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November 9, 2007

Memorandum

To: Dr. Linda T. Fortenberry
 Director of Education and Institutional Development
 Bethel Missionary Baptist Church

From: David M. Moore
 Managing Director
 Public Financial Management, Inc.

CC: Create, Inc. Project Financing Team

Re: Leon County Educational Facilities Authority
 Student Housing Revenue Bonds (Create, Inc.)

The Leon County Finance Committee (the "Committee") met yesterday to review the proposed financing referenced above. PFM participated in the meeting to aid in reviewing our preliminary report (Draft #1, dated November 5, 2007), referred to herein as the Report. In order to keep the discussion focused, the Committee worked through the Report by segments. They discussed the Project, the financing team, the financial proforma, the market analysis and various other aspects of the proposed financing. Based on this review, the Committee seeks clarification from Create, Inc. ("Create") regarding a number of matters. In addition to these clarifications, the Committee is aware of material changes in the sub-market of the housing market served by the Project that have significantly reduced occupancy rates for comparable facilities, which could significantly impact the viability of the Project.

Clarification/Discussion Requested on Various Details

The Committee would like further discussion on certain matters so that they better understand the viability of the project.

1. Construction costs – The total cost of the project—including acquisition, construction, soft costs and financing—appears to be relatively high for this type of project. Please discuss the reasonableness of these costs for comparable facilities in the region.

		Construction Cost	Amount Financed
Costs basis		\$ 14,412,834	\$ 18,000,000
Cost per unit	164 units	87,883	109,756
Cost per bed	334 beds	43,152	53,892
Cost per sq. ft.	59,500 sq. ft.	242	302

2. Parking spaces – Can you clarify whether there are an adequate number of parking spaces?

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3. What is the rationale for the \$350,000 Sponsor fee that is in addition to the Developer fee? Will this be used exclusively by Create, Inc to support the Project?
4. Comparability Rating – Since the Project is located relatively far from campus compared to other dormitory style complexes, the Committee was concerned that this dominant factor was underweighted in the Comparability Rating score.

Changes in Dormitory Market

During the Committee discussion it became apparent that demand in the dormitory style sub-segment of the student housing market has changed dramatically in recent months. FSU opened new dormitories; as is highlighted in the updated Danter report. But the report does not take into account a shift in occupancy at off campus dormitory style housing. It was reported to the Committee that occupancies range from 30% to the 70% for off campus dormitories.

It appears that the Danter report analyzes the market from the “top down”. They developed a pool of potential candidates for dormitory style living (primarily freshman and sophomore students) and demonstrated that the Project would only require a small percentage of these students. But, what the report does not seem to capture is that for this style of housing, on campus housing fills first and then off campus dormitories appear to fill any remaining needs. Based on the high occupancy for on campus housing and extremely low level of occupancy for off campus housing, it appears that the actual demand is limited. Clearly, if this recent trend continues, and additional beds are added by the Project, occupancies will decrease further creating significant pressure on revenues and rent per bed. While the sensitivity analysis prepared by Create indicates tolerance for relatively low occupancy (around 70%), recent market activity appears to suggest even less demand. Please provide updated market analysis, rental rates and proforma based on the current market for the off campus dormitory sub-segment of the market.

Please note that this question is not a challenge to the validity of the research performed by Danter. Rather, the market changed in the last couple of months with the start of the new school year. If this is not a transient matter, the viability of the project becomes questionable.

Please feel free to call me if you have any questions regarding this memorandum. We look forward to the answers to the questions and your updated market analysis.