc. This arrangement could result in the doubling of grants and endowments to HBOI that meet the requirements of the State of Florida's matching program for donations to state university DSOs. The new HBOI foundation's board would have 2 appointees from FAU. The current endowment will remain with the new HBOI foundation.

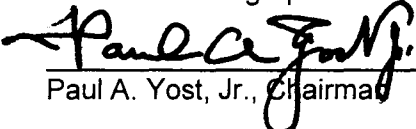
Please accept this communication as a letter of intent to enter into good faith negotiations to arrive at a definitive agreement after the Legislature acts favorably on the financial aspects of the principles. A binding commitment between Harbor Branch and FAU will result only from the execution of that definitive agreement and be subject to the conditions expressed therein. Unless extended by the parties as provided herein, this letter of intent shall expire without any further action by any of the parties on the 31st day of July 2007.

If you find the foregoing to be acceptable, please execute this letter of intent as provided below, and return an executed copy to me.

I look forward to hearing from you.

Sincerely yours,

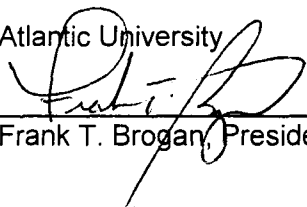
Harbor Branch Oceanographic Institution, Inc.

By: 
Paul A. Yost, Jr., Chairman

Accepted and Agreed to on this 25th day of April, 2007.

Florida Atlantic University

By:


Frank T. Brogan, President