



**Space Florida
Board of Directors Meeting**

October 30, 2013



Biltmore Hotel
Brickell Room
1200 Anastasia Ave
Coral Gables, FL 33134



**Board of Directors Meeting
Agenda**

October 30, 2013
 2:30 PM Eastern Daylight Time
 Call-in Number: 888-204-5987
 Guest Code: 4503386 #
 Biltmore Hotel
 Brickell Room
 1200 Anastasia Ave
 Miami-Coral Gables, FL

Agenda Items	
Call to Order and PLEDGE OF ALLEGIANCE 2:30 PM	President
Roll Call	Marketing Manager
Welcome & Introductions	Interim Vice Chair
Approval of Minutes August 7, 2013	Interim Vice Chair
Business Before the Board 1. Governance & Compensation Committee Report a. Public Comment and Conduct of Meeting Policy 2. Public Comments 3. Audit & Accountability Committee Report 4. Contracts/Business Development/Projects Activities 5. Resolution	Interim Vice Chair Governance & Compensation Committee Chair Interim Vice Chair CFO Treasurer Treasurer
President's Report	President
Near Term – Upcoming Events: <ul style="list-style-type: none"> • American Society for Gravitation and Space Research (ASGSR) Nov. 3 – 8 , 2013 – Orlando, FL • SATCON – Nov. 13-14 – New York, NY • MILCON – Nov. 19-21 – San Diego, CA • IAA Heads of Space Agencies Summit – Jan. 10, 2014 – DC • SF Board of Directors Meeting – Feb. 5, 2014 – Tallahassee • Florida Space Day – March 12th, 2013 - Tallahassee 	President
Closing Remarks / Adjournment	Interim Vice Chair



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Draft Minutes of a Regular Meeting of the Space Florida Board of Directors

A regular meeting of the Space Florida Board of Directors was held August 7, 2013 at the Hilton Sandestin in Destin, Florida.

Board Members Present:

Lewis Bear, Jr.
Jay Beyrouti
Jesse Biter
Julius Davis
Hayden Dempsey
William Dymond, Jr.
Danny Gaekwad
Belinda Keiser
Chris Kise
Hal Valeche

Space Florida Staff:

Frank DiBello
Jim Kuzma
Denise Swanson

Agenda

- I. Welcome and Introductions
- II. Approval of Minutes
- III. Business Before the Board
 1. Audit Committee Report
 2. Governance Committee Report
 3. Contracts/Business Development/Projects Activities
- IV. President's Report
- V. Near Term – Upcoming Events
- VI. Public Comments
- VII. Closing Remarks and Adjournment

A quorum being present, the meeting was called to order at 2:30 pm (CST).

Interim Vice Chair Bill Dymond opened the meeting and welcomed board members.

Approval of Minutes

Jesse Biter made a motion to approve the minutes of the May 8, 2013 Board of Directors meeting, which was seconded by Julius Davis, and approved unanimously.

Business Before the Board

Denise Swanson reported that the Space Florida Audit & Accountability Committee met on August 5, 2013. The Committee reviewed and recommends full board approval of the Fourth Quarter Interim Financial Statements and the Fiscal Year 2014 budget.

Audit Committee Report: Financial Statements

Swanson reviewed the Compiled Statement of Revenues and Expenses for the twelve-month period ended June 30, 2013. She stated that Space Florida is exceeding plan in “other revenue” and “operations expenses” and is under plan in “salaries and other related costs” due to positions that were budgeted but have remained vacant. Swanson informed the Board that Space Florida exceeded plan in “business development” due to the support of the UAS test range efforts and grant support, and in “utilities and maintenance” based on utility use and costs.

Julius Davis made a motion to approve the Quarterly Interim Financial Statements for the period ended June 30, 2013, which was seconded by Jesse Biter, and approved unanimously.

Swanson presented the fiscal year 2014 budget to the board. She pointed out that appropriated revenue from the state increased by \$2.5 million -- \$1 million to support collaborative research, development, and commercialization of projects related to aerospace and other technology and life sciences with Israel; and \$1.5 million to market and promote the space tourism industry in Florida. Salary and other related costs increased by \$467,000 primarily due to the adoption of a new compensation plan (65%), three new positions (25%), and a rise in employee insurance premiums (10%). Additionally, there is an increase in utilities and maintenance due to the increase in facilities for which Space Florida is responsible.

Jesse Biter made a motion to approve extension of the Fiscal Year 2014 budget from July 1, 2013 to June 30, 2014, which was seconded by Hayden Dempsey, and approved unanimously.

Governance Committee Report

Jesse Biter informed the board that the Governance and Compensation Committee met July 30, 2013 to address the employment contract of the Treasurer & Executive Vice President/Chief Investments Officer. The committee was authorized to negotiate a contract for the President and Treasurer & EVP. The President's contract was presented and approved at the last board meeting. The committee has completed the Treasurer & EVP contract, with counsel using the approved President's contract as a template. The contract moves the Treasurer & EVP compensation to the control point of market.

Jesse Biter made a motion to approve the Treasurer & Executive Vice President/Chief Investments Officer as presented, which was seconded by Belinda Keiser. The vote was as follows: Jesse Biter – Yes, Belinda Keiser – Yes, Danny Gaekwad – No, Chris Kise – No, Lewis Bear, Jr – Yes, Jay Beyrouiti – Yes, Julius Davis – Yes, Hayden Dempsey – Yes, William Dymond, Jr. – Yes, Hal Valeche – Yes. The Motion carried 8 to 2.

Contracts, Business Development and Project Activities

Denise Swanson presented seven items to the board for approval. The first item concerned funding agreements with Department of Economic Opportunity in conjunction with fiscal year 2014 appropriations. Total funding amounts to \$19.5 million and is allocated across Space Florida operations (\$10M), Israel MOU (\$1M), spaceport marketing efforts (\$1.5M), and Space Florida financing efforts (\$7M).

Jesse Biter made a motion to approve management negotiations of funding agreements with Department of Economic Opportunity in the amount of \$19,500,000 for fiscal year 2014, which was seconded by Julius Davis, and approved unanimously.

The next item for discussion concerned discussions with NASA and other tenant prospects for lease agreements at the Space Life Sciences Lab for 2014.

Belinda Keiser made a motion to approve management enter into multiple tenant lease/sublease agreements in conjunction with the Space Life Sciences Lab for fiscal year 2014 at terms and conditions to be negotiated, which was seconded by Julius Davis, and approved unanimously.

The third contract item involved the management, operations, utilities, service commodities, property management and maintenance of the Space Life Sciences Lab and Exploration Park Facility for fiscal year 2014. Space Florida wishes to continue outsourcing these activities to a combination of NASA and commercial service providers.

Jesse Biter made a motion to approve management enter into service provider agreements in conjunction with the Space Life Sciences Lab and Exploration Park for management, operations, utilities, service commodities, property management, and maintenance activities at terms and conditions to be negotiated for fiscal year 2014, which was seconded by Lewis Bear, and approved unanimously.

Swanson indicated the next item was the renewal of Option 7 of 10 with United Launch Alliance (ULA) for the lease agreement at Camp Blanding.

Jesse Biter made a motion to approve management negotiations associated with the exercise of option 7 of 10 in the amount of \$135,139 plus direct expense reimbursements for the United Launch Alliance lease agreement at Camp Blanding, which was seconded by Julius Davis, and approved unanimously.

Item five concerned operations and maintenance related activities of the orbiter processing facility and processing control center (OPF3).

Lewis Bear made a motion to approve management to enter into service provider agreements in conjunction with the OPF3 for management, operations, utilities, maintenance and property management related activities at terms and conditions to be negotiated for fiscal year 2014, which was seconded by Jesse Biter, and approved unanimously.

Swanson informed the board that Project Coyote Phase II is a Florida Department of Transportation funded effort requiring a 50 percent match by the customer for infrastructure improvements related to the Orbital Processing 1 and 2 facilities at Kennedy Space Center. The Space Florida board approved Phase I (design and demolition activities) at the November 8, 2012 board meeting. Phase II involves the build-up of new infrastructure to meet program related needs.

Danny Gaekwad made a motion to management negotiations and contract activities with the Florida Department of Transportation related to this contract in the amount of up to \$4 million and with the Project Coyote customer related to the expenditure associated with the effort in the amount of up to \$4 million, which was seconded by Julius Davis, and approved unanimously.

The last contract item concerned updates associated with Spaceport Master Planning related efforts. Florida Department of Transportation is authorized to enter into agreements with Space Florida to coordinate and cooperate in the development of spaceport infrastructure. FDOT budgeted \$15M in FY 2013 and \$20M in FY 2014 for the following space infrastructure projects:

- Advance Commercial Heavy Lift Capability
- Support Commercial Crew and Cargo
- Attract New Emerging Space Systems
- Expand Horizontal Launch/Land Capacity
- Increase Space Launch Capacity Statewide

Further, Space Florida has developed its FDOT budget request for FY 2015 based on analysis and ranking of eight eligible projects, which were reviewed and approved by the Space Coast Transportation Planning Organization Board and have been submitted to the FDOT District 5 office for consideration for the FDOT FY 2015-19 Five Year Work Program.

Jesse Biter made a motion to approve amending the Space Florida Spaceport Master Plan 2010 to include these updates, which was seconded by Belinda Keiser, and approved unanimously.

President's Report

Frank DiBello stated that his report will take a look at where the organization has been for the last several years, the current fiscal year performance, and will conclude with where the organization is headed. The biggest challenge that Space Florida has faced as the spaceport authority is the retirement of the space shuttle program. There were 9,000 jobs projected to be lost as a result of the program retirement, so Space Florida's mission has been to fill its deal log with projects for job creation. Space Florida has closed 36 transactions, creating more than 3,000 jobs. Space Florida has also created a financing fund authority, has institutionalized space transportation within the Florida Department of Transportation, and has secured key NASA and air force infrastructure assets to commercialize for private use. Space Florida has been successful in bringing activity to the operations and check out building, which is resulting in a spacecraft being manufactured in that facility that has created 400 jobs and is projected to grow to 1,000 jobs. The OPF-3 is 550 jobs, and the Space Life Sciences Center continues to be a tenant organization with several hundred people, but also a magnet for research activities in the state.

DiBello reported that Space Florida met all of its performance measures for the current fiscal year. Current measures include the number of financial deals facilitated; number of research projects, partnerships and grants supported; number of businesses receiving technical or financial assistance; number of non-disclosure agreements entered into;

number of qualified investment opportunities; and number of leads generated. He went on to say that the measures are changing, and Space Florida was asked to support those measures that will be tracked by the Department of Economic Opportunity. In their six-month trial, Space Florida was able to support the creation of 684 jobs and has set a good standard for next year's performance. This year Space Florida engaged an independent third-party to measure what Space Florida has done with the State's investment in Space Florida and how the organization has turned that into a return on investment for the State. The analysis shows that Space Florida has done well and continues to do well, behaving much like a start-up organization.

DiBello stated that in Space Florida's original focus of building its deal log, a primary goal was to diversify Florida's space industry beyond launch to include satellite systems and payloads, as well as ground operations support systems. These three components represent the infrastructure that other business use to make money. These businesses are defined in seven target sectors, including agriculture, climate and environmental monitoring; civil protection and emergency management; ISS and human life sciences; communications, cybersecurity and robotics; adventure tourism; clean energy; and advanced materials and new products. Space Florida is looking to grow all ten of these target areas. Currently, Space Florida has about 80 active projects in its pipeline, which are statewide. Because of the statute Space Florida has, the organization gets tremendous leverage on infrastructure investments by frequently turning to third party financing. Investments can range from 4% to 15%.

DiBello said that going forward, Space Florida is working on positioning Florida for next generation systems, including vertical launch, horizontal launch, next generation spacecraft, unmanned systems, research programs that are next generation, and effective utilization of the space station. Space Florida has been successful in securing Florida's role as ground node for the International Space Station with the creation of a national lab, and the research that is done in the Space Life Sciences Center. DiBello is working to ensure a lead role for Florida in the commercial space transportation arena, that includes both crew and cargo systems. While the Department of Defense and NASA will continue to be a primary user of space assets, the growth of the space industry is in commercial uses of space. Today it is a \$304B industry, with 76% of the market resources coming from commercial sources. Space Florida is actively pursuing a national test bed for unmanned vehicles, was successful in getting NASA to recognize Space Florida as its agent to commercialize the shuttle landing facility, and is continuing to work to diversify Florida's space industry statewide.

DiBello clarified that when he talks about next generation systems, that includes all of the next generation flying platforms, whether they be through the air or in space. Space Florida is preparing for space tourism and a variety of space-related vehicles that will be in the Florida skies. In terms of infrastructure and institutionalizing spaceport operations, Space Florida has two existing launch pads at launch complex 46 and launch complex 36. Launch complex 46 is being prepared for two launch systems, Minotaurs and Athenas. Space Florida is planning to use launch complex 36 as a test bed until there is a larger commercial user. The organization is also involved in an initiative to secure future commercial launch sites that will attract commercial owner operators of satellites and their launch providers – these are currently markets the U.S. has lost overseas. DiBello stated that they are preparing the state for an increased activity level in small launch vehicles, to get more universities involved, and to support the small satellite launch industry. In the area of horizontal launch, Space Florida will be leveraging the shuttle landing facility and its facility at Cecil Spaceport in Jacksonville. DiBello informed the board that they have a statewide Spaceport System Plan, which is updated every few years. The plan addresses the use of sixteen facilities that Florida has today or are in process.

DiBello asked Jim Kuzma to brief the board on several active initiatives. Kuzma began with vertical commercial launch capability, known as Shiloh, at the north end of the Cape. The RFP for the environmental impact study was released last month. He stated that the site is approximately 150 acres. Space Florida is excited that the FAA is the lead agency, which allows the organization to focus on its licensing effort to be able to license the site as a commercial spaceport. Kuzma said that Space Florida has entered into negotiations with NASA for the actual transfer of the shuttle landing facility to Space Florida. He said they have five to six customers for horizontal takeoff or vertical takeoff and horizontal recovery that they are in active conversation with. Kuzma also stated they are looking at using unmanned systems as well as some current companies that are using that facility now for revenue generation.

Kuzma went on to discuss the unmanned vehicles test site. He stated that the test site selection is planned for December 2013. There has been a recent request from two states to expand from six to eight test sites. At this time,

15 sites have been disqualified and are no longer under consideration. There are 37 states competing for the six test range designations. Florida is currently ranked fourth overall among all states in terms of the economic impact of the unmanned aircraft systems market. Florida's share of the market from 2015-2017 is estimated to amount to \$632M and 3,251 jobs, of a total U.S. market of \$13,657M and 70,240 jobs. Market studies have projected the market for unmanned systems to be \$90B by the end of the decade.

DiBello resumed his report, discussing Exploration Park, a 60-acre property outside the fence at Kennedy Space Center. He hopes to be able to attract private industry and research centers that want proximity to DoD and NASA, but do not want to be behind the fence. The site is ready, and construction of the first tenant building is planned to begin September 2013.

DiBello told the board that Space Florida has a responsibility for advancing research, education and workforce capabilities. To this end, Space Florida established CASIS, which won the national lab role for the ISS; supported initiatives at multiple universities around the state; finances the Florida Space Grant Research Consortium each year; sponsors the Igniting Innovation venture capital competitions every year; and has created an Aerospace/Aviation task force in conjunction with Workforce Florida.

DiBello reviewed Space Florida's legislative priorities, which include securing \$7M for a project financing fund; \$10M for business development and operations; and to institutionalize the FDOT language in the transportation bill that will treat space as a mode of transportation and secure a spaceport line item. On a federal level, Space Florida is supporting the evolution of the commercial crew program, extension of support of the International Space Station (ISS) through 2028; the space launch system (SLS) and Orion; and the 21st Century Launch Complex.

In the near term, DiBello indicated that Space Florida has already begun a strategic planning re-look; has plans to conduct an industry economic impact tracking study; will initiate a supply chain mapping project; will develop a variety of dashboard and other investment tools; and will continue to focus on key program capture, including the shuttle landing facility and unmanned vehicle test site.

Open Discussion

Dymond asked Tom Wilkes, counsel to Space Florida, to brief the board on changes to Florida's sunshine law. Wilkes stated that this year the legislature passed an enhanced version of the sunshine law. Under this law, governmental boards not only have to allow the public to be present and listen to the board meeting, but the board must now allow time on the agenda the public to comment on each proposition that has any material significance before the vote. Wilkes pointed out that the board is only required to provide a "reasonable" period of time for the public to comment, and the board can set up "reasonable" rules to keep the meetings orderly. He stated that this legislation also applies to all committee meetings.

Near Term – Upcoming Events

DiBello informed the board that representatives from Space Florida will be attending AUVSI's (Association for Unmanned Vehicle Systems International) Unmanned Systems 2013 conference in Washington, D.C. to support the state's test range bid. This conference will be held in Orlando next year. The next board meeting is October 30 in Miami, Florida.

Public Comments

There was one public comment concerning the enhanced sunshine law.

Closing Remarks and Adjournment

There being no further business, a motion was made by Jesse Biter, seconded by Julius Davis, and passed unanimously to adjourn the meeting at 4:24 pm (CST).

BOARD OF DIRECTORS MEETING

August 7, 2013

I, Frank DiBello, the undersigned President of Space Florida, do certify and declare that the attached is an accurate copy of the Minutes as approved by the Board of Directors of Space Florida in accordance with the Bylaws, and recorded in the minutes of the meeting of the Board of Directors held on August 7, 2013, and not subsequently amended or modified.

Frank A. DiBello, President

SPACE FLORIDA

Public Comment and Conduct of Meetings Policy

Effective Date: October 1, 2013 (Approved by the Board of Directors on October 30, 2013)

Objective: **The objective of this policy is to establish standard procedures to ensure an opportunity for broad public participation in decision-making.**

Policy Statement: It is the intent of this policy that the deliberations and actions of the Board of Directors of Space Florida and Space Florida committees be conducted and taken openly in order that the public and relevant stakeholders may be fully informed and intelligently advised as to the conduct of Space Florida public business.

Definitions: For the purpose of this policy, the following definitions shall prevail:

1. A “meeting” is a gathering of a quorum of the membership of the Board of Directors, or any board or commission of Space Florida for the purpose of receiving information relating to public business, or for discussion of public business, or for official action upon a proposition related to public business.
2. A “regular meeting” is a meeting held pursuant to a schedule of such meetings as approved by a board or commission to conduct public business or otherwise discuss or act upon matters of public interest.
3. A “special meeting” is any meeting other than a regular meeting held by a board or commission. A “special meeting” is held for the purpose of addressing matters requiring the immediate attention of a board or commission or for the purpose of addressing matters which the board or commission has determined are best addressed at a special meeting. When a special meeting is called, the presiding officer of the board or commission shall specifically state the purpose of the meeting and the board or commission shall address only those matters for which the meeting was called.
4. A “board or commission” shall refer to the Board of Directors of Space Florida and any other board or commission now existing or created in the future by the Board of Directors or Space Florida.
5. The “presiding officer” shall mean, in the case of the Board of the Directors the chair and in all other cases shall be the chair of a particular Space Florida board or commission.
6. “Board of Directors” shall refer to the Board of Directors of Space Florida.

Meetings:

1. **Location.** All meetings of the Board of Directors and any other board or commission shall be held in a suitable location and shall be open to the public as required by law. Meetings may be conducted by means of communications media technology. The only exception to the requirement that meetings be open to the public shall be an executive session scheduled for those purposes expressly recognized by law.
2. **Regular Meetings.** The Board of Directors and the other boards and commissions shall hold regular quarterly meetings as designated by the Board of Directors or the other boards and commissions.
3. **Public Notice.** Space Florida shall give public notice of the schedule of meetings and shall state the dates, times, and places or teleconference numbers, if applicable, for such meetings. Public notice of any special meeting or of any reconvened meeting shall be given before such meeting. Public notice shall be given by posting a copy of the notice on Space Florida's website and in the Florida Administrative Register.

Conduct of Meetings:

1. The presiding officer shall preserve order and decorum at all meetings.
2. When considering matters upon which the board or commission will take action the presiding officer shall receive comments from the public.
3. During any board or commission meeting, board and commission members shall maintain order and decorum.
4. Space Florida staff and citizens must be recognized by the presiding officer before speaking or asking questions.
5. All comments must be made from the podium which is located in the Space Florida meeting room or by other reasonable accommodations in any other location in which a board or commission meeting is held, and shall address the subject of the agenda item. Individuals that appear before any board or commission are required to state their legal name for the public record. The purpose of this requirement is so that they are properly reflected in any board or commission minutes and are available for future reference.
6. As a board or commission considers consent agenda items, emergency items, items involving official acts that involve no more than a ministerial act, approval of minutes, ceremonial proclamations and other similar items, the presiding officer may, at his/her discretion, or at the direction of a majority of the board or commission, accept comments from those in attendance.

Public Participation and Comment: In order to comply with Section 286.0114 of the Florida Statutes, Space Florida hereby establishes a Public Comment Policy applicable to all boards and

commissions to allow members of the public an opportunity to address boards and commissions. In addition to public hearings, a special time is hereby set aside at all board and commission meetings for the purpose of receiving comments and suggestions from members of the public. All comments made during any Public Comment period shall be subject to the following procedures:

1. Space Florida allocates a reasonable period of time at the beginning of each board or commission meeting for public comments. The presiding officer will divide the time equally between all who have signed up to speak; but in no case may a person speak longer than three minutes. The presiding officer may permit additional time to a given speaker on a case-by-case basis.
2. For board or committee meetings held at a physical location, persons who wish to make a statement during the Public Comment period will register on a sign-up sheet which will be available 30 minutes before the start of the meeting. No one will be allowed to have his or her name placed on the list by telephone or e-mail request to Space Florida staff. Each person who signed up to speak will have up to three minutes to make his or her statement. Speakers will be acknowledged by the presiding officer in the order in which their names appear on the sign-up sheet. Speakers shall address that board or commission from the podium, and not approach that board or commission or Space Florida staff. Speakers will begin their statement by first stating their legal name.
3. For board or committee meetings that are conducted by means of communications media technology, a teleconference number will be provided on the meeting agenda. Persons who wish to make a statement during the Public Comment period will call-in during the Public Comment period and will be acknowledged during that period of time. Each person who calls in during the Public Comment period will have up to three minutes to make his or her statement.
4. Statements are to be directed to the board or commission as a whole, and not to individuals. Public comment is not intended to require a board or commission to provide an answer to the speaker. Discussions between speakers and members of the audience will not be allowed.
5. Speakers will be courteous in their language and presentation.
6. Only one speaker will be acknowledged at a time. In the event a group of persons supporting or opposing the same position desires to be heard, in the interest of time, a spokesperson shall be designated to express the group's concerns. Likewise, in the event the number of persons wishing to attend the hearing exceeds the capacity of the meeting place, one or more delegates shall be selected to speak on behalf of each group. If the time period expires before all persons who have signed up get to speak, those names will be carried over to the next Public Comment period, or if the presiding officer consents, these comments can be heard at that meeting.

7. Any action on items brought up during the Public Comment period will be at the discretion of that board or commission.
8. These same rules shall apply to all boards and commissions.

Decorum: The presiding officer shall preserve strict order and decorum at all meetings.

1. In conducting business, boards and commissions are committed to the principles of civility, honor, and dignity. Individuals appearing before boards and commission are requested to observe the same principles when making comments on items and issues presented to a given board or commission for its consideration.
2. Staff members and citizens are required to use proper language when addressing a board or commission or the audience. Staff members and citizens shall not use profanity or cursing, aggressive or threatening behavior when addressing the board or commission or other participants. All comments are directed to the presiding officer and not to individual members of the board or commission or to the audience. No personal verbal attacks toward any individual will be allowed during the conduct of a board or commission meeting. The presiding officer may have individual(s) removed from the podium and/or meeting chambers if such conduct persists after a warning has been issued.
3. All members of a board or commission shall accord the utmost courtesy to each other, staff, and the public members appearing before the board or commission and shall refrain at all times from rude and derogatory remarks, reflections as to integrity, abusive comments and statements as to motives and personalities. During board or commission meetings, cell phones are to be turned off or silenced. Use of cell phones by board or commission members and staff for talking, texting, emailing or otherwise will not be allowed during meetings while at the dais, except for emergency communications, research, or during breaks.

Waiver of Rules: The board or commission may, at any time, waive all or a portion of these rules of procedure during the course of a meeting.

Training: Periodic training for Sunshine Law requirements will be scheduled by Space Florida for board and commission members.

Space Florida
Total Compiled Statement of Revenues and Expenses
For the Three Month Period Ending September 30, 2013

Unaudited
In 000's

	Total budget	1st Qtr Actual	Committed	Total Actual and Commitments	Budget Remaining
Operations Revenues					
State Appropriated Revenue, Ops	\$ 12,500	\$ 3,125	\$ 9,375	\$ 12,500	\$ -
Other Revenue	2,473	374	2,090	2,464	\$ 9
Total Operations Revenues	\$ 14,973	\$ 3,499	\$ 11,465	\$ 14,964	\$ 9
Operations Expenses					
Salaries & Other Related Costs	\$ 4,534	\$ 874	\$ 3,556	\$ 4,430	\$ 104
Contract & Subcontract Services	3,055	793	2,053	2,847	209
Operating, General & Administrative	1,801	227	649	876	925
Utilities & Maintenance	2,348	344	1,497	1,841	507
Business Recruitment/Investment	2,728	147	246	393	2,334
Travel & Entertainment	508	86	422	508	(0)
Total Operations Expenses, no depreciation	\$ 14,973	\$ 2,471	\$ 8,423	\$ 10,894	\$ 4,079
Change in net assets due to Operations	\$ 0	\$ 1,028	\$ 3,043	\$ 4,070	\$ (4,070)



**SPACE FLORIDA
(A COMPONENT UNIT OF
THE STATE OF FLORIDA)
FINANCIAL STATEMENTS**

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

SPACE FLORIDA

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For the years ended June 30, 2013 and 2012

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Independent Auditors' Report

The Board of Directors
Space Florida
Cape Canaveral, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Space Florida, a component unit of the State of Florida, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements which collectively comprise the entities basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Space Florida as of June 30, 2013 and 2012 and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 7 to 13 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Space Florida's basic financial statements. The schedule of travel, entertainment and incidental expenses and the schedule of expenditures of federal awards and state financial assistance, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and Chapter 10.550 of the Rules of the Auditor General of the State of Florida, are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of expenditures of federal awards and state financial assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of travel, entertainment and incidental expenses has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2013, on our consideration of Space Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 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* in considering Space Florida's internal control over financial reporting and compliance.

Carr Riggs & Ingram, LLC

Melbourne, Florida
September 19, 2013

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Management's Discussion and Analysis

As management of Space Florida, we offer readers of Space Florida's financial statements this narrative overview and analysis of the financial activities of Space Florida for the years ended June 30, 2013, 2012 and 2011.

Effective September 1, 2006, Pursuant to Chapter 2006-60, Laws of Florida, a law enacted by the Florida Legislature during its 2006 Regular Session, Space Florida was created as an independent special district and subdivision of the State. Space Florida serves as the State's principal government space entity, responsible for space-related infrastructure development, industry recruitment and education/research in partnership with federal agencies and private industry; for providing leadership for development of space transportation infrastructure; and for implementation of space commercialization and development programs.

Space Florida utilizes funds to operate programs that retain, attract and expand new business to Florida, and to promote Florida as the world's premier space business destination. Space Florida is responsible for accelerating the growth of space-related economic development and supports Florida's economic goals through targeted space business retention, expansion and diversification efforts in addition to promoting innovative educational, research and development and workforce development programs and space related infrastructure development projects.

As a result of the dynamic nature of Florida's space industry and the retirement of NASA's Space Shuttle program, Space Florida has developed a strategic plan ("Vision 2020") that targets a number of diversified commercial market segments for integration of space technology that has not been previously pursued with a focused state effort. These markets receive direct benefit through utilization of the current space program, or have shown great interest in the potential for benefitting from opportunities in next-generation space initiatives. Space Florida has already gained significant interest from major players in these markets, and will continue to increase its efforts to attract and secure these businesses. It will do this, in part, by focusing staff efforts on business development opportunities in these emerging sectors, with the goal of tripling the size of the space industry and its economic impact in Florida by 2020.

Financial Highlights

- The assets of Space Florida exceeded its liabilities for the years ended June 30, 2013 and 2012 by \$89,120,364 and \$82,501,342 (net position), respectively. Of this amount, \$9,811,190 and \$12,654,083 (unrestricted net position), respectively, may be used to meet Space Florida's ongoing obligations to citizens and creditors.
- Space Florida's total net position increased by \$6,619,022 for the year ended June 30, 2013 and decreased by \$384,852 for the year ended June 30, 2012. For the year ended June 30, 2013 the increase in net position consisted of primarily from increases in State grant revenue for operations. For the year ended June 30, 2012 the decrease was primarily due to a net loss from operations and a capital asset contribution to another governmental entity offset by other non-operating grant revenue.
- For the years ended June 30, 2013 and 2012, unrestricted net position was 40 percent and 57 percent, respectively, of total operating expenditures.
- Space Florida's state appropriated revenue for operations for fiscal year 2013 and 2012 was \$10,236,994 and \$10,039,943, respectively.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Space Florida's basic financial statements. Space Florida's basic financial statements are comprised of two components: financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The basic financial statements report information using the full accrual accounting methods as utilized by similar business activities in the public sector. The financial statements include a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows.

The statement of net position presents information on all of Space Florida's assets and liabilities, with the difference between the two reported as net position. Over time, changes in net position may serve as an indicator of the financial status of Space Florida.

The statement of revenues, expenses and changes in fund net position presents information showing how Space Florida's net position changed for the years ended June 30, 2013 and 2012. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The statement of cash flows presents changes in cash and cash equivalents from operational, financing and investing activities. This statement presents cash receipt and disbursement information without consideration of the earnings event, when an obligation arises or depreciation of capital assets.

The basic financial statements can be found on pages 17-21 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and thus are an integral part of these financial statements. The notes to the financial statements can be found on pages 23-35 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information. This supplementary information can be found on pages 39 and 47 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an entity's financial status. Assets exceeded liabilities as of June 30, 2013, 2012 and 2011 by \$89,120,364, \$82,501,342 and \$82,886,194, respectively.

The following table reflects the condensed statement of net position.

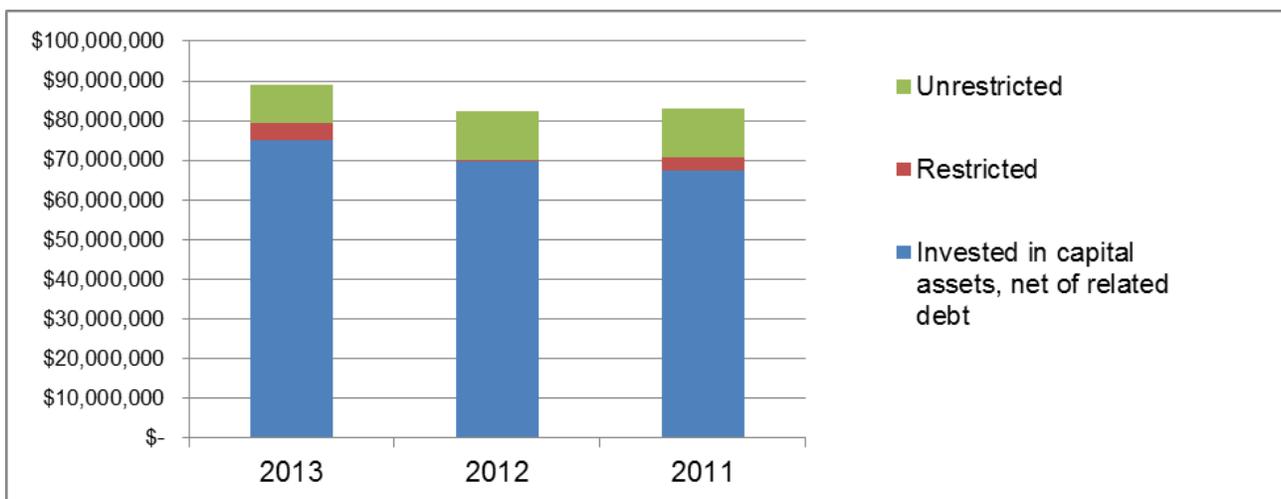
Space Florida Net position

	2013	2012	2011
Cash	\$ 7,048,921	\$ 5,095,811	\$ 6,481,948
Receivables	9,124,405	6,790,158	6,806,910
Investments	4,289,520	4,189,520	3,196,600
Other current assets	872,318	804,377	492,656
Capital assets	75,143,830	69,847,259	67,548,759
Lease receivable	4,098,033	5,000,000	-
Other assets	3,306,300	1,723,533	766,744
Total assets	103,883,327	93,450,658	85,293,617
Liabilities	14,762,963	10,949,316	2,407,423
Total liabilities	14,762,963	10,949,316	2,407,423
Net position:			
Invested in capital assets, net of related debt	75,143,830	69,847,259	67,548,759
Restricted	4,165,344	-	3,288,953
Unrestricted	9,811,190	12,654,083	12,048,482
Total net position	\$ 89,120,364	\$ 82,501,342	\$ 82,886,194

The largest portion of Space Florida’s net position as of June 30, 2013 (84 percent), as of June 30, 2012 (85 percent) and as of June 30, 2011 (81 percent) reflects its investment in capital assets (e.g., buildings, equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. Although Space Florida’s investment in its capital assets is reported net of related debt above, Space Florida has no outstanding debt. If such debt existed, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

As of June 30, 2013, 2012 and 2011, Space Florida was able to report positive balances in all three categories of net position.

Net position



The following table shows condensed revenue and expense data:

Space Florida Changes in Net position

	2013	2012	2011
Operating revenues:			
Fees and charges for services	\$ 2,433,809	\$ 2,662,362	\$ 2,670,769
State appropriated funding	10,236,994	10,039,943	20,039,943
Grant revenue	12,303,008	3,161,465	383,590
Total operating revenue	<u>24,973,811</u>	<u>15,863,770</u>	<u>23,094,302</u>
Non-operating revenues:			
Other grant revenue	6,224,996	7,722,185	2,708,537
Other	290,458	16,714	11,105
Total non-operating revenues	<u>6,515,454</u>	<u>7,738,899</u>	<u>2,719,642</u>
Total revenues	<u>31,489,265</u>	<u>23,602,669</u>	<u>25,813,944</u>
Operating expenses:			
Business development activities	14,208,395	11,807,606	* 5,022,679
Educational research development and workforce activities	660,777	2,769,219	* 2,266,058
Operations	3,815,080	3,272,603	* 2,826,294
General, administrative and depreciation	5,861,683	4,542,223	* 3,737,995
Total operating expenses	<u>24,545,935</u>	<u>22,391,651</u>	<u>13,853,026</u>
Non-operating expenses:			
Total non-operating expenses	<u>324,308</u>	<u>1,595,870</u>	<u>16,160</u>
Total expenses	<u>24,870,243</u>	<u>23,987,521</u>	<u>13,869,186</u>
Change in net position	6,619,022	(384,852)	11,944,758
Net position – beginning	82,501,342	82,886,194	70,941,436
Net position – ending	<u>\$ 89,120,364</u>	<u>\$ 82,501,342</u>	<u>\$ 82,886,194</u>

(*) Amounts have been reclassified to conform to the 2012 presentation.

Changes in Net Position. The net position balance increased \$6,619,022, decreased \$384,852 and increased \$11,944,758, for the years ended June 30, 2013, 2012 and 2011, respectively. For the year ended June 30, 2013, the increase in net position consisted of \$427,876 net gain from operations and \$6,191,146 in net non-operating revenues that included \$6,224,996 in other grant revenue and \$290,458 in interest income, less \$248,752 in interest expense and \$75,556 due to a loss on the disposal of fixed assets. For the year ended June 30, 2012, the decrease in net position consisted of \$6,527,881 net loss from operations offset by \$6,143,029 in net non-operating revenues that consisted of \$7,722,185 of other grant revenue from the Department of Economic Development, \$16,714 of interest income, less \$1,479,521 for a capital asset contributed to another governmental entity, \$105,272 in interest expense and \$11,077 foreign currency translation loss. For the year ended June 30, 2011, the increase in net position consisted of a \$9,241,276 net gain from operations and \$2,703,482 in net non-operating revenues that included \$2,708,537 in other grant revenue and \$11,105 in interest income, less \$16,160 due to a loss on the disposal of fixed assets.

Operating revenues totaled \$24,973,811, \$15,863,770 and \$23,094,302 for the years ended June 30, 2013, 2012 and 2011, respectively, and were primarily provided by State appropriated funding (41 percent, 63 percent and 87 percent of total operating revenues, respectively), with the remaining being generated from fees, charges for service and other grant revenues. In addition, Space Florida reported non-operating revenues of \$6,515,454, \$7,738,899 and \$2,719,642 for the years ended June 30, 2013, 2012 and 2011 respectively. Non-operating revenues in 2013 and 2012 consisted primarily of other grant revenues received from Florida Department of Transportation capital improvement projects.

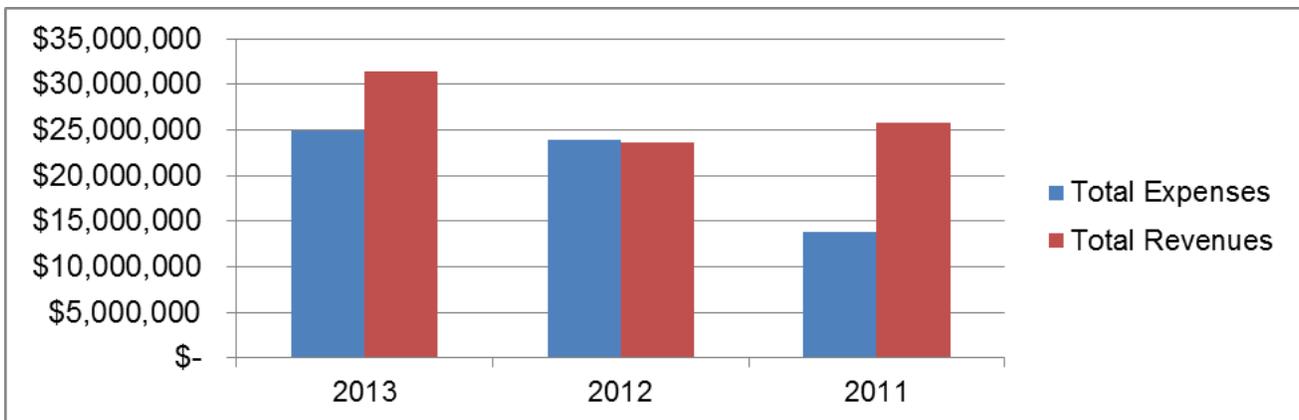
Operating expenses were \$24,545,935 for the year ended June 30, 2013, \$22,391,651 for the year ended June 30, 2012, and \$13,853,026 for the year ended June 30, 2011. Of those totals, 16 percent for the year ended June 30, 2013, and 15 percent for the year ended June 30, 2012, related to general operations, which consist of support for the execution of Space Florida's responsibilities as a state-created entity, facilities management and policy-related responsibilities. In addition, and related to ownership and management of the operation and its facilities, depreciation totaled \$3,831,809, \$3,132,930 and \$3,130,515 for the years ended June 30, 2013, 2012 and 2011 respectively.

Space Florida's strategic goal is to operate as a high performance public sector organization by tripling the size of the space industry and its economic impact in Florida by 2020. In addition, an important element of Space Florida's mission is to promote federal and state policies that increase space enterprise within the State.

As directed by statute, Space Florida is also responsible for fostering the growth and development of a sustainable and world-leading aerospace industry in the State and thus is responsible for accelerating the growth and diversification of aerospace-related economic development throughout the State. Space Florida is partnering with other State entities such as Enterprise Florida to accomplish these directives. During the period of June 30, 2013, June 30, 2012 and June 30, 2011, Space Florida expended 58 percent, 53 percent and 36 percent, respectively, of its operating expenditures to create and direct activities and programs that retain, attract and help expand aerospace businesses in Florida.

Lastly, 2 percent, 12 percent and 16 percent, respectively, was expended on education, research and development and workforce development projects for the years ended June 30, 2013, 2012 and 2011. Space Florida's role in workforce development assistance relates to meeting the specific requirements of a new or expanding business or program. Space Florida facilitates workforce opportunities through the appropriate regional workforce agency depending on the company's requirements. We continue to invest in R&D and education programs that advance the State's goals of attracting higher quality proposals and expand program impact throughout the State. These initiatives work together to pursue development of strategies that best leverage Florida's aerospace assets.

Total Revenues and Expenses



Capital Asset and Debt Administration

Capital assets. Space Florida's investment in capital assets as of June 30, 2013, 2012 and 2011 amounted to \$75,143,830, \$69,847,259 and \$67,548,759 (net of accumulated depreciation), respectively. This investment in capital assets includes buildings, improvements, construction in progress and equipment. Construction in progress as of June 30, 2013 and 2012 primarily consisted of capital improvements to Orbiter Processing Facility 3, Exploration Park and Launch Complex 36.

Space Florida Capital Assets (net of depreciation)

	2013	2012	2011
SRMU storage facility	\$ 5,629,792	\$ 6,057,627	\$ 6,485,461
RLV hangar and office space	2,120,000	2,533,163	2,946,328
Orion facility	27,808,045	29,032,417	30,256,789
Space Life Sciences Lab	19,293,801	19,884,049	20,899,186
Furniture, equipment and vehicles	4,706,400	1,054,339	448,816
Construction in progress	15,585,792	11,285,664	6,512,179
Total	<u>\$ 75,143,830</u>	<u>\$ 69,847,259</u>	<u>\$ 67,548,759</u>

Additional information on Space Florida capital assets can be found in Note 6 on pages 28 to 29 of this report.

Space Florida entered into an agreement in fiscal year 2012 to purchase two research vehicles from a third party. In addition, Space Florida secured a \$5,000,000 loan to be used for the completion of the vehicles. Upon completion of the prototypes, Space Florida will lease them back to the third party at the loan repayment rate. Additional information regarding the lease arrangement and can be found in Notes 5 and 8 on pages 23 and 26, respectively.

Space Florida entered into agreements in fiscal year 2011 to purchase prototypes from third parties to test the technology and capabilities of the prototype. Upon completion of the testing period of one of the prototypes in fiscal year 2012, Space Florida leased back the prototype for a nominal lease rate. At the end of the lease the prototype can be purchased for a nominal value by the third party. As consideration for the lease and option to purchase, the third party issued ownership interest in the third party through common stock and/or warrants. Upon completion of the remaining prototypes, the same lease back and ownership interest agreement will take place. Additional information can be found in Note 14 (Seller 1, 2 & 3) on pages 33-34.

Space Florida also entered in to an agreement with a third party to purchase three production vehicles in fiscal year 2011. In fiscal year 2012, this agreement was changed to support a new prototype vehicle. Upon completion of the production of the vehicle Space Florida will lease back the prototype for a nominal lease rate. At the end of the lease the prototype may be purchased for a nominal value by the third party. As consideration for the lease and option to purchase the third party has issued ownership interest in the third party through common stock and/or warrants. Additional information can be found in Note 14 (Seller 1) on page 29 of this report.

Space Florida has agreements with the Cape Canaveral Air Force Station Center for the right to use Space Launch Complexes 36 and 46 for the development of multi-use vertical launch capabilities related to governmental, educational and commercial initiatives. Space Florida also has an enhanced use lease agreement with NASA's John F. Kennedy Space Center for 60 acres with an optional 139 additional acres to develop a mixed-use multi-tenant technology and commerce park referred to as "Exploration Park."

Requests for Information

This financial report is designed to provide a general overview of Space Florida's finances for all those with an interest in Space Florida's financial operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Space Florida, 505 Odyssey Way, Exploration Park, FL 32953.

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BASIC FINANCIAL STATEMENTS

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SPACE FLORIDA

Statements of Net Position

June 30, 2013 and 2012

ASSETS	<u>2013</u>	<u>2012</u>
Current assets		
Cash:		
Unrestricted	\$ 3,428,643	\$ 5,042,716
Restricted	3,620,278	53,095
Accounts receivable, net of allowance for uncollectible accounts of \$200,374 and \$0 at June 30, 2013 and 2012, respectively	853,196	210,961
Due from other governments:		
Unrestricted	2,534,996	4,060,813
Restricted	5,736,213	2,518,384
Investments	4,289,520	4,189,520
Loans receivable	69,772	22,223
Lease receivable	976,851	901,404
Other current assets	872,318	804,377
Total current assets	<u>22,381,787</u>	<u>17,803,493</u>
Noncurrent assets		
Capital assets:		
Construction in progress	15,585,792	11,285,664
Other capital assets, net of accumulated depreciation:		
SRMU storage facility	5,629,792	6,057,627
Orion facility	27,808,045	29,032,417
Reusable Launch Vehicle (RLV) hangar and office space	2,120,000	2,533,163
Space Life Sciences Lab	19,293,801	19,884,049
Furniture, equipment and vehicles	4,706,400	1,054,339
Loans receivable, net of allowance of \$1,232,200 and \$836,880 as of June 30, 2013 and 2012, respectively	3,234,028	1,676,898
Lease receivable	3,121,182	4,098,596
Other noncurrent assets	2,500	24,412
Total noncurrent assets	<u>81,501,540</u>	<u>75,647,165</u>
Total assets	<u>103,883,327</u>	<u>93,450,658</u>

The accompanying notes are an integral part of these financial statements.

SPACE FLORIDA

Statements of Net Position (continued)

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
LIABILITIES		
Current liabilities		
Accounts payable	551,953	1,113,420
Salaries payable	99,070	102,545
Unearned revenue	3,318,952	144,469
Accrued retirement payable	-	11,614
Compensated absences	65,718	70,197
Deposits	28,905	21,751
Payable from restricted assets:		
Accounts payable	5,191,147	3,737,408
Line of credit	1,331,582	677,012
Note payable	976,851	901,404
Total current liabilities	<u>11,564,178</u>	<u>6,779,820</u>
Noncurrent liabilities		
Compensated absences	77,603	70,900
Note payable	3,121,182	4,098,596
Total noncurrent liabilities	<u>3,198,785</u>	<u>4,169,496</u>
Total liabilities	<u>14,762,963</u>	<u>10,949,316</u>
NET POSITION		
Invested in capital assets	75,143,830	69,847,259
Restricted for:		
Special purpose	4,165,344	-
Unrestricted	9,811,190	12,654,083
Total net position	<u>\$ 89,120,364</u>	<u>\$ 82,501,342</u>

The accompanying notes are an integral part of these financial statements.

SPACE FLORIDA

Statements of Revenues, Expenses and Changes in Net Position

For the years ended June 30, 2013 and 2012

	2013	2012
Operating revenues		
Fees and charges for services	\$ 2,433,809	\$ 2,662,362
State appropriated funding	10,236,994	10,039,943
State grant revenue	11,355,174	2,446,145
Federal grant revenue	947,834	715,320
Total operating revenues	<u>24,973,811</u>	<u>15,863,770</u>
Operating expenses		
Business development activities	14,208,395	11,807,606
Educational research development and workforce activities	660,777	2,769,219
Operations	3,815,080	3,272,603
General and administrative	2,029,874	1,409,293
Depreciation	3,831,809	3,132,930
Total operating expenses	<u>24,545,935</u>	<u>22,391,651</u>
Income (loss) from operations	<u>427,876</u>	<u>(6,527,881)</u>
Non-operating revenues (expenses)		
Interest income	290,458	16,714
Other grant revenue	6,224,996	7,722,185
Interest expense	(248,752)	(105,272)
Foreign currency translation loss	-	(11,077)
Loss on disposal of capital assets	(75,556)	-
Capital assets contributed to another governmental entity	-	(1,479,521)
Total non-operating revenues (expenses)	<u>6,191,146</u>	<u>6,143,029</u>
Change in net position	6,619,022	(384,852)
Net position, beginning of year	<u>82,501,342</u>	<u>82,886,194</u>
Net position, end of year	<u>\$ 89,120,364</u>	<u>\$ 82,501,342</u>

SPACE FLORIDA

Statements of Cash Flows

For the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 4,973,211	\$ 2,729,212
Cash paid to suppliers for goods and services	(18,795,102)	(16,381,237)
Cash payments to employees for services	(2,539,385)	(2,387,794)
Loans issued	(1,604,679)	(1,475,654)
Operating grant receipts	24,065,819	17,271,240
Net cash provided by (used in) operating activities	<u>6,099,864</u>	<u>(244,233)</u>
Cash flows from capital and related financing activities:		
Capital related grant receipts	3,007,167	3,652,974
Purchase and construction of capital assets	(7,765,196)	(4,892,793)
Proceeds from sale of assets	14,999	-
Line of credit draws and payments (net)	654,570	677,012
Net cash used in capital and related financing activities	<u>(4,088,460)</u>	<u>(562,807)</u>
Cash flows from investing activities:		
Interest received	290,458	16,714
Interest paid	(248,752)	(105,272)
Purchase of common stock	(100,000)	(490,539)
Net cash used in investing activities	<u>(58,294)</u>	<u>(579,097)</u>
Net increase (decrease) in cash	1,953,110	(1,386,137)
Cash, beginning of year	<u>5,095,811</u>	<u>6,481,948</u>
Cash, end of year	<u>\$ 7,048,921</u>	<u>\$ 5,095,811</u>

Cash for the purposes of this statement consists of the following at June 30, 2013 and 2012:

Cash	\$ 3,428,643	\$ 5,042,716
Restricted cash	3,620,278	53,095
Total cash	<u>\$ 7,048,921</u>	<u>\$ 5,095,811</u>

SPACE FLORIDA

Statements of Cash Flows (continued)

For the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Reconciliation of income (loss) from operations to net cash provided by (used in) operating activities:		
Income (loss) from operations	<u>\$ 427,876</u>	<u>\$ (6,527,881)</u>
Adjustment to reconcile income (loss) from operations to net cash provided by (used in) operating activities		
Depreciation expense	3,831,809	3,132,930
Educational expense related to rocket launches	21,912	16,484
Bad debt expense	595,703	525,795
Foreign currency translation loss	-	(11,077)
(Increase) decrease in assets:		
Accounts receivable	(1,237,938)	(509,664)
Due from other governments	1,525,817	4,069,832
Loans receivable	(1,604,679)	(1,475,654)
Other current assets	(67,941)	(311,721)
Increase (decrease) in liabilities:		
Accounts payable	(561,467)	758,320
Compensated absences	2,224	38,776
Salaries payable	(3,475)	(12,268)
Unearned revenue	3,174,483	28,968
Deposits	7,154	21,751
Accrued retirement payable	(11,614)	11,176
Total adjustments	<u>5,671,988</u>	<u>6,283,648</u>
Net cash provided by (used in) operating activities	<u><u>\$ 6,099,864</u></u>	<u><u>\$ (244,233)</u></u>

SUMMARY OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES, AND INVESTING ACTIVITIES:

During fiscal year 2012, Space Florida converted a loan receivable of \$502,381 into common stock (17,686 shares).

During fiscal year 2012, \$5,000,000 of proceeds from a note payable were sent directly from the bank to the lessee under a direct financing lease. The payments Space Florida receives from the lease receivable of \$5,000,000 will be used to pay the note payable over the repayment term.

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SPACE FLORIDA

Notes to the Financial Statements

For the years ended June 30, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY – Space Florida is an independent special district, a body politic and corporate, and a component unit of the State of Florida, which was created pursuant to the Space Florida Act, Sections 331.301-331.369, Florida Statutes, as amended. Space Florida's purpose is to foster the growth and development of a sustainable and world-leading aerospace industry in the State of Florida. Space Florida accomplishes its purpose by promoting aerospace business development, facilitating business financing, spaceport operations, research and development, workforce development, and innovative education programs. Space Florida is not considered an "agency" of the State for budgeting, as defined in Florida Statutes 216.011 and 287.012.

Effective July 1, 2012, Space Florida shall be governed by a 13-member independent board of directors that consists of the members appointed to the board of directors of Enterprise Florida, Inc., by the Governor, the President of the Senate, and the Speaker of the House of Representatives pursuant to s. 288.901(5)(a)7. and the Governor, who shall serve ex officio, or who may appoint a designee to serve, as the chair and a voting member of the board.

Space Florida has the authority to purchase or construct facilities, to set rates, fees and charges for the use of facilities and to undertake joint financing with municipalities or private sector entities for projects. Space Florida also has the power to issue bonds and other instruments of indebtedness. The full faith and credit of the State of Florida does not secure any bonds issued by Space Florida.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION – Space Florida's financial statements are reported using the economic resources measurement focus, which is concerned with the inflow and outflow of resources that effect an entity. The Statement of Net Position reflects those resources available to meet current obligations and to be used in the delivery of goods and services in subsequent periods. The Statement of Revenues, Expenses and Changes in Net Position summarize those resources received and those consumed during the current period. The statement distinguishes between operating and non-operating revenues and expenses. Operating revenues generally result from leases, administrative fees and operating grants. Operating expenses include the costs for space business development activities, educational research development and workforce activities, operations, administrative expenses and depreciation. All revenues and expenses not meeting the definition of operating are reported as non-operating revenues and expenses.

Space Florida accounts for all of its activities within one enterprise fund.

USE OF ESTIMATES – The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Upon settlement, actual results may differ from those estimates.

CASH – Consists of cash on hand and demand deposits that are restricted and unrestricted.

INVESTMENTS – Investments are valued at cost, as permitted by Governmental Accounting Standards Board (GASB) Cod. Section I50 , since the stock and warrants are with privately held companies and therefore the fair market value is not readily determinable. Space Florida is allowed to invest in common stock and warrants under Florida Statute 331.305. Management has reviewed the investments and determined there is no impairment for the years ended June 30, 2013 and 2012.

SPACE FLORIDA

Notes to the Financial Statements

For the years ended June 30, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTS RECEIVABLE – The receivables are funds due to Space Florida from customers. Space Florida does not charge interest on late payments. An allowance of \$200,374 was recorded at June 30, 2013, based on management’s estimate of collectability of outstanding accounts receivable balances. At June 30, 2012, management believes that all receivables are collectible.

LOANS RECEIVABLE – Consists of loans due from several companies (See Note 4). Management reviews each loan and based on timeliness of payments estimates an allowance.

OTHER CURRENT ASSETS – Consist of deposits and prepaid expenses.

RESTRICTED ASSETS – Consist primarily of cash received and unexpended in connection with specific State-funded projects.

CAPITAL ASSETS – Are defined as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Capital assets are recorded at cost when purchased or at fair market value when donated. Additions, improvements and expenditures for repairs and maintenance that extend the lives of assets are capitalized. Other expenditures for repairs and maintenance are charged to expense as incurred. The carrying amount and accumulated depreciation of assets that are sold or retired are removed from the accounts in the year of disposal and any resulting gain or loss is included in results of operations.

Depreciation is provided using the straight-line method over the useful lives of the various classes of depreciable assets. The estimated useful lives of the property and equipment range from 1 to 27 years.

OTHER NONCURRENT ASSETS – Consist of donated Super Loki rockets stated at the lower of cost or market.

ACCRUED COMPENSATED ABSENCES – Space Florida’s reporting of accrued compensated absences has been recorded in accordance with GASC Section C60. A liability is accrued for an employee's right to receive compensation for future absences when certain conditions are met.

UNEARNED REVENUES – Include amounts collected before the revenue recognition criteria are met. The unearned items consist of refundable prepaid launch fees.

DEPOSITS – Consist of amounts held for tenants of the Space Life Sciences Lab (“SLSL”), and escrow for a loan receivable.

NET POSITION – Net position is restricted when constraints placed on funds are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. At June 30, 2013 and 2012, restricted net position consists primarily of cash received and unexpended in connection with specific State-funded projects. When both restricted and unrestricted resources are available for use, generally it is Space Florida’s policy to use restricted resources first, then unrestricted resources as needed.

CAPITAL ASSETS CONTRIBUTED TO ANOTHER GOVERNMENTAL ENTITY – During the year ended June 30, 2012, Space Florida contributed some capital assets that it was no longer going to use to NASA.

SPACE FLORIDA

Notes to the Financial Statements

For the years ended June 30, 2013 and 2012

NOTE 2 – CASH AND INVESTMENTS

At June 30, 2013 and 2012, the carrying amount of Space Florida's deposits was \$7,048,921 and \$5,095,811, respectively, and the bank balance was \$7,214,000, and \$5,240,510, respectively. These deposits consist of demand accounts that are covered by the federal depository insurance corporation (FDIC) up to \$250,000. Monies invested in amounts greater than FDIC limits are secured by collateral held by Space Florida's agent, pursuant to the Florida Security for Public Deposits Act (the "Act"). The Act requires that Space Florida maintain deposits only in "qualified public depositories." All qualified public depositories must deposit with the State Treasurer eligible collateral in such amounts as required by the Act. Should a default or insolvency occur, the State Treasurer would implement procedures for payment of losses according to the validated claims of Space Florida. Therefore, Space Florida's deposits are considered to be fully insured.

Florida Statute 331.309 authorizes Space Florida to select as a depository any qualified public depository as defined in Florida Statute 280.02. Space Florida may also deposit funds with the State Treasury.

Cash at June 30, 2013 and 2012, consists of the following:

	2013	2012
Demand deposits	<u>\$ 7,048,921</u>	<u>\$ 5,095,811</u>
Classified as:		
Cash	\$ 3,428,643	\$ 5,042,716
Restricted cash	3,620,278	53,095
	<u>\$ 7,048,921</u>	<u>\$ 5,095,811</u>

Credit risk

Florida Statute 331.348 authorizes Space Florida to invest in funds backed by the federal, and local governments, or any investment authorized in Florida Statute 17.57.

Interest rate risk

Space Florida's investment policy and Florida Statutes do not limit the maturities of investments to reduce the interest rate risk.

Foreign currency risk

Space Florida has common stock with a fair value of \$992,920 that is denominated in English Pounds. Florida Statute 331.305 authorizes Space Florida to purchase interest in foreign corporations.

Concentration of credit risk

Space Florida's investment policy and Florida Statute 331.348 do not limit the concentration of types of investments.

SPACE FLORIDA

Notes to the Financial Statements

For the years ended June 30, 2013 and 2012

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

At June 30, 2013 and 2012, Space Florida had the following investments that were greater than 5% of their total investments:

	<u>2013</u>	<u>2012</u>
Cella Energy Limited - 35,374 shares of common stock	\$ 992,920	\$ 992,920
Instant Eyes, Inc. - 20,000 shares of common stock	249,650	249,650
Instant Eyes, Inc.- warrants to purchase 20,000 shares of common stock	249,650	249,650
Rivian Automotive, Inc. - warrants to purchase 300 shares of common stock	1,498,000	1,498,000
Speed of Need Solutions, Inc. - 25,000 shares of common stock	500,000	500,000
Speed of Need Solutions, Inc. - warrants to purchase 25,000 shares of common stock	699,300	699,300
Total	<u>\$ 4,189,520</u>	<u>\$ 4,189,520</u>

Custodial credit risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, Space Florida will not be able to recover the value of the investments that are in the possession of an outside party. Space Florida does not have a formal policy for custodial credit risk. Space Florida's investments of \$4,289,520 and \$4,189,520, as of June 30, 2013 and 2012, respectively, are for securities uninsured, unregistered and are being held by the individual companies that have issued the stock.

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Due from other governments is comprised of \$8,271,209 and \$6,579,197 of State appropriations for operations at June 30, 2013 and 2012, respectively. At June 30, 2013 and 2012, \$5,736,213 and \$2,518,384 was restricted for infrastructure and operations, respectively.

NOTE 4 – LOANS RECEIVABLE

Space Florida entered into several loan agreements with a company and loaned them a total of \$1,036,925 through June 30, 2011 and charged 1% interest per year. During February 2012, the previous loans were refinanced and an additional \$399,076 was loaned to the Company. The loan is secured by collateral in an engine. Interest only payments are due monthly beginning March 2013 and 1% principal payments are due annually beginning February 2014 with a balloon payment due in 2022. As of June 30, 2013, one interest payment had been received; therefore, Space Florida's management has estimated a portion of the receivable will most likely not be collected and has recorded an allowance of \$142,200, and \$836,880, at June 30, 2013 and 2012, respectively.

SPACE FLORIDA

Notes to the Financial Statements

For the years ended June 30, 2013 and 2012

NOTE 4 – LOANS RECEIVABLE (CONTINUED)

Space Florida entered into a loan agreement with another company (Company 2) and loaned them \$1,000,000 on May 24, 2012. Company 2 made two other draws for \$1,000,000 each during May 2013. The principal and interest is due in one payment on May 30, 2017. Space Florida can elect to have the interest paid to them in the form of common stock of Company 2. The interest accrues at a rate of 4%. As additional compensation for the loan, Space Florida will receive warrants in the future based upon when Company 2's first flight occurs. As of June 30, 2013, Space Florida did not have any warrants. Due to delays in Company 2's first flight, Space Florida's management has estimated a portion of the receivable will most likely not be collected and has recorded an allowance of \$990,000, and \$0, at June 30, 2013 and 2012, respectively.

Space Florida entered into a loan agreement with another company (Company 3) and loaned them \$100,000 on November 9, 2011. The loan accrues interest at 2% per year. The payments are interest only beginning June 2012 for six months followed by 24 monthly payments of \$2,833, and a final balloon payment of any remaining principal and interest. As of June 30, 2013, Space Florida had not received the \$23,000 of principal and interest due. Space Florida's management has estimated the receivable will most likely not be collected and has recorded an allowance of \$100,000, and \$0, at June 30, 2013 and 2012, respectively.

Space Florida entered into a loan and stock purchase agreement with another company (Company 4). Space Florida loaned Company 4 \$498,272 on July 1, 2011. The principal (\$482,272) and interest (\$4,110) were converted into 17,686 shares of stock on September 28, 2011. In addition, on September 28, 2011, Space Florida purchased an additional 17,688 shares at \$490,539 of Company 4's stock. Company 4's stock is foreign stock. There was a foreign currency translation loss on the initial loan of \$1,728, a foreign currency translation gain of \$112 for the interest earned on the loan, and a \$9,461 loss on the stock purchase.

NOTE 5 – LEASE RECEIVABLE

Space Florida entered into a direct financing lease agreement with a company for two research vehicles in September 2011. The lease began on July 2, 2012. The lease agreement requires 60 monthly payments of \$90,959, including interest at a rate of 3.15%, beginning July 2, 2012. The lease proceeds are being used to repay a note payable used to purchase the vehicles. The same equipment is collateral for the note payable (See Note 8). There were no executory costs, unguaranteed residual values, deferred initial direct costs, or unearned income.

The future payments are as follows:

Year ending June 30,	Principal	Interest	Total
2014	\$ 976,851	\$ 114,654	\$ 1,091,505
2015	1,007,957	83,548	1,091,505
2016	1,040,053	51,452	1,091,505
2017	1,073,172	18,333	1,091,505
Totals	<u>\$ 4,098,033</u>	<u>\$ 267,987</u>	<u>\$ 4,366,020</u>

SPACE FLORIDA

Notes to the Financial Statements

For the years ended June 30, 2013 and 2012

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	2013			Balance June 30, 2013
	Balance June 30, 2012	Increases	Decreases	
Capital assets, not being depreciated:				
Construction in progress	\$ 11,285,664	\$ 7,740,214	\$ (3,440,086)	\$ 15,585,792
Total capital assets not being depreciated	<u>11,285,664</u>	<u>7,740,214</u>	<u>(3,440,086)</u>	<u>15,585,792</u>
Capital assets, being depreciated:				
SRMU storage facility	8,546,920	-	-	8,546,920
RLV hangar and office space	4,696,984	-	-	4,696,984
Orion facility	32,032,069	-	-	32,032,069
Space Life Sciences Lab	25,463,414	401,142	(131,452)	25,733,104
Launch complex 36	20,210	-	-	20,210
Furniture, equipment and vehicles	1,504,593	4,517,665	(1,482)	6,020,776
Total capital assets being depreciated	<u>72,264,190</u>	<u>4,918,807</u>	<u>(132,934)</u>	<u>77,050,063</u>
Less accumulated depreciation for:				
SRMU storage facility	(2,489,293)	(427,835)	-	(2,917,128)
RLV hangar and office space	(2,163,821)	(413,163)	-	(2,576,984)
Orion facility	(2,999,652)	(1,224,372)	-	(4,224,024)
Space Life Sciences Lab	(5,579,365)	(900,835)	40,897	(6,439,303)
Launch complex 36	(20,210)	-	-	(20,210)
Furniture, equipment and vehicles	(450,254)	(865,604)	1,482	(1,314,376)
Total accumulated depreciation	<u>(13,702,595)</u>	<u>(3,831,809)</u>	<u>42,379</u>	<u>(17,492,025)</u>
Total capital assets, being depreciated, net	<u>58,561,595</u>	<u>1,086,998</u>	<u>(90,555)</u>	<u>59,558,038</u>
Capital assets, net	<u>\$ 69,847,259</u>	<u>\$ 8,827,212</u>	<u>\$ (3,530,641)</u>	<u>\$ 75,143,830</u>

SPACE FLORIDA

Notes to the Financial Statements

For the years ended June 30, 2013 and 2012

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended June 30, 2012 was as follows:

	2012			Balance June 30, 2012
	Balance June 30, 2011	Increases	Decreases	
Capital assets, not being depreciated:				
Construction in progress	\$ 6,512,179	\$ 6,232,683	\$ (1,459,198)	\$ 11,285,664
Total capital assets not being depreciated	<u>6,512,179</u>	<u>6,232,683</u>	<u>(1,459,198)</u>	<u>11,285,664</u>
Capital assets, being depreciated:				
SRMU storage facility	8,546,920	-	-	8,546,920
RLV hangar and office space	4,696,984	-	-	4,696,984
Orion facility	32,032,069	-	-	32,032,069
Space Life Sciences Lab	25,463,414	-	-	25,463,414
Launch complex 36	-	20,210	-	20,210
Furniture, equipment and vehicles	873,740	678,268	(47,415)	1,504,593
Total capital assets being depreciated	<u>71,613,127</u>	<u>698,478</u>	<u>(47,415)</u>	<u>72,264,190</u>
Less accumulated depreciation for:				
SRMU storage facility	(2,061,459)	(427,834)	-	(2,489,293)
RLV hangar and office space	(1,750,656)	(413,165)	-	(2,163,821)
Orion facility	(1,775,280)	(1,224,372)	-	(2,999,652)
Space Life Sciences Lab	(4,564,228)	(1,015,137)	-	(5,579,365)
Launch complex 36	-	(20,210)	-	(20,210)
Furniture, equipment and vehicles	(424,924)	(52,422)	27,092	(450,254)
Total accumulated depreciation	<u>(10,576,547)</u>	<u>(3,153,140)</u>	<u>27,092</u>	<u>(13,702,595)</u>
Total capital assets, being depreciated, net	<u>61,036,580</u>	<u>(2,454,662)</u>	<u>(20,323)</u>	<u>58,561,595</u>
Capital assets, net	<u>\$ 67,548,759</u>	<u>\$ 3,778,021</u>	<u>\$ (1,479,521)</u>	<u>\$ 69,847,259</u>

NOTE 7 – LINE OF CREDIT

Space Florida entered into a line of credit in September 2011, and has available \$3,000,000. At June 30, 2013 and 2012, \$1,331,582 and \$677,012, respectively, was outstanding under this line of credit. The line of credit matures on June 30, 2014. Interest on the line of credit's outstanding balance is charged on a monthly basis and is at the LIBOR rate plus a 3.25% percent margin (3.45% as of June 30, 2013 and 3.5% as of June 30, 2012).

Interest expense under this line of credit was \$59,215 and \$19,936 for the years ended June 30, 2013 and 2012.

Line of credit activity for the year ended June 30, 2013, was as follows:

Line of Credit	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
		<u>\$ 677,012</u>	<u>\$ 5,997,216</u>	<u>\$ (5,342,646)</u>

SPACE FLORIDA

Notes to the Financial Statements

For the years ended June 30, 2013 and 2012

NOTE 8 – LONG-TERM DEBT

Note Payable

On September 16, 2011, Space Florida entered into a loan agreement with a bank in the amount of \$5,000,000. The note was issued for a period of 5 years with an interest rate of 3.15%. Monthly payments of \$90,959 are due on the 30th of every month beginning July 30, 2012. The outstanding principal balance as of June 30, 2013 and 2012 was \$4,098,033 and \$5,000,000, respectively. Payment of principal and interest on the note payable is secured by collateral of equipment leased in a direct financing lease (in Note 5).

Annual debt service requirements to maturity for the note payable outstanding are as follows:

Year ending June 30,	Principal	Interest	Total
2014	\$ 976,851	\$ 114,654	\$ 1,091,505
2015	1,007,957	83,548	1,091,505
2016	1,040,053	51,452	1,091,505
2017	1,073,172	18,333	1,091,505
Totals	<u>\$ 4,098,033</u>	<u>\$ 267,987</u>	<u>\$ 4,366,020</u>

Changes In Long-Term Liabilities

Long-term liability activity for the years ended June 30, 2013 and 2012, was as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
Notes payable	\$ 5,000,000	\$ -	\$ (901,967)	\$ 4,098,033	\$ 976,851
Compensated absences	141,097	72,421	(70,197)	143,321	65,718
Total	<u>\$ 5,141,097</u>	<u>\$ 72,421</u>	<u>\$ (972,164)</u>	<u>\$ 4,241,354</u>	<u>\$ 1,042,569</u>

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year
Notes payable	\$ -	\$ 5,000,000	\$ -	\$ 5,000,000	\$ 901,404
Compensated absences	102,321	114,656	(75,880)	141,097	70,197
Total	<u>\$ 102,321</u>	<u>\$ 5,114,656</u>	<u>\$ (75,880)</u>	<u>\$ 5,141,097</u>	<u>\$ 971,601</u>

NOTE 9 – CONDUIT DEBT

As defined by GASC Section C65, conduit debt obligations are certain limited obligation debt instruments issued by a state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. Although the conduit debt obligations bear the name of the governmental entity, the entity has no obligation to repay the conduit debt beyond the resources provided by a lease or loan to the third party. GASB has concluded that conduit debt does not create a liability for the governmental entity and, therefore, is not reflected on the entity's basic financial statements. Space Florida has participated in the issuance of conduit debt projects that are not reflected on the statement of net position of its basic financial statements.

SPACE FLORIDA

Notes to the Financial Statements

For the years ended June 30, 2013 and 2012

NOTE 9 – CONDUIT DEBT (CONTINUED)

The conduit debt transactions discussed below are limited obligation debts of Space Florida and are payable solely from the pledged revenues described in the respective debt agreements. Neither the faith nor credit, nor the taxing power of Space Florida, the State of Florida, nor any subdivision thereof is pledged to the payment of the debts.

During January 2000, the Florida Space Authority entered into an agreement to assist in the financing and modification of Launch Complex 41 for use of the Atlas V rocket. This project was completed during the year ended June 30, 2003. The original value of the Florida Space Authority assisted financing on this project was approximately \$294,117,000. With the dissolution of the Florida Space Authority on September 1, 2006, the conduit debt was assigned to Space Florida. The debt was refinanced in November 2010 with a principal balance of \$100,000,000. As of June 30, 2013 and 2012, respectively, the outstanding balance was approximately \$70,530,895 and \$76,851,661. Rental revenue received on the Atlas V facility is being used to pay off the debt, and debt payments are made by United Launch Alliance.

During July 2005, the Florida Space Authority entered into an agreement to assist in the financing related to the construction of a Shuttle Launch Experience facility to be located at the Kennedy Space Center. With the dissolution of the Florida Space Authority on September 1, 2006, the conduit debt was assigned to Space Florida. The project was completed during the year ended June 30, 2009, at which point the total value of the Florida Space Authority assisted financing on this project was approximately \$35,000,000.

During March 2007, Space Florida entered into an agreement to assist in additional financing related to the construction of a Shuttle Launch Experience facility to be located at the Kennedy Space Center. The project was completed during the year ended June 30, 2009, at which point the total value of the Space Florida assisted financing on this project was approximately \$5,000,000.

During March 2012, Space Florida entered into an agreement to assist with financing related to the construction of the Space Shuttle Atlantis Exhibit. This is being attached to the Shuttle Launch Experience facility. The \$35,000,000, and \$5,000,000 were refinanced into one loan with an additional \$22,500,000. The total amount of assisted financing is \$62,500,000. As of June 30, 2013 and 2012, the outstanding balance on Space Florida assisted financing was approximately \$59,608,251 and \$18,238,811. The debt will be repaid from a percentage of ticket sale revenues at the Kennedy Space Center Visitor Complex, and debt payments are made by the Kennedy Space Center Visitor Complex.

NOTE 10 – SRMU STORAGE FACILITY

On May 15, 2007, Space Florida entered into an agreement to lease the Titan IV Solid Rocket Motor Upgrade (SRMU) storage facility constructed at Camp Blanding, Florida. The lease is currently extended through September 30, 2013, and may be extended for up to six additional one year periods. However, the tenant may terminate the lease with a 90-day written notice. During the years ended June 30, 2013 and 2012, Space Florida recorded lease revenue of \$532,250 and \$512,013, respectively.

SPACE FLORIDA

Notes to the Financial Statements

For the years ended June 30, 2013 and 2012

NOTE 10 – SRMU STORAGE FACILITY (CONTINUED)

The SRMU storage facility was constructed on land owned by the State of Florida Armory Board. The annual land use fee for fiscal years 2013 and 2012 is approximately \$250,000 and \$227,000, respectively, and is payable by Space Florida in monthly installments of approximately \$21,000 and \$19,000, respectively.

If the current tenant chooses not to renew the lease and no suitable lease agreement is secured with another tenant, management believes the service utility of the facility would be significantly reduced. Under such circumstances, and in accordance with GASB Cod. Section 1400, *Reporting Capital Assets and for Insurance Recoveries*, Space Florida would be required to report an impairment loss, not to exceed the then carrying value of the facility, which was \$5,629,792 and \$6,057,627 as of June 30, 2013 and 2012, respectively. However, management believes the current tenant will continue to renew the lease. Accordingly, no impairment loss has been recorded as of June 30, 2013 or 2012.

NOTE 11 – SPACE LIFE SCIENCES LAB

Space Florida leases the Space Life Sciences Lab (SLSL) to NASA and other lessees under lease agreements that end between September 30, 2013 and August 13, 2015. The net carrying value of the facility at June 30, 2013 and 2012 was \$19,293,801 and \$19,884,049, respectively. During the years ended June 30, 2013 and 2012, Space Florida recorded lease revenue of \$997,000 and \$1,057,000, respectively.

During the years ended June 30, 2013 and 2012, Space Florida recorded operations and maintenance expenses related to the SLSL facility of \$1,615,206 and \$1,691,145, respectively. Space Florida collects maintenance fees from all but one tenant as part of their lease agreements.

Space Florida will collect future minimum lease revenue of \$398,373 and \$63,662 in the years ending June 30, 2014 and 2015, respectively.

NOTE 12 – HANGAR LEASE

During fiscal year 2011, Space Florida entered into lease agreements to rent hangars in order to attract new business to Brevard County. The leases expired in December 2012, with monthly payments ranging from \$5,637 to \$12,600. The leases were extended for another year, but were assigned to another company at June 30, 2013; therefore, there are no minimum future rental payments.

The rent expense for the years ended June 30, 2013 and 2012 was \$446,940 and \$425,925, respectively.

SPACE FLORIDA

Notes to the Financial Statements

For the years ended June 30, 2013 and 2012

NOTE 13 – RIGHTS AND ACCESS

Launch Complex 36

Space Florida was granted a license (right to use) to Space Launch Complex 36 at Cape Canaveral Air Force Station from the Secretary of the Air Force for a period of five years commencing in November 2009 and ending November 2014. Space Florida anticipates renewal of the license in five year increments. The intended purpose of the complex, with certain limitations as described in the license agreement, is for the construction and operation of a multi-use vertical launch complex capable of supporting several launch vehicle configurations ranging from light to medium lift. The license is revocable at the will of the Secretary of the Air Force.

Launch Complex 46

Space Florida was granted a license (right to use) to Space Launch Complex 46 (SLC-46) at Cape Canaveral Air Force Station from the Secretary of the Air Force for a period of five years from September 2008 and ending September 2013. Space Florida anticipates renewal of the license in five year increments. The intended purpose of the complex, with certain limitations as described in the license agreement, is for the construction and operating of a launch complex that is capable to support space launches and other directly related activities for government, education and commercial purposes. Through an agreement with the Air Force and Navy, Space Florida shares SLC-46 site with the Naval Ordnance Test Unit (NOTU). The license is revocable at the will of the Secretary of the Air Force.

Exploration Park

On January 1, 2009, Space Florida entered into a 60 year enhanced use lease agreement, including additional extension options, with NASA's John F. Kennedy Space Center for 60 acres and an optional 139 additional acres located adjacent to the SLSL. The intended purpose of this property, with certain limitations as described in the lease agreement, is for the development of a mixed-use, multi-tenant technology and commerce park referred to as "Exploration Park." The park is intended to host diverse aerospace-related activities for commercial, civil, and military tenants. There are no lease payments made for the lease agreement.

NOTE 14 – PROTOTYPE TESTING AGREEMENTS

During June 2010, Space Florida entered into an agreement to purchase an ultra-efficient vehicle prototype from a third party entity (Seller 1) for \$500,000, for the purpose of testing the technology and capabilities of the prototype. Seller 1 delivered the prototype on October 15, 2010, and the testing period began.

Under the terms of the agreement, upon expiration of the testing period, Space Florida was to lease back the prototype to the seller. The sales lease back began on October 15, 2010 at the rate of \$100 per year for 10 years. At the end of the lease, Seller 1 has the option to repurchase the prototype for \$100. As additional consideration for the lease and option to purchase, the Seller issued to Space Florida a warrant with a 10 year term to acquire 100 shares of Seller 1's common stock, which is estimated to equal a 1% ownership interest in Seller 1. The common stock warrants allow shares to be purchased for \$1,000 per share.

SPACE FLORIDA

Notes to the Financial Statements

For the years ended June 30, 2013 and 2012

NOTE 14 – PROTOTYPE TESTING AGREEMENTS (CONTINUED)

During March 2011, Space Florida entered into an additional and separate agreement with Seller 1 to purchase three vehicles for \$1,000,000. As of June 30, 2011, the vehicles were in the final design and construction phase and were expected to be completed during fiscal year ended June 30, 2012. In May 2012, Space Florida and Seller 1 agreed to change the deliverable of this agreement to a new Prototype and extend the commencement date of the lease to October 15, 2013 in order to provide a more appropriate response to the market. At the completion of the prototype, the vehicle will be leased back to Seller 1 at \$100 per year for 10 years. Seller 1 has an option to purchase the vehicle at the end of the lease for \$100. Seller 1 issued Space Florida a warrant with a 10 year term to acquire 200 shares of the Seller's common stock. The warrants allow common stock shares to be purchased for \$1,843 per share and is equal to a 2% ownership interest in Seller 1.

Also, in March 2011, Space Florida entered into an agreement to purchase a prototype from Seller 2 for \$1,200,000, for the purpose of testing the technology and capabilities of the prototype. Of the \$1,200,000, \$500,000 was a loan convertible into common stock of Seller 2. Space Florida converted the loan during the fiscal year ended June 30, 2012 and obtained 25,000 shares of common stock of Seller 2. A sales lease back will begin on the completion of the construction of the prototype. Seller 2 will lease the vehicle for 7 years for \$100 a year, and at the end of the lease can purchase the prototype for \$100. As additional consideration for the lease, Seller 2 gave Space Florida warrants to purchase 25,000 shares of common stock in Seller 2, this is an estimated ownership of 2.5% in Seller 2. The warrants can be exercised for \$0.01 a share.

In June 2011, Space Florida entered into an agreement to purchase a prototype from a third party (Seller 3) for \$500,000, for the purpose of testing the technology and capabilities of the prototype. A sales lease back began in February 2013. Seller 3 will lease the vehicle for 7 years for \$100 a year, and at the end of the lease can purchase the prototype for \$100. As additional consideration for the lease, Seller 3 gave Space Florida warrants to purchase 20,000 shares of common stock in Seller 3, this is an estimated ownership of 2% in Seller 3. The warrants can be exercised for \$0.01 a share.

As of June 30, 2013 and 2012, the warrants and common stock are recorded in investments, and the receivables for the capital leases are included in other assets.

NOTE 15 – RETIREMENT PLAN

Effective September 1, 2006, Space Florida established a Simplified Employee Pension Plan (the "Plan"). The Plan eliminates the taxation required for the social security element of the Federal Insurance Contributions Act (FICA) for all participants and for Space Florida. Employees may not contribute to social security while participating in the Plan.

All employees of Space Florida are eligible to participate in the Plan immediately. Participants vest at 100% upon entering the Plan and retirement is set at age 65. The Plan is non-contributory for employees and, therefore, all contributions are the obligation of Space Florida. Contributions to the Plan for the years ended June 30, 2013 and 2012 were \$391,938 and \$372,148, respectively, and represented 15% of total eligible employee gross compensation for each period.

SPACE FLORIDA

Notes to the Financial Statements

For the years ended June 30, 2013 and 2012

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Commitments

Contract commitments at June 30, 2013 and 2012 were approximately \$4,530,563 and \$3,762,033, respectively, and related to the prototype testing agreement (Note 14) and certain other consulting agreements.

Economic Dependency

Space Florida received approximately 89% and 87% of its total support from State legislative appropriations and grants during the years ended June 30, 2013 and 2012, respectively.

State Appropriated Funds & Federal Contracts

Amounts received from State and Federal agencies are subject to audit and adjustment at the discretion of these entities. If expenditures are disallowed as a result of these audits, the claims for reimbursement to the agency would become a liability of Space Florida.

NOTE 17 – RELATED PARTY TRANSACTIONS

On August 8, 2011, Space Florida gave \$1,250,000 for start-up costs to a related party whose board included Space Florida employees. Space Florida will also provide office space at SLSL, at no cost, to the third party for three years.

NOTE 18 – RISK MANAGEMENT

Space Florida purchases commercial insurance for worker's compensation, health and property insurance for their major capital assets. Therefore all risks of loss are fully insured.

NOTE 19 – FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in subsequent fiscal years. The statements address:

- Items previously reported as assets and liabilities;
- Accounting and financial reporting for pensions;
- Mergers, acquisitions and transfers of operations; and
- Financial guarantees.

Space Florida is currently evaluating the effects that these statements will have on its financial statements for subsequent fiscal years.

NOTE 20 – RECLASSIFICATION

Certain items on the statement of net position for the year ending September 30, 2012 were reclassified to conform with the September 30, 2013 presentation.

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SUPPLEMENTARY INFORMATION

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SPACE FLORIDA

Schedule of Travel, Entertainment and Incidental Expenses

For the year ended June 30, 2013

Domestic:		
Travel and incidental (1)	\$	305,155
Entertainment		<u>48,749</u>
Total domestic		<u>353,904</u>
Foreign:		
Travel and incidental (1)		103,395
Entertainment		<u>2,244</u>
Total foreign		<u>105,639</u>
Total	\$	<u><u>459,543</u></u>

(1) Incidental expenses consist of telephone charges and gratuities.

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Independent Auditors' Report 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*

The Board of Directors
Space Florida

We have audited, in accordance with the 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, the financial statements of Space Florida, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise Space Florida's basic financial statements, and have issued our report thereon dated September 19, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Space Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Space Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of Space Florida's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Space Florida's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr Riggs & Ingram, LLC

Melbourne, Florida
September 19, 2013

Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Federal Awards Program and State Project and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General

The Board of Directors
Space Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited Space Florida's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State Projects Compliance Supplement* that could have a direct and material effect on each of Space Florida's major federal programs and state projects for the year ended June 30, 2013. Space Florida's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Space Florida's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about Space Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of Space Florida's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, Space Florida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Space Florida is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Space Florida's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Space Florida's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Carr Riggs & Ingram, LLC

Melbourne, Florida
September 19, 2013

SPACE FLORIDA

Schedule of Findings and Questioned Costs

For the year ended June 30, 2013

Section I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards and State Projects

Internal control over major federal programs and state projects:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditors' report issued on compliance for major federal programs and state projects:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 and/or Chapter 10.550?

yes no

Identification of major federal programs and state projects:

Federal CFDA Numbers

11.307

Federal Program or Cluster

Economic Adjustment Assistance

State CSFA Numbers

40.004

40.017

55.004

Name of State Project

Space Florida

Innovation Incentive Program

Aviation Development Grants

Dollar threshold used to distinguish between type A and B programs was \$300,000 for major federal programs and \$881,075 for major state projects.

Auditee qualified as a low-risk auditee for federal purposes?

yes no

SPACE FLORIDA

Schedule of Findings and Questioned Costs (continued)

For the year ended June 30, 2013

Section II—Financial Statement Findings

No matters were reported.

Section III—Federal Award Findings and Questioned Costs

No matters were reported.

Section IV—State Project Findings and Questioned Costs

No matters were reported.

Section V—Other Issues

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to Federal award or State financial assistance projects.

No Corrective Action Plan is required because there were no findings required to be reported under either OMB Circular A-133 or the Florida Single Audit Act.

SPACE FLORIDA

Schedule of Expenditures of Federal Awards and State Financial Assistance

For the year ended June 30, 2013

Federal /State Agency	CFDA/ CSFA Number	Contract/Grant Number	Expenditures	Transfer to Subrecipients
U.S. Department of Commerce				
Economic Development Administration				
Direct Projects, Economic Adjustment Assistance				
Space Coast Clean Energy Jobs Accelerator	11.307	04-69-06595	\$ 657,834	\$ 657,834
Repurposing Study for the Space Life Sciences Laboratory	11.307	04-79-06615	330,000	-
Total Expenditures of Federal Awards			<u>\$ 987,834</u>	<u>\$ 657,834</u>
Florida Department of Economic Opportunity				
Direct Projects, Space Florida				
Funding & Program Agreement	40.004	SB-12-008	\$ 10,423,532	\$ -
Infrastructure Agreement	40.004	OT-11-021	8,112,518	-
Total CSFA number 40.004			<u>18,536,050</u>	<u>-</u>
Innovation Incentive Program	40.017	SB-12-275	<u>2,601,797</u>	<u>913,271</u>
Total Florida Department of Economic Opportunity			<u>21,137,847</u>	<u>913,271</u>
Florida Department of Transportation				
Direct Projects				
Aviation Development Grants	55.004	FM/#430124-1-94-02	4,512,293	-
Aviation Development Grants	55.004	FM/#430124-1-94-01	2,920,699	-
Aviation Development Grants	55.004	FM/#430254-1-12-01	628,720	-
Aviation Development Grants	55.004	FM/#430125-1-94-01	100,000	-
Aviation Development Grants	55.004	FM/#430124-1-94-03	9,500	-
Aviation Development Grants	55.004	FM/#430254-1-12-02	(3,300)	-
Total CSFA number 55.004			<u>8,167,912</u>	<u>-</u>
Florida Economic Development Council				
Direct Projects				
Defense Infrastructure Grants	31.003	DIG 11-04	<u>63,394</u>	<u>-</u>
Total Expenditures of State Financial Assistance			<u>\$ 29,369,153</u>	<u>\$ 913,271</u>

Note: This schedule is prepared on the accrual basis of accounting.

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Independent Auditors' Management Letter

The Board of Directors
Space Florida

We have audited the financial statements of Space Florida as of and for the fiscal year ended June 30, 2013, and have issued our report thereon dated September 19, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Florida Auditor General. We have issued our Independent Auditors' Report 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*, Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated September 19, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedule:

- ❖ Section 10.554(l)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no corrective actions to be taken as there were no findings and recommendations made in the preceding annual financial audit report.
- ❖ Section 10.554(l)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that Space Florida complied with Section 218.415, Florida Statutes.
- ❖ Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- ❖ Section 10.554(l)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

- ❖ Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- ❖ Section 10.554(l)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority of Space Florida is disclosed in the footnotes. There are no component units.
- ❖ Section 10.554(l)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the special condition(s) met. In connection with our audit, we determined that Space Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- ❖ Section 10.554(l)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for Space Florida for the fiscal year ended June 30, 2013, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended June 30, 2013. In connection with our audit, we determined that these two reports were in agreement.
- ❖ Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor Space Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This report is intended solely for the information and use of management, Space Florida's Board of Directors, others within the entity, Federal and State awarding agencies, specific legislative or regulatory bodies, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Carr Riggs & Ingram, LLC

Melbourne, Florida
September 19, 2013



**Space Florida Board of Director Meeting
October 30, 2013
Contracts for Approval**

1. **Florida Space Grant Consortium (FSGC):** Through the jointly funded Florida Space Research Program (FSRP), FSGC will contribute \$250,000 and Space Florida will contribute \$100,000 to support competitively awarded research in aerospace and aviation. The program comprises of three (3) categories and the 2013/2014 awards will be made to universities and commercial entities in the categories identified as: (a) Space Based Research and Payload Development; (b) Space Exploration and Spaceport Technology Development; and (c) Space Education and Training Program. Each successful applicant to the FSRP is expected to make an equal in-kind match. This partnership effort enables Space Florida to meet the performance metrics relative to the number of projects, partnerships and grants supported, as well as supporting civil, commercial and military aerospace activity, while helping to sustain economic growth and prosperity in Florida.

➤ *Space Florida requests board approval for management negotiations and related contracts activities in the amount of \$100,000 for the above referenced effort.*

2. **Titusville-Cocoa Airport Authority (TCAA):** Subsection 331.3051(7)(d) of the *Florida Statutes* provides that Space Florida has a duty to carry out its responsibilities for Spaceport Operations by promoting and facilitating launch activities within the State by supporting and assisting commercial launch operators in completing and submitting required documentation and gaining approvals and authorization from the required Federal agencies for launching from Florida.

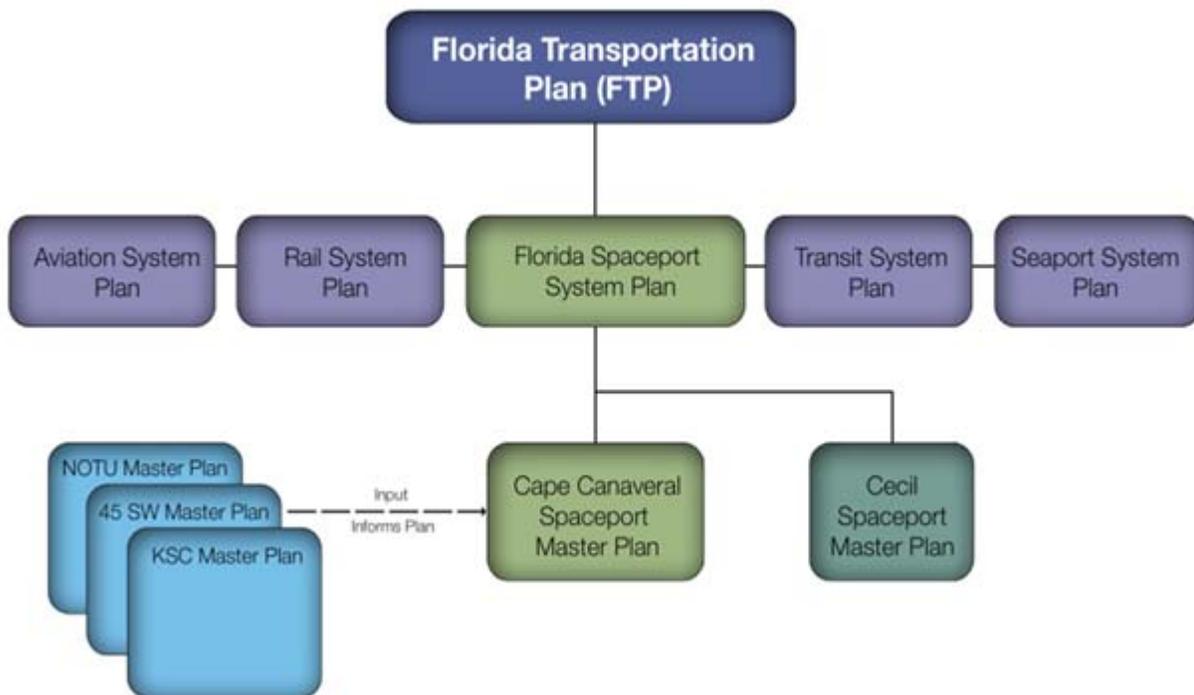
TCAA is pursuing a Federal Aviation Authority (FAA) Spaceport Site Operators License estimated to cost \$550,864. On April 3, 2013, Space Florida sent a Letter of Support to TCAA offering to provide funding support to TCAA for up to a maximum of 50% (\$275,000) of the License Expenses and stating that Space Florida had approached the Economic Development Commission of Florida's Space Coast (the "EDC") to support a part of Space Florida's financial contribution to the License Expenses.

On August 21, 2013, TCAA entered into a Funding and Performance Agreement with the EDC, under which the EDC has agreed to provide TCAA up to a maximum of 25% (\$137,716) of the License Expenses (the "EDC Funds"). TCAA will not receive the funding from the EDC until, at a minimum, sixty (60) days after TCAA has completed its pursuit of the Spaceport License. Due to the timing constraints of the EDC's support, Space Florida intends to provide funding support to TCAA up to a maximum of 50% of the License Expenses, and TCAA will, in turn, reimburse Space Florida up to \$137,716 after TCAA receives the funding from the EDC.

➤ *Space Florida requests board approval for management negotiations and related contract activities in the amount of up to \$275,000 for the above referenced effort.*



3. **Spaceport Master Plan:** The Florida Transportation Plan (FTP) establishes long range goals to provide a policy framework for expenditure of Federal and State transportation funds in Florida. The following graph represents the various components of the Florida Transportation Plan:



In accordance with *Florida Statutes* Chapter 331.360, Space Florida is responsible for the development of a Spaceport Master Plan for expansion and modernization of space transportation facilities within spaceport territories. The Space Florida Board of Directors approved an overarching statewide document, the 2013 Florida Spaceport System Plan at its May, 2013 meeting. A sub-document to the Florida Spaceport System Plan is the Cape Canaveral Spaceport Complex Master Plan. This plan guides state infrastructure funding on the Cape Canaveral Spaceport. This Master Plan provides information and analysis to guide Space Florida in its efforts to face the market, grow the space industry, attract commercial space, technology, and life science related business through expansion and modernization of facilities infrastructure at the Cape Canaveral Spaceport Complex. A copy of the full plan is attached as **Attachment A**, Item #3.

- *Space Florida requests board approval for the Cape Canaveral Spaceport Complex Master Plan 2013 provided in your advanced package. Additionally, Space Florida requests approval for management to make minor technical corrections to the document as necessary.*

4. **Florida Department of Transportation (FDOT)-RE: JAA:** In conjunction with the 2010 Amended Spaceport Master Plan, Space Florida intends to secure a funding agreement with FDOT



in the amount of \$1.8 Million Dollars. Pending the securing of a funding agreement with FDOT, the funding will be utilized for design and construction of a new Space Vehicle Assembly and Hangar Facility at Cecil Field Spaceport with the Jacksonville Aviation Authority. Additional details regarding the specific effort is identified under the expense related portion of this effort identified as item number 5 below.

➤ *Space Florida requests board approval for management negotiations and related contract activities with FDOT in the amount of up to \$1.8 Million Dollars for the above referenced effort.*

5. **Jacksonville Aviation Authority (JAA):** In conjunction with the Space Florida and Florida Department of Transportation funding agreement referenced as item number 4 above, Space Florida and the Jacksonville Aviation Authority intend to design and build a space vehicle assembly hangar. Generation Orbit Launch Services recently announced that Cecil Fields Spaceport will serve as its initial base of operations and intends to lease the hangar. The structure will include approximately 25,000 sq. ft. and incorporate the specific area classifications necessary to accommodate the needs of horizontal launch and aerospace operators. This project will create approximately twenty-eight (28) short-term positions and thirty-two (32) high-wage aerospace positions. The customer agreement will require a customer dollar for dollar match resulting in a \$3.6 Million Dollar capital investment.

➤ *Space Florida requests board approval for management negotiations and related contract activities with Jacksonville Aviation Authority in the amount of up to \$1.8 Million Dollars for the above referenced effort.*

6. **Florida Department of Transportation (FDOT)-RE: Project 424:** In conjunction with the 2010 Amended Spaceport Master Plan, Space Florida intends to secure a funding agreement with FDOT in the amount of \$700,000. Pending the securing of a funding agreement with FDOT, the funding will be available for design of major infrastructure elements of a heavy/medium lift launch complex to be located at the Cape Canaveral Spaceport. A dollar for dollar match is required. Space Florida is currently finalizing, with a commercial space company (Project 424), the commitment of the match toward the design. Once the commitment is finalized, Space Florida will request further Space Florida board approval for follow on efforts.

➤ *Space Florida requests board approval for management negotiations and related contract activities with FDOT in the amount of up to \$700,000 for the above referenced effort.*

7. **Project Sullivan:** Space Florida is interested in participating in an A Round equity investment in a company (Titled *Project Sullivan*) that is primarily a commercial in-space service provider. The investment would be used for specialized external hardware on the International Space Station (ISS), which will allow the company to expand its overall operations including into the small satellite launch services market. Concurrent with this investment, the company will be expanding its presence in Florida. Florida is strategically positioned to gain share in this emerging market, and the company's expanded operational presence in Florida will further solidify our position as the leading ground node to the ISS. Due diligence is currently underway and Space Florida expects to be able to close on a \$500,000 investment by the end of calendar year 2013.



- *Space Florida requests board approval for management negotiations and related contract activities to invest \$500,000 in Project Sullivan's A round, pending successful completion of Space Florida's due diligence.*
8. **Space Tourism and Marketing Funding Expenditures Plan:** In conjunction with the initial \$1.5 Million Dollars appropriated funding for Space Tourism and Marketing Funding and the respective contract between Space Florida and the Department of Economic Opportunity (DEO), Space Florida has developed a phased approach to address the effort. Each stage of the Space Tourism Marketing Plan includes specific tactics with messaging relevant to the targeted demographic, as well as built in opportunities to measure reach, effectiveness and the return on investment of each individual tactic. If the efforts display desired results as defined in the agreements, similar funding may be provided in upcoming years. Due to a requirement of the funding to implement the effort as quickly as possible, Space Florida requests board approval to enter into related contract activities with public/private state partnerships and vendors in conjunction with the identified activities and strategies. A copy of the Space Tourism Marketing Plan including strategies and activities is attached as **Attachment B**, Item #8.
- *Space Florida requests board approval for management negotiations and related contract activities with various partners and vendors to implement the Space Tourism Marketing Plan in the amount of up to \$1.5 Million Dollars regarding the above referenced effort.*
9. **Project Syros: OPF 3 and PCC - Subsequent Phases:** In conjunction with prior Space Florida board approvals on phases related to the design, demolition and modernization efforts associated with Project Syros and the OPF 3/PCC – the next phases and final phases are in process as follows:
- a) Space Florida is in the process of finalizing a Use Agreement and match commitment with Syros. In addition to a Use fee, Syros will be required to invest, at a minimum, an amount equal to the FDOT Required Match in Allowable Real Property improvements to the Properties, and/or pay to FDOT an appropriate reimbursement.
 - b) Space Florida intends to secure additional related funding/financing from FDOT which will have a deferred match requirement.
 - c) Once final agreement has been made regarding the Syros Use Agreement and match commitment and Space Florida has secured the respective FDOT funding agreement, Space Florida intends to engage with the selected Contractor for the final phase of construction activities.

The amounts related to these final phases are directly dependant on the terms of the customer Use Agreement and match commitment and are not expected to exceed \$20 Million Dollars in total.

- *Space Florida requests board approval for management negotiations and related contract activities to reach a Use Agreement with the customer, secure respective funding with FDOT and expend the funding with the selected contractor.*



Authorizing Resolution and Incumbency Certificate

Project Redline

October 30, 2013

On May 9, 2012 the Space Florida Board of Directors approved the respective contract activity in the amount of up to \$25 Million Dollars regarding Space Florida partnering with Project Redline for the purposes of constructing an Engineering Design Center Facility focused on aviation research, development and design. At that time, Space Florida contemplated that it would finance \$18.2 million for the project, with another \$6 million coming from the Florida Innovation Fund, of which, a portion would be utilized for the procurement of furniture and equipment.

In sum, Space Florida will finance, build and own the facility, which is expected to employ about two hundred (200) engineers and other highly skilled workers, with average salaries of approximately \$70,000. Project Redline was announced via a ground breaking ceremony on November 28, 2012 by Embraer S.A. as an Engineering and Technology Center which will be located at the Melbourne International Airport.

In conjunction with Project Redline efforts, architectural and engineering work was awarded and has been completed and performed by BRPH Architects and Engineers, Inc. The competitive Request for Qualifications (RFQ) has been awarded for construction to Bartow Malow Company as the General Contractor. All Sub-Contractors will be selected by the General Contractor by competitive bid. The AIA Contract Documents, A201-2007, A133-2009 and A133-2009 Exhibit A, have been negotiated and signed. Notice to begin construction will be issued as soon as this Resolution for financing is approved.

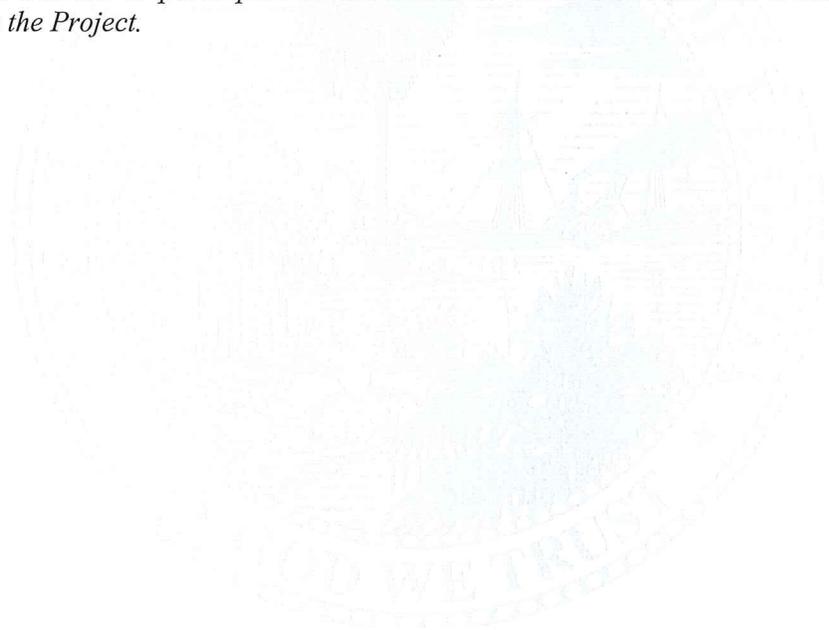
The Board is now asked to approve a loan from PNC Bank, N.A., the lending institution for the financing effort, in a principal amount not to exceed \$17,500,000. Specifically, the Board is asked now to approve the Authorizing Resolution and Incumbency Certificate, attached hereto as Exhibit A, in connection with the loan. In summary, the Authorizing Resolution and Incumbency Certificate does the following:

1. Defines the material parties to the project as: Embraer Engineering & Technology Center USA, Inc., the City of Melbourne Airport Authority and Space Florida.
2. Indicates on page 1, 4th paragraph, that Space Florida is a tenant at the airport, leasing 13.2 acres.
3. Describes on page 1, 5th paragraph, Space Florida's intention to build a facility of approximately 75,440 square feet.
4. Declares that Space Florida intends to contribute the use of this facility to Embraer for an initial term of twenty (20) years in consideration for Embraer's commitment to operate an Engineering Research and Development Center.
5. Declares on Page 2, 2nd paragraph, in compliance with the action of the Board, that Space Florida desires to borrow up to \$17,500,000 from PNC Bank, initially as a short-term construction loan, to be replaced by longer-term debt within the next twelve to fifteen (12-15) months.
6. Authorizes in Paragraph 2 (pg. 3) the loan in the principal amount not to exceed \$17,500,000, with interest rates to be determined as set forth in the related note to be executed and delivered to PNC Bank. A description of the periodic interest-rate calculation is in the Financial Advisor Memorandum prepared by Larson Consulting, LLC, attached hereto as Attachment A.
7. Declares in Paragraph 3 (page 3) that the loan will be secured by a pledge of (and first lien on), and the debt will be serviced from, Space Florida's annual appropriations from the State Economic Enhancement and Development ("SEED") Trust Fund (except for the "earmarked"



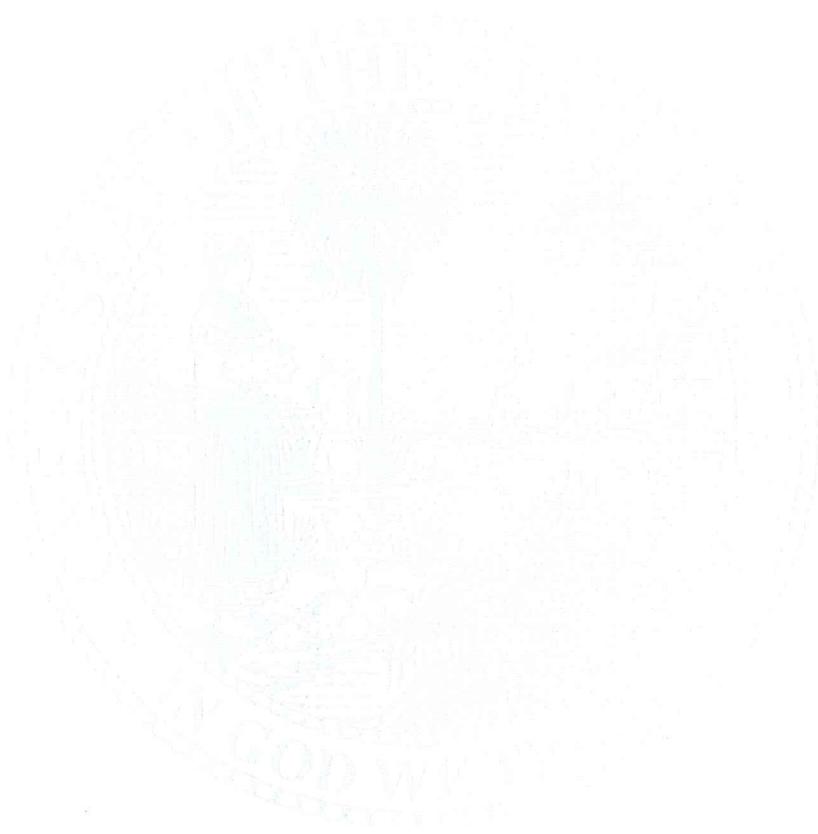
portions of those appropriations). The loan is intended to be a short-term borrowing pursuant to Section 331.337, Florida Statutes. The Financial Advisor Memorandum contains additional information.

8. Declares in Paragraph 4 (pg. 4) that the loan does not create personal liability for any Space Florida board member or employee.
 9. Limits the expenditures of the loan proceeds to the costs of the project and other capital improvements as the Board may approve from time to time.
 10. Authorizes and directs Space Florida staff to undertake, continue, and complete construction of the facility and lease it to Embraer.
 11. Authorizes the Chair and the President and Treasurer to execute on behalf of the Board all loan and other project documents and ratifies all actions taken by them before now regarding the project.
- *Space Florida requests Board Approval of the attached Resolution and Incumbency Certificate authorizing Space Florida to (i) participate as borrower under the Loan, (ii) undertake and complete the Project, (iii) lease the Facility in accordance with the Sublease, and (iv) execute the Loan Documents and such other documents as necessary for Space Florida to participate as the borrower under the Loan and undertake and complete the Project.*





Attachment A
Financial Advisor Memorandum



Larson Consulting Services, LLC
10151 University Blvd., #117
Orlando, FL 32817
Tel: 407-496-1597
Email: jlarson@larsonconsults.com

FINANCIAL ADVISOR MEMORANDUM

TO: Mr. Keevin Williams
Vice President- Special Projects & Strategic Initiatives
Mr. Howard Haug, EVP and Treasurer
Space Florida

FROM: Jeff Larson – President, Larson Consulting Services ("LCS")
Financial Advisor to Space Florida

DATE: October 20, 2013

RE: Space Florida - Proposed \$17,500,00 PNC Loan

A. OVERVIEW ::

On behalf of Space Florida ("SF"), and following our earlier September memo recommending the selection of PNC Bank for this Loan based on our review of the RFP responses received by Space Florida, we have been working closely with SF Staff, Issuer's Counsel at Gray Robinson, and PNC Bank and their Counsel, Akerman Senterfit, to negotiate the recommended changes to the initial PNC Bank response. Separately, Gray Robinson has prepared for SF their Resolution on this Loan for the Board's consideration at their October 30th meeting. We also understand that time is of the essence regarding the desire of the private sector Lessee to begin working with SF on the construction of the Building at Melbourne Airport.

Following your direction to negotiate the final changes with PNC, we are pleased to report that they have met the requests and the summary terms are stated below for ease of reference.

Amount: \$17,500,000 . Per Staff estimates on the project, this has been structured as a full drawing at closing. The \$17,500,000, together with the prior State Grant of \$6Million and other SF funds, are expected to cover the estimated costs of the project totaling \$24.9Million. Any unspent loan proceeds could be reallocated to other SFL owned projects, per Board resolution and bond counsel review.

Tax Status: Expected to be a *Tax Exempt*, Non Bank Qualified Loan, so at lower rates than a Taxable Loan, and subject to final legal discussions with Issuer's Counsel , Staff, LCS and Akerman Senterfitt .

Structure: Per SF's RFP, the urgency on this important project, and to expedite the documentation process and reduce upfront costs of issuance, the Bank Loan will be set up as a

Fifteen (15) Month Interest Only Loan, and can be Converted, as needed, at the end of the 15 months, to a Three (3) Year Term Loan based on a Twenty (20) Year Amortization. We have recommended that we also begin work following Loan Closing on the other PNC Capital Markets option of a Twenty Tax Exempt Financing, and seek to close that on or prior to June 15, 2014 given current favorable long term interest rates.

Bank Fees: None.

Interest Rates and Expected Budgetary Impact: The Loan is structured with a variable or floating interest rate based on a formula tied to One Month LIBOR (London Interbank Offered Rate), so as to provide maximum flexibility to prepay this Loan without any prepayment penalty. With the formula of (72% of One Month LIBOR) plus 2.50%, and current one month LIBOR at 0.172%, the estimated initial monthly rate would be 2.623%. Interest during the initial 15 Month Period would be paid quarterly in arrears, following receipt of the quarterly State appropriations. If the Bank Term option is utilized (and not expected due to more favorable terms from a capital markets solution), then the principal and interest would be paid quarterly in arrears, with an estimated annual debt service payment in years One to Three of approx. \$231,000, with a balloon payment of \$16.31 Million due on February 1, 2018. An estimated annual debt service from the longer term PNC Capital Markets solution would be in the \$1.35 Million to \$1.5Million , depending on the final structure, underlying SF Credit ratings, and interest rates at the time of pricing.

Pledged Revenues: The Bank would have a first lien on the "Pledged Revenues" (State appropriations), and once money is set aside for the quarterly interest payments (estimated to be approx. \$115,000 per quarter), the balance of the \$10Million in annual State appropriations would be available for other Space Florida needs.

B. RECOMMENDATIONS

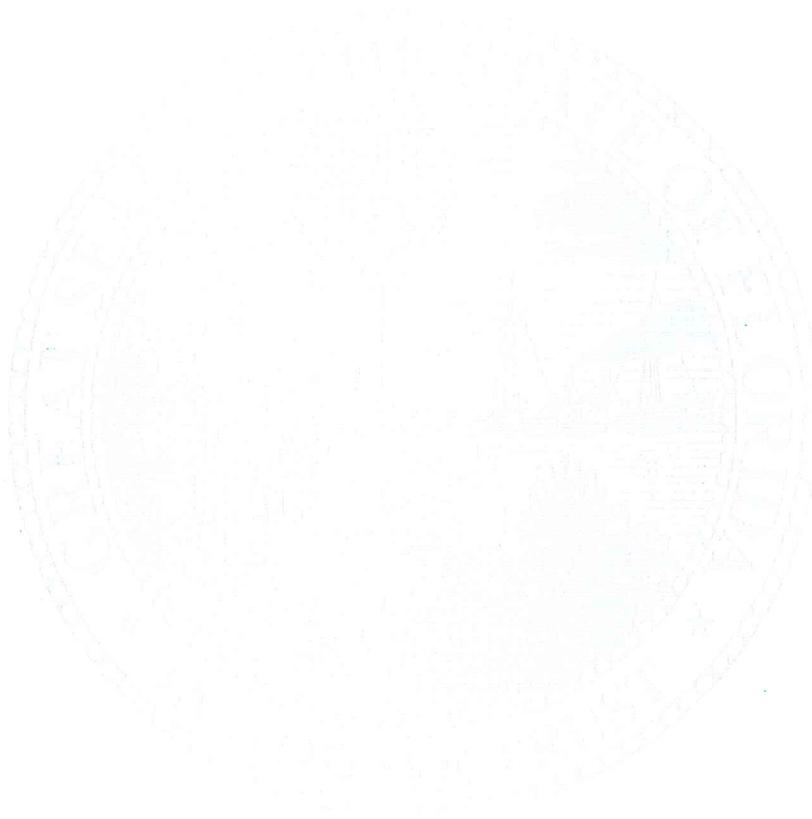
We recommend proceeding with the \$17,500,000 PNC Loan based on the negotiated terms outlined above with the Bank. The extension of the Interest Only period from 12 to 15 months , and the addition of the Three Year Term Option were both important. One Month LIBOR Rates are still at historical low levels due to Federal Reserve policies, and this provides the quickest and most cost effective path to obtain the \$17.5Million as part of the overall Redline Project and begin construction of the building.

We appreciate the opportunity to be of service to Space Florida, and look forward to supporting you as we proceed further toward the steps necessary for a pre- closing or signing of the Loan documents following the Board meeting on the 30th as led by GrayRobinson, and a closing and funding of the Loan on October 31st. We will also continue to support Staff as we structure the optimum plan for the investment of Loan and Project Funds. We would be happy to address any questions that may arise

JTL



Exhibit A
Authorizing Resolution and Incumbency Certificate



SPACE FLORIDA
BOARD OF DIRECTORS

AUTHORIZING RESOLUTION
AND
INCUMBENCY CERTIFICATE

FINANCING, CONSTRUCTION, AND LEASE OF ENGINEERING AND
TECHNOLOGY FACILITY

WHEREAS, except as otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the attached **Exhibit A**; and

WHEREAS, Space Florida is an independent special district, body politic and corporate, and subdivision of the State of Florida created by Chapter 2006-60, Laws of Florida, as amended and codified as Chapter 331, Part II, *Florida Statutes*, for the purpose of strengthening the state's leadership in civil, commercial, and military activity; and

WHEREAS, the legislature of the State of Florida has designated Space Florida to be a primary point of contact for state aerospace-related activities with federal agencies, the military, state agencies, business and the private sector; and

WHEREAS, Space Florida is the tenant under that certain Aeronautical Commercial Ground Lease Agreement, dated November 7, 2012, entered into by and between the City of Melbourne Airport Authority (the "Airport Authority") and Space Florida (the "Ground Lease"), pursuant to which the Airport Authority leased a 13.2-acre site at the Melbourne International Airport (the "Real Property") to Space Florida; and

WHEREAS, Space Florida intends to plan, design, permit, construct, equip, furnish, own and operate as lessor a facility comprising approximately 75,440 square feet of built-out space on the Real Property and in accordance with the Ground Lease (the "Facility") (collectively, including the Facility and all such activities, the "Project"); and

WHEREAS, Space Florida and Embraer Engineering & Technology Center USA, Inc. ("Embraer"), a Florida corporation and a wholly owned subsidiary of Embraer Aircraft Holding, Inc., a Delaware corporation, intend to enter into a sublease agreement (the "Sublease"), pursuant to which Space Florida shall sublease the Facility to Embraer for an initial term of 20 years in consideration for Embraer's commitment to operate an engineering research and development center at the Facility; and

WHEREAS, by resolution at its regular meeting held on May 9, 2012, the Board authorized Space Florida management to engage in negotiations and contract activities for financing, constructing and owning the Project in the amount of up to \$25 million; and

WHEREAS, Space Florida issued a request for proposals for financing the Project, received responses from financial institutions in response thereto, and engaged Larson Consulting Services, LLC, Orlando, Florida (the “Financial Advisor”), as its financial advisor, to review such proposals with Space Florida and make a recommendation to Space Florida with respect to such proposals;

WHEREAS, in order to provide a portion of the funds necessary for the Project and other capital improvements (including, without limitation, for reimbursement of Space Florida for costs and expenses incurred in connection with the Project), Space Florida desires to borrow up to \$17,500,000 from the Bank, issue the Note, and pay the debt service and other payments with respect to the Loan, as provided in a financing agreement with the Bank in substantially the form attached hereto as **Exhibit B** (the “Financing Agreement”); and

WHEREAS, pursuant to Section 331.310(1)(b), *Florida Statutes*, the Board is authorized and empowered to execute all contracts and other documents, adopt all proceedings, and perform all acts determined by the Board to be necessary or desirable to carry out the purposes of the Act; and

WHEREAS, pursuant to Section 331.305(8), *Florida Statutes*, Space Florida has the authority to acquire property, real, personal, intangible, tangible, or mixed, within or without its territorial limits, in fee simple or any lesser interest or estate, by purchase, gift, devise, or lease, on such terms and conditions as the Board may deem necessary or desirable; and

WHEREAS, pursuant to Section 331.305(9), *Florida Statutes*, Space Florida has the authority to make and execute any and all contracts and other instruments necessary or convenient to the exercise of its powers, including financing agreements with persons or spaceport users to facilitate the financing, construction, leasing, or sale of any project; and

WHEREAS, pursuant to Section 331.337, *Florida Statutes*, Space Florida has the authority to (a) obtain loans, in such amount and on such terms and conditions as the Board may approve, for the purpose of paying any of the expenses of Space Florida or any costs incurred or that may be incurred in connection with any of the projects of Space Florida, which loans shall have such term or terms, be renewable for such term or terms, bear interest at such rate or rates, and be payable from and secured by a pledge of such funds, revenues, and assessments as the Board may determine; (b) for the purpose of defraying such costs and expenses, issue negotiable notes, warrants, or other evidences of debt signed on behalf of Space Florida by any one of the Board, such notes or other evidences of indebtedness to be payable at such time or times, to bear interest at such rate or rates, and to be sold or discounted at such price or prices and on such term or terms as the Board may deem advisable; and (c) as provided by the Board for the payment thereof, pledge the whole or any part of the funds, revenues, and assessments of Space Florida; and

WHEREAS, the Project constitutes a “project” within the meaning and contemplation of Part II of Chapter 331, *Florida Statutes*; and

WHEREAS, Space Florida intends now to exercise powers granted to it pursuant to the Act, specifically Section 331.337, *Florida Statutes*, and to authorize, approve, and direct its Board members, officers, and staff to (i) participate as borrower under the Loan, (ii) undertake and complete the Project, (iii) lease the Facility in accordance with the Sublease, and (iv) execute the Loan Documents and such other documents as necessary for Space Florida to participate as the borrower under the Loan and undertake and complete the Project.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF SPACE FLORIDA:

1. Negotiated Sale. Space Florida hereby determines that a private negotiated sale of the Note to the Bank is in the best interest of Space Florida because of prevailing market conditions, because delays caused by soliciting competitive bids could adversely affect Space Florida's ability to issue and deliver the Note at presently favorable interest rates, and because the nature of the security for the Note and the sources of payment of debt service on the Note require the participation of a financial institution in structuring the Note issue.

2. Authorization of Loan and Note.

(a) Subject and pursuant to the provisions hereof and of the Loan Documents and for the purpose of financing a portion of the funds necessary for the Project and other capital improvements (including, without limitation, for reimbursement of Space Florida for costs and expenses incurred in connection with the Project), Space Florida hereby authorizes the Loan in a principal amount not to exceed \$17,500,000 and issuance of the Note in connection therewith. The Note shall bear interest at such rate or rates, shall mature on such date or dates, shall be subject to payment and prepayment at such time or times, and shall be subject to such terms and conditions, all as to be provided in the Loan Documents.

(b) Space Florida is hereby authorized to act as the borrower under the Loan and enter into, execute and deliver the Loan Documents and all such other documents as it shall deem necessary in order for it to act as the borrower under the Loan, with the Financing Agreement to be in substantially the form attached hereto as Exhibit B and each of such other Loan Documents (including, without limitation, the Note) and documents to be in such form as shall be approved by the President or Treasurer of Space Florida and the member of the Board authorized to execute the same in the course of their negotiation of the terms thereof on behalf of Space Florida, with the advice of counsel and the Financial Advisor, determined by such officers and Board member to be in the best interest of Space Florida in accomplishing the Loan hereby authorized, subject to such changes, insertions, omissions, and such fillings of blanks therein as may be approved with the advice of counsel and the Financial Advisor and made in such forms approved by the President or Treasurer officer of Space Florida and the member of the Board authorized to execute the same, such execution being conclusive of such approval.

3. Limitation; Pledge of Certain Revenues. The obligations of Space Florida under the Loan Documents and the Loan shall be limited obligations of Space Florida and shall not be deemed to constitute a general debt, liability or obligation, or a pledge of the full faith and credit or taxing power, of Space Florida or of the State of Florida or of any political subdivision thereof within the meaning of any constitutional, statutory, or charter provision or limitation, but shall be payable solely from those revenues that are (i) derived from annual appropriations (if any) made by the Legislature of the State of Florida through the State Economic Enhancement and Development Fund (or any successor thereto), (ii) paid to Space Florida, and (iii) not required or "earmarked" by either law or funding agreement with the state or its agencies to be expended by Space Florida on other specified purposes. The obligations of Space Florida under the Loan Documents and the Loan shall not be payable from any other funds or assets of Space Florida.

For such purposes, the pledge of and the grant of a lien on such revenues as and when received by Space Florida is hereby authorized and approved. The Bank shall never have the right to require or compel the exercise of the taxing power of the State of Florida or any political subdivision thereof.

4. No Personal Liability. Under no circumstances shall the members of the Board or any of Space Florida's officers, agents or employees be liable for payment of any principal, interest, prepayment premium, if any, or any other obligations of Space Florida in connection with the Loan and/or the Loan Documents.

5. Authorization of the Project.

(a) Space Florida is hereby authorized to undertake, continue, and complete the Project and enter into, execute and deliver such documents to be in such form as shall be approved by the President or Treasurer of Space Florida in the course of their negotiation of the terms thereof on behalf of Space Florida, with the advice of counsel, determined by such officers to be in the best interest of Space Florida in undertaking, continuing and completing the Project, subject to such changes, insertions, omissions, and such fillings of blanks therein as may be approved with the advice of counsel and made in such forms by the officer of Space Florida authorized to execute the same, such execution being conclusive of such approval.

(b) Space Florida is hereby authorized to lease the Facility in accordance with the Sublease and enter into, execute and deliver such documents (including, without limitation, the Sublease) in such form as shall be approved by the President or Treasurer of Space Florida in the course of their negotiation of the terms thereof on behalf of Space Florida, with the advice of counsel, determined by such officers to be in the best interest of Space Florida in leasing the Facility in accordance with the Sublease, subject to such changes, insertions, omissions, and such fillings of blanks therein as may be approved with the advice of counsel and made in such forms by the officer of Space Florida authorized to execute the same, such execution being conclusive of such approval.

6. Certification of Incumbency; Ratification of Actions; Additional Authorizations.

(a) The following individual (the "Authorized Board Member") is a duly qualified and acting member of the Board and the signature below is true and genuine. The Authorized Board Member is duly authorized and directed to negotiate, finalize and execute the Loan Documents and all such other documents, and to take all actions, necessary or convenient to consummate the Loan:

<u>Board Member</u>	<u>Title</u>	<u>Signature</u>
William T. Dymond, Jr.	Interim Chair	_____

(b) The following individuals are duly qualified and acting officers of Space Florida and the signatures below are true and genuine. Frank DiBello, as President, and Howard Haug, as Treasurer, are each duly authorized and directed to, together with the Authorized Board Member, negotiate and finalize the Loan Documents, and negotiate, finalize and execute all such documents that Space Florida is authorized to enter into, execute and deliver pursuant hereto, either acting jointly or acting alone, as the case may be, and to take all actions, necessary or convenient to undertake and complete the Project, and/or the lease the Facility in accordance with the Sublease:

<u>Officer</u>	<u>Title</u>	<u>Signature</u>
Frank DiBello	President	_____
Howard Haug	Treasurer	_____

(c) Any actions taken by Frank DiBello as President or Chief Executive Officer, Howard Haug as Executive Vice President or Treasurer, or any other officers or employees of Space Florida prior to the date hereof with respect to the Loan, the Ground Lease, undertaking the Project, and/or subleasing the Facility are hereby ratified and confirmed.

(d) The Board, the Authorized Board Member and Space Florida's officers, employees, agents and attorneys are hereby authorized to perform all acts and things required of them by this Resolution for the full, punctual and complete performance of all the terms, covenants and agreements contained herein or necessary or convenient to entering into the Loan, undertaking and completing the Project, and/or subleasing the Facility in accordance with the Sublease.

7. Miscellaneous.

(a) If any one or more of the provisions herein contained shall be contrary to any express or implied provision of law or against public policy, or shall for any reason whatsoever be held invalid, then such provision shall be null and void and shall be deemed separate from the remaining provisions hereof or of the Loan Documents or other documents executed pursuant hereto.

(b) Notice of this Regular Board Meeting was published in Florida Administrative Register at least seven (7) days in advance of the meeting date in accordance with Section 120.525(1), *Florida Statutes*, and on Space Florida's website.

(c) This Regular Board Meeting has been duly authorized, noticed and held, and this Resolution has been duly adopted by the Board, all pursuant to and in accordance with Florida law and Space Florida's policies and procedures.

(d) This Resolution will be available for public inspection in the same manner as other documents of Space Florida.

(e) Regarding the actions taken by Space Florida with respect to this Resolution and the Loan, the Financing Agreement, the Note and the issuance thereof, the Project, and the sublease of the Facility to Embraer, none of the Board members has met and held a discussion with any other Board member other than at public meetings of the Board of Directors of Space Florida in compliance with Section 286.011 of Florida Statutes (often known as Florida's "Government in the Sunshine Law").

(f) None of the Board Members that has voted to adopt this Resolution has or holds any employment or contractual relationship with the Bank or any party involved in the Loan, the Project, or the sublease of the Project that would constitute a prohibited conflict of interest under Part III, Chapter 112, *Florida Statutes*.

[Remainder of Page Intentionally Left Blank. Signature Page To Follow.]

THE FOREGOING RESOLUTIONS WERE PASSED AND ADOPTED by the **BOARD OF DIRECTORS** of **SPACE FLORIDA**, this 30th day of October, 2013.

SPACE FLORIDA

By: Its Board of Directors

By: _____
Print Name: _____
Title: _____

ATTEST:

By: _____
Print Name: _____
Title: _____

EXHIBIT A
DEFINED TERMS

“Act” means the Space Florida Act, Sections 331.301-331.370, *Florida Statutes*, as amended.

“Bank” means PNC Bank, N.A., a national banking association.

“Board” means the Board of Directors of Space Florida.

“Loan” means the proposed \$17,500,000 loan from the Bank to Space Florida pursuant to the Financing Agreement to finance, together with other Space Florida funds, the Project.

“Loan Documents” means the Financing Agreement, the Note, all exhibits attached to any of the preceding documents, and any and all other documents executed in connection with this Loan transaction and any exhibits attached thereto or documents referenced therein.

“Note” means that certain promissory note to be executed by Space Florida in favor of the Bank, evidencing the Loan.

EXHIBIT B
FINANCING AGREEMENT

(See Attached)