



Lincoln Plaza
Suite 1170
300 S. Orange Avenue
Orlando, FL
32801-3470

407-648-2208
407-648-1323 fax
www.pfm.com

February 4, 2008

Memorandum

To: Alan Rosenzweig
From: David Moore, PFM
CC: Leon County Finance Committee
Calvin Ogburn, LCEFA
Re: Leon County Educational Facilities Authority
Create, Inc. Financing

Public Financial Management, Inc. (PFM) prepared a report dated January 19, 2008 for the Leon County Educational Facilities Authority (the "PFM Report") recommending approval of the above referenced financing. During the Leon County Finance Committee meeting today there was considerable discussion regarding what is implied by PFM's recommendation related to the Create financing. Specifically, it appeared that some people view the recommendation as certification/verification of the assumptions made by other consultants leading to rendering an opinion that the financing is a strong credit, similar to that of other County specific financings. This assumption significantly overstates the scope of our review and the opinions expressed therein; and therefore is not an appropriate interpretation of the PFM Report. The purpose of this memorandum is to clarify the scope of our recommendation.

Purpose of the PFM Report

It is critical to understand the primary purpose of the PFM Report. As referenced on page one, the PFM Report was prepared pursuant to the requirements of Section 159.29 Florida Statutes that requires that the Authority determine if Create, Inc is "... financially responsible and fully capable and willing to fulfill it obligations under the financing agreement..." In order to aid the Authority in making this determination we generally review the financial proforma, the feasibility study and the marketing plan in an effort to ascertain the borrower's commitment to the project and ability to successfully manage the project. As you are aware, PFM—independently and also at the Finance Committee's urging—requested that Create, Inc., refine information related to demand and financing performance because the original submittal was not sufficient. The final submittal presented a consistent picture of the marketing plan, financial proforma and financial sensitivity enabling PFM to recommend that the LCEFA approve the financing as meeting the constraints of Section 159.29. It is the Authority's sole responsibility to determine if any project fits within the Authority's goals and objectives and Statutory authority.

Scope of PFMs Research and Review

Create, Inc. engaged a number of experienced consultants (feasibility consultant, facility manager, construction manager, bond underwriter, etc) to aid in preparing the financing. Please note (as we do in our report) that PFM was not engaged to prepare separate market analysis, financial modeling or acquisition/construction cost analysis. This would be an extremely expensive process and is

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beyond the level of review typically employed by issuers throughout Florida. Instead, PFM's process involves reviewing the information provided by others for consistency and reasonableness. We then prepare a summary that enables the Authority to make findings related to Section 159.29. Again, it is critical to note that PFM does not offer a separate opinion regarding the feasibility of the project. This is beyond the scope of our expertise.

Recommendation the PFM Report

As noted in the PFM Report, our recommendation is conditioned upon the bonds being sold in large denominations (\$100,000 for the Series A Bonds and a single \$1,000,000 bond for the Series B Bonds). This recommendation is made because there is a speculative nature to investing in any start-up facility like the Create project. Since a wide range of factors can cause the financial performance to be weaker than that shown in the proforma, investors need to be sufficiently sophisticated so that they can independently evaluate the strength of the project for their own benefit and determine if the risk matches their risk tolerance level. The large denomination requirement is intended to make sure that only sophisticated investors purchase the Bonds.

The point of this discussion is to highlight that while the project meets the requirements of Section 159.29, there are still significant risks to investors and therefore appropriate protection must be put in place to attempt to keep the bonds away from less sophisticated investors.

In summary, the PFM Report is intended to be a synopsis of the information presented by the borrower and an indication that the information submitted demonstrates that the borrower meets the requirements of Section 159.29. Meeting this requirement does not guarantee success of the project; therefore we recommend that the bonds are structured in a manner that limits availability of the bonds to sophisticated investors. I hope this memorandum clarifies both our position regarding the project and the purpose of our review.