Attachment # 4
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January 19, 2008

Memorandum

To: Bob Kellam, Chairman
Leon County Educational Facilities Authority

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

Re: Proposed $18,550,000 Leon County Educational Facilities Authority, Student Housing Revenue Bonds (Create, Inc. Project), Series 2008

Create, Inc ("Create" or "Borrower") desires to issue new money debt to fund the acquisition of an existing hotel and the conversion of the hotel into dormitories and related support facilities.

Create has assembled a financing team; prepared financing documents and is ready to complete the financing. PFM, in its role as financial advisor to the Leon County Educational Facilities Authority (the "Authority" or "LCEFA") and to Leon County (the "County") has been asked to review the financing. The following discussion includes:

(1) Introduction,
(2) Summary of Create, Inc.,
(3) Summary of the Project and Finance Team Participants,
(4) Summary of the Financing Structure and the Security for the Bonds,
(5) Financial Projections as provided by the Borrower,
(6) PFM's Financial Analysis and Conclusions,
(7) PFM's Recommendation.

INTRODUCTION

Pursuant to Chapter 243, Part II, Florida Statutes, LCEFA acts as the issuer for education related revenue bonds within the County. Prior to any bond financing, Section 159.29 (2), Florida Statutes, requires the Authority to determine that the corporation is financially responsible, capable and willing to fulfill its obligations under the financing agreement. Further, to satisfy the requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended, the County must conduct a public hearing on the proposed bond issuance.

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The Statute states the following:

> No financing agreement for a project shall be entered into with a party that is not financially responsible and fully capable and willing to fulfill its obligations under the financing agreement including:
>
> - obligation to make payments in the amounts and at the times required
> - to operate, repair and maintain at its own expense the project
> - to serve the purposes of this part and such other responsibilities as may be imposed under the financing agreement.
>
> In determining the financial responsibility of such party, consideration shall be given to the party's ratio of current assets to current liabilities; net worth; earning trends; coverage of all fixed charges; the nature of the industry or activity involved; its inherent stability; any guarantee of the obligations by some other financially responsible corporation, firm, or person; and other factors determinative of the capability of the party, financially and otherwise, to fulfill its obligations consistently with the purposes of this part.

PFM has developed this report to provide the financial information necessary for the Authority to make an informed decision on the application submitted by Create for financing the acquisition, construction and equipping of the Project (as defined herein).

Note: The following information regarding Create, the members of the financing team and the financial feasibility was obtained from Create and members of its financing team. PFM has not independently verified the accuracy of the discussion. The information provided in this memorandum is presented in a consolidated form to aid the Authority's in its decision making process.

SUMMARY OF CREATE, INC.

Create, Inc. is a 501(c)(3) organization, which was established in 1993 to support the secular activities of the Bethel Missionary Baptist Church (the "Church"). Create's stated mission is to carry out economic development and neighborhood revitalization projects in the Frenchtown neighborhood in downtown Tallahassee, Florida where the Church is located. The Church has a long history in the Frenchtown community where it provides both religious and secular services to the neighborhood, as well as to residents from all over Leon County, Florida. Create is chaired by Bernard Edwards, who is also a Deacon of the Church. A summary of the Board of Directors is included as Appendix A. The Borrower has indicated that Create, Inc. is an active 501(c)(3) corporation, but does not have any other ongoing operations and therefore does not have financial statements for prior years.

Summary of Bethel Missionary Baptist Church

The Church celebrated the completion of its first church building in 1870 as the moment of its official origin, but the beginnings of the Church can be traced back to the early 1830's. History

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indicates that, from its earliest days, the Church always represented more than a religious institution. Under the direction of its founder Reverend James Page, the Church became the focus of community life. It served not only religious purposes, but also became a meeting place for black educators, Masons, Odd Fellows, Knights of Pythias, and other fraternal organizations.

Leadership of the Bethel Missionary Baptist Church

For the past 20 years, the Reverend Dr. R. B. Holmes, Jr. ("Dr. Holmes") has provided leadership to the Church, which has grown to over 7,000 members. Dr. Holmes continues to make significant contributions to the spiritual, political, and civic life of Tallahassee, the state of Florida, and the nation. He received his undergraduate and graduate degrees from various institutions: an Associate of the Arts degree from Central Florida Jr.-College in Ocala, Florida; a Bachelor of Arts degree from Malone College in Canton, Ohio; a Master of Arts degree from Methodist Theological Seminary in Delaware, Ohio; and a Doctoral Degree from Virginia Union University in Richmond, Virginia. In 1999, Dr. Holmes was appointed President of the National Baptist Congress of Christian Education. He is currently running for President of the National Baptist Convention, which ministers to more than five million Baptists in the United States. His numerous awards and recognitions include the Outstanding Citizen of the Year Award by the Tallahassee Chamber of Commerce and the Business Leader of the Year by the City of Tallahassee. Finally, Dr. Holmes is also a Member of the Board of Trustees of FAMU.

Significant community involvement of the Church includes:

Bethel Empowerment Foundation (the "Foundation")

The Foundation is a ministry of the Church and was incorporated as a nonprofit in 1996. The goals and objectives of the Foundation include developing, maintaining, providing and participating in educational programs for the general public, for church and religious organizations and for private groups. Through its goal of striving to provide jobs for persons in the age group of 16 or older, it seeks to support and assist the community through positive economic development. The Foundation is the governing body for the C.K. Steele-LeRoy Collins Community Charter Middle School.

The Executive Staff Liason of the Foundation is by Linda T. Fortenberry, Ph.D., who serves as Special Assistant to the President, National Baptist Congress of Christian Education and as Director of Education and Institutional Development for Bethel Missionary Baptist Church. Dr. Fortenberry also served as the Associate Superintendent of the New Orleans School District from 1991-2003. Dr. Fortenberry also sits on the Board of the Create.

C.K. Steele-LeRoy Collins Middle School ("Steele-Collins")

Steele-Collins is a public school that received its charter in 1996 as one of the State's first charter schools. It remains on Leon County's First Schools of Choice list. The philosophy of Steele-Collins is to provide a well-balanced, technologically-enhanced and academically-challenging program.

The Bethel Christian Academy ("BCA")

As one component of "the vision" of the Church, BCA opened its doors for instruction and welcomed its first class of 34 boys and girls on September 8, 1992. During the 1993 through 1994 academic school year, after adding fourth and fifth grade classes, BCA enrollment increased to 47 students in pre-kindergarten through fifth grades. Since that time, the enrollment has grown, and the number of staff members has increased. The school is now housed in the Bethel Family Life Center, a state-of-the-art facility. The primary goal of the school remains child-centered resulting in the development of students who possess competence, creativity, and character. There are currently 97 students enrolled in the school.

Bethel Family Counseling and Outreach Center (the "Outreach Center")

The Outreach Center's philosophy is that "everyone matters" and is holistic in its approach, designed to empower each individual, family, and community it serves. Services focus on the whole person with emphasis on improved mental, emotional, physical, and social well-being. The Outreach Center's mission is to ensure the availability and accessibility of high quality compassionate, ethical, and supportive human service programs to its consumers in Leon County and surrounding counties. A staff of psychiatrists, licensed clinicians and therapists all share a commitment to a research-based model that recognizes and builds upon the consumer strengths and is highly responsive to their concerns.

Bethel Family Restaurant (the "Restaurant")

The Bethel Family Restaurant was opened in 1996. The mission of the Restaurant is to operate with each and every customer in mind by providing excellent food service with love, a smile and a caring attitude. In addition to serving the local community and universities, the restaurant also supports the ministries of the Church with catering services when needed. Its existence has helped rekindle the entrepreneurial spirit in the Frenchtown community. One of the stated objectives of the Restaurant is to create and develop jobs to encourage people young and old to work and strive to make their lives better.

Bethel Family Life Center (the "Family Life Center")

The Family Life Center, founded in December 1999, is a state-of-the-art multifaceted facility also located in the Frenchtown community and is an important part of the community revitalization strategy. The Family Life Center aims to unify families and develop and utilize gifts and talents of its clientele. It serves as a community outreach program especially designed for youth and provides opportunities for youth to discover God's purpose for their lives. The Family Life Center was designed to accommodate persons of all ages with activities that are organized and varied, including special events, games, aerobics, swimming, seminars and much more. Recreational and educational sessions for children and adults are also part of the program. The objectives of the Family Life Center include providing opportunities for the physical, emotional, intellectual, and spiritual development of children and adults, as well as utilizing a holistic approach to providing wholesome physical activities.

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Carolina Oaks Homes
The Church was the lead partner in Housing Tallahassee, LLC, which developed and constructed approximately 40 homes for first-time homeowners on the former site of Carolina Place Apartments.

Bethel Towers
In the fall of 2002, Bethel Towers, a new $5 million facility, was opened for residency to the elderly who qualify under the HUD 202 Program and was funded through a grant from HUD. The addition of this facility to the Church's family of facilities and representative services completed the circle of care of the local Frenchtown community and Leon County residents from the very young through the senior citizens.

SUMMARY OF THE PROJECT AND FINANCE TEAM PARTICIPANTS

Create has asked the Authority to sponsor the issuance of the proposed Series 2008 Bonds, with the Authority acting as the "conduit" issuer of its Educational Facilities Authority Bonds. The Project is an approximately 164-unit, 328-bed student housing facility, located in Tallahassee, Florida, approximately 0.5 mile northeast of the FSU campus, approximately 1.3 miles north of the FAMU campus, and approximately 4.0 miles east of the TCC campus (FSU, FAMU, and TCC, collectively referred to as the "Universities"). The student apartments will be constructed from a renovated and converted existing twelve-story Holiday Inn Select. The Project will be adjacent to a planned redevelopment project that will also include a hotel, a continuing care retirement community, retail/commercial space, and a two-level parking garage.

Project amenities will include the following: a swimming pool, a fully-equipped fitness center, bike racks, study rooms, a student center, a full-service restaurant, TV room or lounges, elevators, vending machines, game room, leasing center, a central laundry facility, computer center, on-site management staff, security and transportation to and from the nearby campuses. Each unit is expected to include a kitchenette featuring cabinets, a sink, mini refrigerator and microwave, carpeting, wall air-conditioning, window blinds or other window treatments, and furnishings including side chairs, tables, full bed, desk with chair, dresser and an armoire or built-in closets. Rent will include all utilities, as well as cable television, local telephone, and high speed internet. A mandatory meal program, with multiple options, will also be provided to residents.

A preliminary estimate of the cost of the project is shown below:

Construction	$4,646,000
Acquisition of Holiday Inn	9,485,500
Design Fees & Permits	290,000
Construction / Soft Cost Contingency Fund	50,000
Total Project Cost	$14,471,500

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FINANCING TEAM PARTICIPANTS

Issuer: *Leon County Educational Facilities Authority*

Borrower: *Create, Inc.*
Create, Inc. is a 501(c)(3) organization, which was established in 1993 to support the secular mission activities of the Bethel Missionary Baptist Church.

Underwriter: *PNC Capital Markets, Inc.*
An investment banking and underwriting firm selected by the Borrower to sell the Series 2008 Bonds to investors.

Underwriter's Counsel: *Miles & Stockbridge*
A law firm selected by the Underwriter to conduct a due diligence review of the Borrower. Underwriter's counsel ensures that the issuer's financial condition, plans and other matters that are important for an investor to know are accurately disclosed. Underwriter's counsel also prepares the bond purchase agreement, which is a contract for selling the debt to the underwriter.

Bond Counsel: *Bryant, Miller & Olive*
A law firm selected by the Borrower to draft financing documents, monitor compliance with State and Federal law, and deliver an opinion as to legality of issuance and other matters, and an opinion as to the tax-exempt status of the Series 2008 Bonds.

Corporation Counsel: *Gray Robinson*
A law firm selected by the Borrower to deliver an opinion on matters associated with the Project.

Developer: *Affirmative Hillspoint, LLC*
A real estate development firm responsible for moving the Project from conception to completion including construction and financing.

Management Company: *Campus Living Villages*
Operates student-housing facilities on 26 campuses in 11 states accommodating over 25,000 students and over 2,000 beds for off-campus private dormitory facility owners.

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SUMMARY OF THE FINANCING STRUCTURE AND SECURITY FOR THE BONDS

Financing Structure

As currently proposed, the Series 2008 Bonds will be tax-exempt, fixed-rate securities, with the interest rates determined on the sale date. Debt service is structured to be level in each year once principal repayment begins in 2008. The final maturity is expected to be 2037. Create does not expect the Series 2008 Bonds to be rated. The Series 2008 Bonds are expected to be sold as two separate series of bonds with the Series A Bonds being issued in the approximate amount of $17.55 million and the Series B bonds being issued in the amount of $1 million. The Series A Bonds will be sold to one or more investors, while the Series B Bonds are expected to be placed with the seller.

The Series 2008 Bonds will be used to (i) pay the costs of the acquisition, construction, furnishing and equipping of the Project; (ii) fund a debt service reserve fund; (iii) pay interest on the Series 2008 Bonds through September 30, 2008; (iv) pay certain developer and sponsor costs and (iv) pay the costs associated with issuing the Series 2008 Bonds. The Authority will lend the proceeds of the Series 2008 Bonds to the Owner pursuant to a Loan Agreement between the Owner and Issuer, as may be amended and supplemented (the "Loan Agreement"). The Series 2008 Bonds are expected to be subject to optional, mandatory, and extraordinary redemption.

The Sources and Uses of Funds for the Series 2008 A&B Bonds are shown below.

	Series A	Series B	Issue Summary
Sources Of Funds			
Par Amount of Bonds	$17,550,000.00	$1,000,000.00	$18,550,000.00
Planned Issuer Equity contribution	70,956.87	4,043.13	75,000.00
Additional required Equity contribution	117,315.37	-	117,315.37
Owner and Sponsor Subordinate Notes	567,929.35	32,360.65	600,290.00
Total Sources	**$18,306,201.59**	**$1,036,403.78**	**$19,342,605.37**
Uses Of Funds			
Costs of Issuance	539,272.24	30,727.76	570,000.00
Deposit to Debt Service Reserve Fund (DSRF)	1,383,100.36	78,809.14	1,461,909.50
Deposit to Capitalized Interest (CIF) Fund	814,927.37	59,036.15	873,963.52
Deposit to Project Construction Fund	3,879,925.31	766,074.69	4,646,000.00
Acquisition of Holiday Inn & Related Costs	9,485,500.00	-	9,485,500.00
Owner and Sponsor Fees	1,404,874.10	55,705.90	1,460,580.00
Design Fees and Permits	274,366.58	15,633.42	290,000.00
Construction/Soft Cost Contingency Fund	47,304.58	2,695.42	50,000.00
Marketing, Promotion and Working Capital	473,045.82	26,954.18	500,000.00
Rounding Amount	3,885.23	767.12	4,652.35
Total Uses	**$18,306,201.59**	**$1,036,403.78**	**$19,342,605.37**

Source: Create, Inc.
Assumptions:

1. **Interest rates ranged from 6.2% to 6.37% for the Series A Bonds and equal approximately 8.0% for the Series B Bonds.**
2. **Interest earnings on capitalized interest and project fund accrue at 3%**
3. **Series A Bonds amortize from 2008 through 2037. Series B Bonds amortize from 2008 to 2018.**
4. **Owner and Sponsor Fees include approximately $1.1 million for the Developer and $350,000 for the Sponsor.**

SECURITY FOR THE BONDS

The Series 2008 Bonds are secured through the Master Indenture, which is intended to provide assurance for the repayment of obligations entitled to the holders of such obligations. Pursuant to the Master Indenture, pursuant to which the Authority will grant, bargain, sell, convey, assign and pledge to the Trustee, and grant to the Trustee a security interest in, the Trust Estate, which is defined to include, among other things, all of the funds, right and property in and to all of the Documents, the Pledged Receipts, all moneys and securities held from time to time by the Trustee under the terms of the Indenture, and any and all of the Collateral. The Pledged Receipts include (a) Gross Revenues, (b) Receipts Requiring Mandatory Redemption, and (c) moneys in the funds and accounts under the Indenture (excluding the Rebate Fund).

FINANCIAL PROJECTIONS AS PPROVIDED BY THE BORROWER

The Borrower engaged the Danter Company to study the "…feasibility of renovating and converting an existing hotel into student rental housing near the Florida State University campus…" The report includes a detailed analysis of housing options, student demand, comparison to similar projects and a proforma operating statement. Due to the Project's central location, the report states that demand will come from FSU, FAMU and Tallahassee Community College (TCC). Danter prepared multiple reports. The initial report included FSU as a target market and included the following discussion of student demand. Total enrollment for the target students is estimated at 21,813 students. After deducting for various factors (on campus housing, local residents, etc), demand is estimated at 11,176 students. The Project's 328 beds represent 2.9% of the demand which Danter represents in the report as an excellent support ratio. After review of the original report by the Authority, Danter prepared an updated report dated December 14, 2007. The revised report focuses on demand generated by FAMU and TCC. There are 11,343 students between the two institutions. After deducting for existing housing and other factors, the report estimates that the Potential Residence Base is 7,552 students. The Project represents approximately 4.3% of this potential demand.

The report develops a peer group of facilities that offer similar accommodations (room style, meal programs, etc) and defines the peer group to include Southgate Campus Center, Seminole Oaks and

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Osceola Village. Danter uses a Comparability Rating to adjust for features associated with the Project and each of the comparables.

	Comparability Rating			
Property	Unit	Project	Aesthetic	Total
The Project	17.5	15.0	7.5	40.0
Southgate Campus Center	16.0	12.5	7.5	36.0
Seminole Oaks	14.0-17.0	14.0	7.5	35.5-38.5
Osceola Village	15.0	10.0	7.0	32.0

Source: Danter Report

Average rents for the comparables were quoted at ranges from $838 to $985 per month, per person for a double occupancy unit. Danter estimated that, when adjusted for the Comparability Rating, current rent would be $1,275 for the Project. After applying local inflation of 2.7% per year, they recommend opening rent at $1,310 per person, per month. The proforma operating results assume rental rates of $1,115 per person.

The Borrower estimated rental revenues as shown below. Rental rates include an unlimited meal plan. The estimated revenues start with the potential revenue generated per unit (bed) and then the Borrower makes adjustments to revenue to account for decreased revenue during the summer, general vacancies (assumes 95% occupancy), staff beds and miscellaneous seasonal revenues.

Estimated Revenue Generate by Unit

			Square Footage		2008	Monthly Gross	Annual Gross
Unit Type	Units	Beds	Unit	Total	Proposed Rates	Aug - July	
Apartment	11	33	680	7,480	$1,100	$36,300	$435,600
Double	148	296	340	50,320	1,115	$330,040	3,960,480
Single	5	5	340	1,700	1,085	$5,425	65,100
Total Beds	164	334	1,360	59,500		$371,765	$4,461,180
					Subtotal	371,765	4,461,180
					Concessions	(1,333)	(16,000)
					Less Staff Beds	(8,725)	(104,700)
					General Vacancy	(82,685)	(992,223)
					Bad Debt	(5,576)	(66,918)
						$273,445	$3,281,339

Staff Beds	Unit Rate	Units Used	Total Cost
CA	1,085	5	$5,425
Director	3,300	1	3,300
Total		6	($8,725)

Source: Create, Inc.

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After estimating the base year revenues generated by the Project, Create, Inc. created a proforma of all other revenues and expenses. Create, Inc. reports that the proforma includes all reasonable costs and expenses including food prep, management contracts, utilities, payments to local governments in lieu of taxes, etc. The proforma estimates net revenue available for debt service of $2.053 million in the initial year that increase steadily to over $2.5 million by 2015. Debt service is estimated to be $1.46 million per year resulting in debt service coverage based on maximum annual debt service of approximately 1.4X.

Create Inc.
Proposed Project - Holiday Inn Conversion
Summary Business Plan - Operating Results
1/7/2008

FISCAL YEAR	2008	2009	2010	2011	2012	2013	2014	2015
REVENUE:								
RENTAL REVENUE **	$ 3,230,939	$ 3,327,867	$ 3,427,703	$ 3,530,534	$ 3,636,450	$ 3,745,544	$ 3,857,910	$ 3,973,647
SUMMER REVENUE	350,400	360,912	371,739	382,892	394,378	406,210	418,396	430,948
OTHER REVENUE	384,404	395,936	407,814	420,049	432,650	445,630	458,998	472,768
EXPENSE RECOVERIES	13,250	13,648	14,057	14,479	14,913	15,360	15,821	16,296
TOTAL REVENUE	3,978,993	4,098,363	4,221,314	4,347,953	4,478,392	4,612,743	4,751,126	4,893,660
EXPENSES:								
ADMINISTRATIVE SALARIES	190,188	195,894	201,770	207,824	214,058	220,480	227,094	233,907
MAINTENANCE SALARIES	150,876	155,402	160,064	164,866	169,812	174,907	180,154	185,558
ADDITIONAL PAYROLL	2,275	2,343	2,414	2,486	2,561	2,637	2,716	2,798
TOTAL PERSONNEL COSTS	343,339	353,639	364,248	375,176	386,431	398,024	409,965	422,264
UTILITIES	372,000	383,160	394,655	406,494	418,689	431,250	444,187	457,513
MAINTENANCE COSTS	31,700	32,651	33,631	34,639	35,679	36,749	37,851	38,987
CONTRACT SERVICES	132,757	136,740	140,842	145,067	149,419	153,902	158,519	163,275
LEASING AND PROMOTION	54,550	56,187	57,872	59,608	61,397	63,238	65,136	67,090
PROFESSIONAL FEES	1,000	1,030	1,061	1,093	1,126	1,159	1,194	1,230
COMMUNICATIONS	13,200	13,596	14,004	14,424	14,857	15,302	15,761	16,234
MANAGEMENT INFORMATION	4,560	4,697	4,838	4,983	5,132	5,286	5,445	5,608
OFFICE EQUIPMENT RENTAL	7,800	8,034	8,275	8,523	8,779	9,042	9,314	9,593
MANAGEMENT FEES	157,760	160,627	165,446	170,409	175,522	180,787	186,211	191,797
OTHER ADMIN EXPENSE	21,670	22,320	22,990	23,679	24,390	25,121	25,875	26,651
INSURANCE EXPENSE	60,000	61,800	63,654	65,564	67,531	69,556	71,643	73,792
PROPERTY AND OTHER TAXES	75,000	77,250	79,568	81,955	84,413	86,946	89,554	92,241
FOOD SERVICE	650,000	669,500	689,585	710,273	731,581	753,528	776,134	799,418
TOTAL EXPENSES	1,925,336	1,981,231	2,040,668	2,101,888	2,164,944	2,229,892	2,296,789	2,365,693
NET OPERATING REVENUI	2,053,657	2,117,132	2,180,646	2,246,066	2,313,448	2,382,851	2,454,336	2,527,967
DEBT SERVICE								
Series A Bonds	1,317,377	1,316,289	1,317,339	1,317,459	1,316,649	1,319,909	1,316,929	1,318,019
Series B Bonds	140,222	140,200	140,000	139,400	138,400	142,000	139,800	142,200
Developer Interest	58,423	38,949	19,474					
Developer Note Amort.*	243,430	243,430	243,430					
NET PROFIT	294,205	378,264	460,403	789,207	858,399	920,942	997,607	1,067,748
Coverage of A&B Bonds	1.41	1.45	1.50	1.54	1.59	1.63	1.68	1.73

* Represents estimated amortization available from cash flow after compliance with bond convenants
** Net of bad debts and consessions

Source: Create, Inc.

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FINANCIAL ANALYSIS AND CONCLUSIONS

As financial advisor to the Authority and the County, our first priority is to assure that all information is available to give the Authority and the County appropriate information to make an informed decision. To that end, PFM worked with the Authority during the last 2 months to have Create prepare legal documents and the Private Placement Memorandum to supplement the market analysis and other information Create had already prepared. PFM has reviewed the Project description, the proposed financing structure provided by PNC Capital Markets and the financial feasibility/market study, which includes financial projections, prepared by The Danter Company.

The Danter report includes a comprehensive market analysis that indicates strong housing demand. The Danter report indicates that the Project is superior to existing similar projects and as a result should be able to charge higher rent. The operating proforma is constructed in a reasonable manner and indicates that net operating revenue should be sufficient to cover debt service and reasonable replacement activities.

The initial report from Danter focused on the typical target market for dormitories, incoming freshman and it included FSU. But, the market plan prepared by Campus Living focused on upper classmen and students at FAMA and TCC. The Authority questioned this inconsistency, particularly in light of lower than expected occupancy rates than other off campus facilities experienced this fall. As a result, Create asked Danter to revise its report based on the Bethel Student Resident Proposed Marketing Overview. In the revised report they took the conservative position of ignoring potential demand from FSU students. As discussed above, their report indicates sufficient demand for the project at the price used therein. The Authority also expressed concern regarding the ability of the Project to attract students given its location. Create, Inc. researched similar projects and demonstrated that there are off campus housing facilities located a significant distance away from the primary campus. Finally, Create performed surveys of students to ascertain their interest in the project. The survey was not a random sample. Rather, it was targeted at students with a general interest in activities surrounding the Church. These surveys indicated that many students in the target market are interested in the product.

Since the Project is a start-up facility, the likelihood of meeting projections is always uncertain. Create prepared a revised sensitivity analysis that indicates the Project can run at as low as 75% indicating significant flexibility with regard to rate setting and adjustments in ongoing expenses.

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FINDING OF STATUTES

As mentioned in the Introduction, the Authority must take into consideration the criteria and requirements outlined in the Florida Statutes for determining that Create is financially responsible, capable and willing to fulfill its obligation. In determining the financial responsibility of such party, consideration shall be given to the party's cashflow and debt service coverage, earning trends; coverage of all fixed charges; the nature of the industry or activity involved; its inherent stability; any guarantee of the obligations by some other financially responsible corporation, firm or person; and other factors determinative of the capability of the applicant, financially and otherwise, to fulfill its obligations.

The feasibility report indicates that the project will generate revenues that are more than sufficient to provide for operations, debt service and capital reserves. While we are not real estate consultants and offer no opinion regarding the reasonableness of rental levels, the proposed rent appears to be higher than comparable/competing facilities, many of which are located closer to the campus's and have a track record of operations which may create less than desired performance. As discussed above, the Create financing team prepared a sensitivity analysis to determine if cashflows would be sufficient to operate the facilities at different occupancies and rent levels and demonstrated significant financial flexibility. While there is no operating history for the Project, the feasibility report indicates that the project should be capable of fulfilling its obligations.

CONCLUSIONS

It is our experience that dormitories operate in a somewhat constrained revenue environment with relatively low margins, so many projects exhibit modest to weak financial performance. At the same time, the Project is expected to meet a unique need in the community. While occupancies are off at FSU's off campus dormitories this year, increasing student population at all three institutions will likely increase demand for housing. An intangible that supports the project is the link to Bethel Missionary Baptist Church. The Church has presented information demonstrating a long history of commitment to the community as a whole, particularly in the area surrounding the Project. After taking this into consideration and based upon the information provided by Create's financing team, PFM is of the opinion that the proposed financial plan is in compliance with the requirements of the Florida Statutes. Given that the proposed debt will be issued as fixed rate bonds, Create will have the ability to budget and appropriate revenues for the purpose of debt service repayment with certainty.

RECOMMENDATION

PFM recommends that the Authority authorize the issuance of the Series 2008 Bonds. Due to the lack of a credit rating we recommend that the Series 2008 Bonds be issued via a Private Placement with minimum denominations of $100,000 and that investors certify that they are Sophisticated Investors. The threshold is intended to make sure that only sophisticated investors that are capable of analyzing the credit quality of the Project purchase the Series 2008 Bonds. PFM also recommends that the Series B Bonds are sold in one denomination ($1,000,000) because of the

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subordinate nature of the debt. This recommendation is based on information made available through preliminary drafts of the feasibility report and the Preliminary Official Statement (POS). All documents, projections and debt structures are preliminary at this point in time. PFM will continue to monitor the refinement of the documents and update this report as necessary prior to Authority approval of the definitive documents.

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