Memorandum of Understanding

This Memorandum of Understanding (the "Memorandum") is made effective as of this 3rd day of June, 2008 (the "Effective Date") by and between CHARLES G. KOCH CHARITABLE FOUNDATION, a Kansas nonprofit corporation (hereinafter "CGK Foundation"), and THE FLORIDA STATE UNIVERSITY BOARD OF TRUSTEES, a public body corporate of the State of Florida, for and on behalf of The Florida State University, including its College of Social Sciences (hereinafter "FSU"), and THE FLORIDA STATE UNIVERSITY FOUNDATION, INC., a direct support organization of The Florida State University and a Florida nonprofit corporation (hereinafter "FSUF"). CGK Foundation, FSU, and FSUF are sometimes referred to herein individually as a "Party" and collectively as the "Parties". It is contemplated by the Parties that other third party donors will contribute funds to support the programs set forth in this Memorandum ("Donor Partners") and will hereinafter become bound by the terms of this Memorandum by executing an agreement in the form substantially similar to that attached as Exhibit A ("Donor Agreement").

RECITALS

A. CGK Foundation is a private foundation that is exempt from Federal income taxation under section 501(c)(3) of the Internal Revenue Code (the "Code"). FSU is a higher education institution and part of the state university system of the State of Florida, that is exempt from Federal income taxation under section 501(c)(3) of the Code. FSUF is a direct support organization for FSU that is exempt from Federal income taxation under section 501(c)(3) of the Code.

B. FSU, FSUF, and CGK Foundation desire to advance and expand research and teaching efforts relating to the economic impact of institutions and free enterprise and to strengthen and extend publication, dissemination, and continued academic and public knowledge of the causes, measurement, impact, and appreciation of economic institutions and free enterprise.

C. The Parties desire to enter into this Memorandum to set forth their understanding with respect to establishing a Program for the Study of Political Economy and Free Enterprise as described in Section 2 ("SPEFE Program") and a Program for Excellence in Economic Education ("EEE Program") within the Gus A. Stavros Center for the Advancement of Free Enterprise and Economic Education ("Stavros Center") that promotes sound economic education and research. Pursuant to the terms of this Memorandum and any Donor Agreement, the Parties intend that funds will be contributed to support the SPEFE Program for five professorship positions as described in Section 3 (the "Professorship Positions"), to support the EEE Program for positions in economic education as described in Section 4 ("Teaching Specialist Position") and to support educational programs for undergraduate students as described in Section 5 (the "Undergraduate Program") at FSU.

D. This Memorandum sets forth the intent, structure, recruitment, and funding procedures to support the SPEFE and EEE Programs, the Professorship Positions, Teaching Specialist Position and the Undergraduate Program (the SPEFE Program, the EEE Program, the Professorship Positions, Teaching Specialist Position and the Undergraduate Program are
collectively referred to herein as, the “Affiliated Programs and Positions”), and to clarify the relationship between CGK Foundation, FSU faculty, Donor Partners and relevant departments of FSU as it relates to these Affiliated Programs and Positions.

TERMS OF AGREEMENT

The funds provided by CGK Foundation pursuant to this Memorandum and future Donor Agreement and potential funds from other Donor Partners who accept the terms of this Memorandum relating to the Affiliated Programs and Positions as described herein are subject to the following terms and conditions.

1. Objectives and Purposes.

(a) The purpose of the Affiliated Programs and Positions is to advance the understanding and practice of those free voluntary processes and principles that promote social progress, human well-being, individual freedom, opportunity and prosperity based on the rule of law, constitutional government, private property and the laws, regulations, organizations, institutions and social norms upon which they rely. These goals will be pursued by supplementing the academic talent that is currently at FSU to create a strong program that will focus on building upon and expanding research and teaching efforts related to economic institutions and political economy.

(b) Understanding that effective achievement of the objectives stated in Section 1(a) above requires a concentration of complementary and cooperative talents and skills, it is accepted that FSU will make every effort to recruit and maintain faculty and individuals in the Affiliated Programs and Positions outlined in this Memorandum who support the objectives stated in Section 1(a) above and who have demonstrated or show the promise of working effectively in collaborative efforts to advance those objectives and whose research promises to advance those objectives and compliment, inform and build upon FSU’s existing strengths in law and economics, institutions, and property rights as they relate to and inform the foundations of prosperity, social progress and human well-being.

2. Program for the Study of Political Economy and Free Enterprise. The FSU College of Social Sciences agrees to create the SPEFE Program and the EEE Program within the Stavros Center to build upon and advance research, publication, dissemination, and public knowledge of the role and importance of economic institutions and the study of political economy. The CGK Foundation is supportive of these efforts, and the Parties agree that the activities of the SPEFE Program and the EEE Program will include but not be limited to: (a) yearly production and publication of high-quality academic research focusing on economic institutions and political economy, (b) economic education efforts aimed at the broad dissemination of research related to economic institutions and political economy, (c) support of faculty and students advancing research into and the dissemination of economic institutions and political economy, and (d) collaboration and cooperation with other centers and organizations working to advance complementary research and activities related to economic institutions and political economy. The Parties agree that individuals appointed to Professorship Positions described in this Memorandum will hold an affiliation with both the FSU Economics Department and the SPEFE Program, and the Teaching Specialist will be affiliated with both the FSU
Economics Department and the EEE Program. It is the Parties’ intention that as soon as possible individuals appointed to new positions affiliated with the SPEFE Program will have office space that is contiguous and dedicated to the purposes of the SPEFE Program. The Parties acknowledge that the financial details regarding the SPEFE Program will be clarified in future Donor Agreements but the Parties agree that the budget for the SPEFE Program and EEE Program will not exceed the amounts set forth in Section 12. Notwithstanding the above, the Parties further acknowledge that FSU may raise funds in excess of the amounts set forth in Section 12, and nothing in this Memorandum will be construed as limiting FSU’s ability to raise such additional amounts for the SPEFE Program and the EEE Program in excess of the budget amount set forth in Section 12.

3. **Professorship Positions.**

   (a) **Description.** The Parties intend to staff the SPEFE Program with five Professorship Positions as set forth below.

   (i) **Advanced Professorship Positions.** At least three of the five Professorship Positions will be filled with individuals who will begin with the rank of senior assistant or associate professor and will be recruited for tenured or tenure-track positions. The individual who fulfills the requirements of a senior professor will begin employment with tenure, having satisfied all FSU requirements in that regard.

   (ii) **Assistant Professorship Positions.** Up to two other Professorship Positions will begin, at a minimum, with the rank of assistant professor. This is a tenure-track position, and it is expected that this individual will show promise of earning tenure at FSU in the normal timeframe.

FSU agrees to recruit individuals to hold Professorship Positions who support the Objectives and Purposes set forth in Section 1(a) above, and who demonstrate the ability to work effectively in collaborative efforts to advance those Objectives and Purposes, and whose research promises to advance those Objectives and Purposes and compliment, inform, and build upon FSU’s existing strengths in law and economics, institutions, and property rights as they relate to and inform the foundations of prosperity, social progress, and human well-being. Notwithstanding other qualifications, an individual who is a “disqualified person” as to the CGK Foundation as that term is defined under Section 4946(a)(1) of the Internal Revenue Code (the “Code”) is not eligible to hold a Professorship Position or any other position in an Affiliated Program and Position, without CGK Foundation’s prior written consent.

   (b) The Professorship Positions will be recruited and hired in a manner consistent with both the FSU Faculty Handbook and CGK Foundation’s intent to support the SPEFE Program.
(c) FSU agrees to assume full responsibility for the continued maintenance and funding for the Professorship Positions once the Project Period (as set forth in Section 12) for each Professorship Position has expired.

(d) Selection Process. The selection of the Professorship Positions will be made in accordance with the following procedure:

(i) All candidates for the Professorship Positions must be nominated by the Executive Committee of the FSU Department of Economics (the "Executive Committee"). The customary selection procedures of the Executive Committee will be used to nominate such candidates.

(ii) The Executive Committee will notify the Dean of the College of Social Sciences and the SPEFE-EEE Advisory Board (as defined in Section 8) of their progress on review and selection of candidates. The Dean and the SPEFE-EEE Advisory Board will be allowed to review all publicly provided material submitted by applicants for the Professorship Positions.

(iii) The Executive Committee will submit a list of top candidates to the SPEFE-EEE Advisory Board. The SPEFE-EEE Advisory Board will review the list and make a recommendation as to which candidates are qualified to receive funding. The Executive Committee will then select the individual for the Professorship Position. No funding for a Professorship Position or any other Affiliated Program or Position will be released without the review and approval of the SPEFE-EEE Advisory Board.

(iv) Employment offers to candidates for the Professorship Position will be made in accordance with FSU’s customary hiring procedures with the approval of the Dean of the College of Social Sciences, applicable Department Chair, and the FSU Provost, provided the review and approval process set forth in (iii) above has been satisfied.

(v) The candidates for Professorship Positions will be subject to the same rigorous standards and procedures as are typically required for similar positions at FSU as outlined in the FSU Faculty Handbook.

(vi) In the event the Executive Committee, Dean of the College of Social Sciences, the applicable Department Chair, and the FSU Provost are unable to agree on the selection of an individual for a Professorship Position, CGK Foundation may in its sole discretion cease all obligations under this Memorandum or any Donor Agreement pertaining to the funding of that particular
Professorship Position in which a decision as to the selection of an individual was not made.

(vii) The above selection procedure for each Professorship Position will exist for a term of ten years ("Term") from the date that the Professorship Position is first filled. In the event a Professorship Position becomes vacant for any reason during the Term, a new candidate will be selected for the vacant position in accordance with the procedures set forth in this Memorandum. FSU intends that the selection process after the expiration of the Term should be consistent with and remain faithful to the Objectives and Purposes set forth in Section 1(a) above. However, at the end of the Term, FSU may implement a different selection process.

(e) Performance Obligations of Professorship Positions.

(i) Individuals holding Professorship Positions agree to support the Objectives and Purposes as set forth in Section 1(a) above and to complete the following activities in accordance with these Objectives and Purposes.

(ii) The objectives of the Professorship Positions will be accomplished through research, teaching, publishing, print and electronic media, and other means as may reasonably be deemed to comport with the mission of FSU and the SPEFE Program.

(iii) Reporting. At the conclusion of each academic year, the Economics Department and Stavros Center will provide the SPEFE-EEE Advisory Board with a brief summary of the principal activities and accomplishments of the SPEFE and EEE Programs in the previous year, including information on publications, presentations, courses taught, students supervised, and outreach activities. The report will also include information about how those activities have advanced the Objectives and Purposes set forth in Section 1(a) above, and about plans for the subsequent academic year.

(iv) Reviews. Individuals holding the Professorship Positions will be subject to all existing department policies regarding performance reviews. In addition, they will have included in the services component of their annual review by the FSU Department of Economics an evaluation of their performance at advancing the objectives of this Memorandum (detailed in the Objectives and Purposes set forth in Section 1(a) above), including research and other scholarly activities related to the specific purpose of the Memorandum, the cooperation and collaboration with other positions affiliated with this Memorandum, and the support and
mentoring of graduate and undergraduate students affiliated with this Memorandum. These evaluations will be used by the Economics Department and Stavros Center in preparing its annual report to the SPEFE-EEE Advisory Board regarding SPEFE and EEE Program performance so the programs can be evaluated by the SPEFE-EEE Advisory Board, or the relevant administrator delegated that responsibility by the SPEFE-EEE Advisory Board. Nothing in this document will be construed to be inconsistent with FSU’s policies regarding retention, promotion, and tenure. Individuals holding the Professorship Positions will be treated similarly to all other FSU faculty of comparable rank.

4. Teaching Specialist Position.

(a) FSU will hire one (1) individual for the Teaching Specialist Position to teach economics courses, primarily at the undergraduate level, such as principles of economics and courses in political economy related to the advancement of the purposes of this Agreement (as detailed in the Objectives and Purposes set forth in Section 1(a) above).

(b) The selection of the Teaching Specialist Position will be determined by the Chair of the Economics Department and the Dean of the College of Social Sciences in consultation with the SPEFE-EEE Advisory Board.

(c) Funding for the Teaching Specialist Position may be provided by a Donor Partner pursuant to the terms of a separate Donor Agreement in the form substantially similar to that attached as Exhibit A.

(d) The Parties intend that the Teaching Specialist Position will be funded by payments consisting of five installments, the first installment being payable at the end of the first month in which the individual holding the Teaching Specialist Position begins full-time employment at FSU. Each of the subsequent four payments for the Teaching Specialist Position shall be payable on each of the next four anniversary dates of the first installment described herein with annual renewal dependent upon satisfactory evaluation of the FSU Economics Department and the SPEFE-EEE Advisory Board that the individual is advancing the Objectives and Purposes set forth in Section 1(a) above.

5. Undergraduate Program.

(a) The creation of the Undergraduate Program to enrich and advance the studies of undergraduate students in economics is considered an integral part of advancing the Objectives and Purposes set forth in Section 1(a) above. Accordingly, the FSU Economics Department will create an undergraduate political economy committee (the "Undergraduate Political Economy Committee") composed of at least three FSU Economics Department members agreeable to the Economics Department Chair, College of Social Sciences Dean, and the CGK Foundation, and one member from outside the Department chosen by the CGK Foundation, that will design and propose an Undergraduate Program to the department Chair that is consistent with advancing the Objectives and Purposes set forth in Section 1(a) above.
Approval of this program will follow current department procedures for approving any new course offering.

(b) The Undergraduate Political Economy Committee will designate one of its members as Director of the Undergraduate Program who will be responsible for the administration, planning, and coordination of programs, activities and reporting of the program.

(c) Subject to terms of this Memorandum, the Undergraduate Program will be funded for a term of three years in the amount of $30,000 per year by the DeVoe Moore Center of the College of Social Sciences at FSU. The Undergraduate Political Economy Committee will report to the SPEFE-EEE Advisory Board on its activities and accomplishments regarding the stated objectives of the program and its plans to obtain future funding to advance and continue the program.

6. **Administrative Costs to Establish and Support the SPEFE and EEE Programs.** Funds outlined in this or a future Donor Agreement may be provided to alleviate the administrative costs that will be required to establish and develop the SPEFE and EEE Programs and to hire new faculty. These funds will be allocated by the College of Social Sciences Dean and the Economics Department Chair, in consultation with CGK Foundation.

7. **SPEFE-EEE Program Advisory Board.**

   (a) In order to preserve and safeguard the philanthropic and educational intent of CGK Foundation, its Donor Partners, as well as the educational objectives of FSU, an advisory board (the “SPEFE-EEE Advisory Board”) will be created consisting of three members. In consultation with the Chair of the Economics Department, the members will be chosen by CGK Foundation. The SPEFE-EEE Advisory Board will have the responsibility of reviewing the administration and compliance of this Memorandum and the SPEFE and EEE Programs' budgets and plans for each academic year. In so doing, it will have the right to:

   (i) Consult with the Executive Committee’s members, representatives of the CGK Foundation, and FSU faculty regarding the qualifications of candidates for any Professorship Position and any other Affiliated Programs and Positions.

   (ii) Discuss with CGK Foundation representatives the appointment of a candidate for any Professorship Position and any other Affiliated Programs and Positions, and any other matters relating to carrying out the Objectives and Purposes set forth in Section 1(a) for which the Professorship Positions and any other Affiliated Programs and Positions were established.

   (iii) Make periodic assessments of the performance of the SPEFE and EEE Programs and report these assessments to FSU and the CGK Foundation.

   (iv) Ensure compliance with the terms of this Memorandum through appropriate administrative or legal channels.
(v) Undertake any other responsibilities detailed in this Memorandum, so long as they do not infringe on the authority, mission, or rules of FSU.

(vi) FSU agrees to take the input of the SPEFE-EEE Advisory Board into consideration when evaluating the performance of the SPEFE and EEE Programs.

(b) The decision rule of the SPEFE-EEE Advisory Board in all matters will be unanimous vote of all three members. The term of appointment for the SPEFE-EEE Advisory Board members will be two years, with the possibility of reappointment. In the event that a board member is unable or unwilling to fulfill their obligations to the satisfaction of the CGK Foundation, the appointing party will have the right to name a replacement as outlined above.

8. **Tax-Exempt Status.** FSU confirms that it is an organization that is currently recognized by the Internal Revenue Service (the “IRS”) as a public charity under sections 501(c)(3) and 509(a)(1),(2) or (3) of the Code. FSU further agrees to inform CGK Foundation immediately of any change in, or IRS proposed or actual revocation (whether or not appealed) of, its tax-exempt status described above.

9. **Tenure.** FSU agrees that the individuals holding the Professorship Positions will have the same rights as all other FSU faculty members as set forth in the FSU Faculty Handbook.

10. **Financial Details and Payment Schedule.** Financial details regarding dollar amounts for each Professorship Position, the SPEFE and EEE Programs, and any other Affiliated Programs and Positions will be clarified by future Donor Agreements not to exceed the amounts set forth in Section 12 below.

(a) Payment schedule for yearly amounts and dates upon which funds will be released for the following year will be specified in future Donor Agreements between the CGK Foundation, other Donor Partners and FSU. Pending satisfactory progress toward the goals of this Memorandum, FSU is encouraged to seek renewal of funding for the Affiliated Programs and Positions beyond the Project Period set forth in Section 12 of this Memorandum to support continued efforts to advance the Objectives and Purposes of this Memorandum set forth in Section 1(a). Approval of such additional funding will be at the sole discretion of CGK Foundation.

(b) Subject to the terms of this Memorandum, CGK Foundation intends to provide funds equal to $1.5 million ("Proposed Funding"). The specific terms and conditions of the Proposed Funding and the allocation to Affiliated Programs and Positions will be set forth in a separate Donor Agreement. In addition to the Proposed Funding, CGK Foundation will assist FSU in identifying Donor Partners who are willing to support the Affiliated Programs and Positions identified in this Memorandum. CGK Foundation will use reasonable efforts to assist FSU in securing additional funding to support the Affiliated Programs and Positions but does not represent or guarantee that its efforts will secure such funding and shall not be liable for the failure of FSU to obtain any additional funding.
11. Proposed Budget.

<table>
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<tr>
<th>Program</th>
<th>Project Period</th>
<th>Aggregate Cost</th>
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</thead>
<tbody>
<tr>
<td>2 Assistant Professorship Positions</td>
<td>6 years</td>
<td>$2,097 million</td>
</tr>
<tr>
<td>3 Advanced Professorship Positions</td>
<td>6 years</td>
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<tr>
<td>Administrative Costs</td>
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<td>Post Doctoral Program</td>
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<td>Teaching Specialist Position</td>
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<td>Undergraduate Program</td>
<td>3 years</td>
<td>$90,000</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$6,591 MILLION</strong></td>
</tr>
</tbody>
</table>

12. Right to Modify or Revoke. In order to preserve and safeguard the philanthropic and educational intent of CGK Foundation, CGK Foundation reserves the right to discontinue or revoke any part of this Memorandum (including withholding any amounts to be made under this Memorandum or any separate Donor Agreement regarding the Affiliated Programs and Positions), if, in CGK Foundation’s reasonable discretion, such action is necessary: (a) because FSU has materially breached any of the terms and conditions of this Memorandum; (b) to protect the charitable purposes of CGK Foundation; or (c) to comply with any law or regulation applicable to FSU or to CGK Foundation. Additionally, CGK Foundation reserves the right to discontinue or revoke any part of this Memorandum (including withholding any amounts to be made under the Memorandum or any separate Donor Agreement regarding the Affiliated Programs and Positions), subject only to continued payments for any positions for which FSU has already made contractual commitments, and then only for the amount that CGK Foundation or a Donor Partner previously have agreed to provide, if in CGK Foundation’s reasonable discretion, such action is necessary to protect the Purposes and Objectives set forth in Section 1(a) above. Modifications to this Memorandum may be requested by either party, as needed, to meet the expressed intent and purpose of this Memorandum. Any proposed modifications must be in writing and agreed to by both parties.

13. Reporting. FSU will provide CGK Foundation with information, reports and documents as the CGK Foundation may request and will allow CGK Foundation and its representatives to have reasonable access during regular business hours to files, reports, accounts, or personnel that are associated with this Agreement, the Professorship Positions for the purposes of making such financial reviews, verifications, or evaluations as CGK Foundation deems necessary or appropriate, subject to the privacy rules that govern Florida State University.

14. Publicity. FSU will allow CGK Foundation to review and approve the text of any proposed publicity which includes mention of the CGK Foundation. FSU agrees to allow CGK Foundation to include information regarding the Professorship Positions and any other Affiliated Programs and Positions, and any information or materials about FSU and its activities in CGK Foundation’s reports, newsletters, and news releases. Any publicity concerning FSU prepared by the CGK Foundation will be subject to review by FSU.
15. **Confidentiality.** To the extent permitted by Florida law, FSU will not use, disseminate or any way disclose confidential information obtained by or provided to FSU by CGK Foundation or a “disqualified person” as that term is defined under Section 4946(a)(1) of the Code. For purposes of this Section, confidential information will include all information reasonably considered by the Parties to be confidential to one another including but not limited to research, financial strategies, correspondence, minutes, intellectual property, programs and other similar information. Notwithstanding the above, confidential information will not include such information the CGK Foundation is required to make available for public inspection including a copy of its annual returns (Forms 990), its exemption application (Form 1023) and any documents issued by the IRS concerning the application.

16. **Expenditure Limitation of Funds.** FSU agrees to use the amount of funds received from CGK Foundation or Donor Partners under this Memorandum or any Donor Agreement (together with any income earned upon investment of the funds) for the purposes set forth in this Memorandum or any Donor Agreement and such funds may not be expended for any other purpose without CGK Foundation’s (or the Donor Partner’s) prior written approval. Any portion of funding unexpended at the completion of the Project Period shall be returned immediately to CGK Foundation or Donor Partner (as the case may be). FSU agrees not to expend any funding for any political or lobbying activity or any other purpose that would jeopardize FSU’s, CGK Foundation’s or a Donor Partner’s tax exempt status or subject CGK Foundation to penalties under Chapter 42 of the Code. FSU and the CGK Foundation accept responsibility for complying with this Memorandum’s terms and conditions.

17. **FSU Supervision and Control.** Subject to the terms of this Memorandum and future Donor Agreements between the Parties, FSU will supervise and manage all Affiliated Programs and Positions and primarily control the selection process of individuals named for such Affiliated Programs and Positions. It is the Parties intention that any funds provided under this Memorandum will not constitute grants described in IRC Section 4945(d)(3) or (d)(4) of the Code and the Parties will take all steps to ensure that such funds are administered and managed so to avoid any characterization as such.

18. **FSU Funding.** Under Florida law all funding by FSU is subject to appropriation by the Florida State legislature.

19. **Miscellaneous.** FSU may not transfer its interest in the Memorandum. Any attempt by FSU to transfer or assign the Memorandum other than pursuant to the Memorandum will cause the Memorandum to terminate immediately. No interpretation of the Memorandum will be inconsistent with the requirements of sections 501(c)(3) or 170(c) of the Code imposed on CGK Foundation.

20. **Expiration/Extension of Agreement.** This agreement shall expire ten (10) years from the date when the last of the five (5) Professorship Positions established pursuant to Section 3 of this Memorandum is first filled. The Memorandum may be extended pursuant to the written agreement of the Parties hereto.

*Signature Page Follows*
The foregoing provisions in this Memorandum of Understanding have been mutually agreed upon by all parties concerned as evidenced by the signatories affixed hereto.

CHARLES G. KOCH CHARITABLE FOUNDATION

By: [Signature]
Name: Richard H. Fink
Title: President
Date: June 3, 2008

THE FLORIDA STATE UNIVERSITY BOARD OF TRUSTEES for and on behalf of

THE FLORIDA STATE UNIVERSITY

By: [Signature]
John Carnaghi
Sr. Vice President for Finance and Administration
Date: 7/1/08

THE FLORIDA STATE UNIVERSITY OFFICE OF THE PROVOST AND EXECUTIVE VICE PRESIDENT FOR ACADEMIC AFFAIRS

By: [Signature]
Robert B. Bradley
Interim Provost
Florida State University
Date: July 7, 2008

THE FLORIDA STATE UNIVERSITY COLLEGE OF SOCIAL SCIENCES

By: [Signature]
Name: David W. Rasmussen
Title: Dean
Date: 6-9-08

THE FLORIDA STATE UNIVERSITY FOUNDATION, INC.

By: [Signature]
Name: Charles Rasberry
Title: President
Date: 7/10/08