BOARD OF COUNTY COMMISSIONERS
INTER-OFFICE MEMORANDUM

To: Commissioner Bob Rackleff

From: Herbert W. A. Thiele, Esq.
County Attorney

Date: October 4, 2007

Subject: Background Information Regarding Educational Facilities Authority Bond Issue Concerning Southgate Complex

---

In response to your email to the County Attorney's Office of September 28, 2007, this memorandum is to provide some general background information with regard to the impact of the bond default which occurred for the Southgate project that was the first project that was undertaken by the Leon County Educational Facilities Authority.

While the debt service on the bonds issued by the Educational Facilities Authority for the Southgate project did not involve any revenues from "Leon County," both the County Attorney's Office and our Financial Advisory Team at the time had significant concerns with regard to its potential impact in the bond market. These concerns were such that even after the default was cured by the buyout of the bonds, that prior to the time that Leon County issued additional debt itself, the entire Financial Advisory Team involving the County Attorney, the County Administrator, our financial advisor, our bond counsel, and the Clerk's Finance Officer all were requested to travel to New York City for purposes of making presentations to the two main rating agencies (Moody's and Standard & Poors). Since there had also been a default involving the Fallschase Taxing Authority of their bond issue about a decade prior to that, as well this the default on the EFA Southgate bonds, the Financial Advisory Team sought to ease any concerns by the both Moody's and Standard & Poors that these bonds were issued with any direct involvement of the Leon County Board of County Commissioners. Furthermore, we also endeavored to make sure that the rating agencies understood that we were improving our oversight of these authorities, even though independent authorities, with regard to subsequent activities.

As you are aware, the Board of County commissioners subsequently eliminated the Fallschase Taxing Authority and replaced it with a Chapter 190, Community Development District for Fallschase. Additionally, the Educational Facilities Authority was instructed to retain an independent general counsel, a financial advisor, and a bond counsel, and it was recommended that the financial advisor and bond counsel be the same advisory and counsel as the ones who represent Leon County so that we may be apprised more fully of any actions that the EFA might take in the future.

Hopefully, this information is the background that you were seeking. If we can provide any further information, please contact the County Attorney's Office.

HWAT:eal

cc: Honorable Chairman and Members of the Board of County Commissioners
Parwez Alam, County Administrator
Alan Rosenzweig, Assistant County Administrator
David Reid, Director, Finance Department

Create, Inc.

Answers to questions from Leon County Commissioner
10/3/07

1. Where is the written business plan for this project?

The written business plan will be contained in the offering statement. Create Inc. has been established to promote economic development and job creation in Tallahassee with specific emphasis on the Frenchtown Community. This project is also consistent with the community activities of Bethel Missionary Baptist Church with regard to its student ministry and overall redevelopment activities in the Frenchtown Community.

2. What will be the total amount of the bonds authorized by the EFA?

Up to $20,000,000 with the current budget based on $18,000,000

3. How much capital will Create Inc. contribute to this project?

To date, CREATE, INC and its Developer have invested approximately $400,000 in the project. A total of approximately $800,000 will be advanced to the project at the time of bond closing which will be evidenced by SUBORDINATE LOANS (Subordinate to bond obligations) to the Project to be repaid over time from operations of the Project.

4. What fees will be paid by Create Inc. and/or the EFA, what will be their amounts, and who will receive them? For example, who will receive the $1,110,056 "Developer Fee" and the $355,218 "Owner Transaction Costs"?

The Developer (AFFIRMATIVE HILLSPOINT LLC) will earn a development fee budgeted at $1,110,056 OR 6.25% of project costs. The owner transaction costs will be payable to Create, Inc. One half of these amounts will be paid from bond proceeds with the balance being paid from future operations of the project.

5. Who will perform due diligence for the EFA? Will that advisor have any financial interest in this project other than for performing due diligence?

The Financial Advisor will have no financial interest in the project.

6. Please list all officers and staff of Create Inc. (See Attached Directory and portfolio of resumes) Will any of them have a personal financial interest in any part of this project? No. Professional services may be provided and compensated where appropriate. Describe the experience any of them have in major construction projects and managing student dormitories. These experiences are highlighted in tabular *format.*

7. Provide documentation of the financial results of prior business activities of Create Inc. and other business enterprises of the Church.

Create, Inc. has been established a number of years ago but has not previously undertaken any significant projects. Its initial purpose was to provide job training and economic development. The Board of Directors was recently reactivated and new / additional board members were elected by the remaining old board members. Documentation for other business enterprises of the church is public record and included in this portfolio.

8. Please explain the meaning of "Christian-sponsored student housing option" used to describe this project.

The reference noted is to the Bethel Missionary Baptist Church, of which Create, Inc. is a subsidiary. The sponsorship here is no different than Methodist Hospital or any other community-based public sponsored facility in Leon County. Students of all races, religions, ethnic backgrounds, etc. will be accepted. Also, students from all universities in the area are eligible to apply: FSU, FAMU, TCC.

9. What is the Church's 2010 Plan? (See attached) What will be "the other community-based missions of Create Inc." which will use excess earnings from the dormitory?

The excess earnings from the dormitory will be used for support to several existing community-based missions of the church including the Bethel Counseling Center, Carolina Oaks low-income housing and Steele-Collins Charter Middle School as well a new endeavors consistent with the vision of the 2010 Plan.

What is the estimated amount of these excess earnings?

The budgeted surplus will be approximately $500,000 based on the submitted operating figures. This equates to a debt service coverage of approximately 1.40 which is consistent with tax exempt bond underwriting expectations.

10. Will Create Inc. be the sole owner of this project? If not, who will own it? Who will provide professional management of the dormitory and related facilities and what will they be paid?

Create Inc. will be the sole owner of this Project. Day to day management will be carried out through a management contract with a nationally reputable student housing Management Company that will be paid a management fee equal to 4% of the project revenues.

11. Will any Leon County or City of Tallahassee elected officials have a financial interest in this project or have any of them received any financial compensation for their services to the Church, Create Inc., or any other entity involved in this project? NO

Create, Inc.

Answers to questions from Alan Rosenzweig

10/3/07

From: Alan Rosenzweig [mailto:RosenzweigA@leoncountyfl.gov]
Sent: Thursday, September 27, 2007 2:01 PM
To: jherring@bmolaw.com; cogburn924@comcast.net; Terrell C. Madigan; DAVID MOORE
Cc: Parwez Alam; Bob Inzer; David Reid; Vince Long; Herb Thiele
Subject: Additional Information Request

Cal/Terrell,

I have had additional requests for information regarding the project:

1. Given the current high vacancy rates locally for college student housing, how does the developer justify a 95 to 96 percent projected occupancy rate for the dormitory?

The current 2007-2008 occupancy rates for FSU and FAMU on-campus dorms are full while the off-campus dorms that almost exclusively serve FSU have occupancy rates that are below historical levels for several one-time occurrence reasons. These reasons include the opening of 1,406 new dorms by FSU and a "politically motivated" reduction in the incoming freshman class compared to historical levels. These factors will be substantially mitigated when FSU increases freshman enrollment to historical levels and with 2008 and future retention (historically 28%) of students in the new FSU dorms, which will have a "sucking impact" of 393 fewer students from the off-campus dorm market demand this year. In addition, 2 of the existing 3 off-campus dorms have had significant management / ownership issues that impacted their performance this school year.

Create Inc. research and study and the positioning of its project in the market make the foregoing circumstances with regard to the existing 3 off-campus dorms serving FSU students moot. The Create, Inc. program will:

1. Serve students from all three Tallahassee campuses – FSU, FAMU & TCC. This is enhanced by its location, which is within walking distance to FSU and .8 miles to FAMU and the fact that the program will include transportation to all three campuses. From surveys conducted by Create, Inc. with student from all three campuses, on a ratio of 78 to 11, students said they would live in a residence with students from other schools. These surveys also confirmed the desirability of the location with 71% rating the location as very desirable (8 or better out of a possible 10)

2. Attract from a pool of almost 12,000 freshman & sophomores (excluding FAMU sophomores, commuters, part-time students and the number of students that can be housed in on-campus dorms at 100% occupancy) that need off-campus housing. Including upper classman, graduate, medical & law students, these number totals more than 40,000. This means that a very significant demand exists – looking for acceptable housing, which is well beyond the supply offered by existing off-campus dorms. From the same research, 62% said they would be interested in living the proposed project with each school proportionately represented and with upper classman making up 54% of the group.

3. Attract students from a pool that already are attending Bethel Missionary Baptist Church (more than 200 each Sunday) and / or are looking for an environment that will be created

through the faith-based sponsorship. In these instances, parents will influence the decision about residency as well. An overwhelming percentage, over 95%, stated that their parents would think this option is attractive. On a ratio of 38 to 2, students themselves said the sponsorship of the program was very important. The environment that will be created will not focus on religious service or study, but rather an environment that promotes civility, study, fellowship and community and is welcoming to students of all backgrounds and religious preference.

4. Offer features that will make the project more attractive and reach a market that simply has not chosen other available dorm options. These features include:
   a. Private baths in each double occupancy suite – rated very important 81 / 2
   b. Enhanced security – rated very important 77 / 1
   c. 50% larger double occupancy suites – rated very important 61 / 2
   d. Kitchenettes in each double occupancy suite – rated very important 55 / 3
   e. Wireless internet throughout the building – rated very important 81 / 2

   Based on these features and all the other elements of the project, 83% of students surveyed rated this option better than on-campus dorms. This option was also rated as better than other available off-campus dorms by 62% of the students.

   In summary, Create, Inc. concludes that the occupancy budgeted for its proposed project is achievable for the many reasons stated above which can be summarized as there are a very large number of students that are not housed on campus and have not been offered an option that the Create, Inc. project provides. As a matter of choice, students and parents have selected numerous alternatives. This project will be attractive to students from all three campuses, their parents and those attracted to the project's sponsorship based on features of the project not offered by other alternatives.

2. <u>Who owns the hotel property? Is it under option and, if so, who has optioned it? What are the terms and conditions of any sales or option agreement associated with this project?</u>

The Holiday Inn is currently owned by TH Hotel Limited, a partnership entity headquartered in Tampa, Florida. Its principal owner is Mr. Les Rubin. Create, Inc. has entered in to a purchase contract in the amount of $9,200,000, which requires payment in cash at closing. The contract has been extended several times and an extension through November 30th has been negotiated. *To date, a $200,000 non-refundable deposit has been paid as well as extension payments.*

3. <u>What evidence supports the purchase price of $9.25 million for the hotel property?</u>

The purchase price was negotiated based on the value of the hotel since, at the time of the contract negotiations; the seller was entertaining other offers from buyers that would continue to operate the hotel.

Full service hotel properties that have an established operating history have been, and particularly as of early part of 2007, seller at historically low CAP rates. In early 2007, cap rates were less than 5.5%. (<u>See attached report from HVS Consulting</u>) Based on historical operating numbers for 2004, 2005 & 2006 the Holiday Inn operating income on to which a CAP rate valuation would be applied ranged from $614,000 to $877,000 increasing each year. This produces a capitalized value of the property ranging from $9,500,000 to $13,500,000 using a more conservative CAP rate of 6.5%. From this valuation, Create, Inc subtracted $2,000,000 as *an estimated value of refurbishing costs needed to have the hotel property remain competitive.*

A net valuation, on a three-year rolling average capitalized income basis (net of $2,000,000 estimated capital improvement budget) calculated to be $9,785,000. The seller's asking price was $10,500,000. The negotiated purchase price was agreed to be $9,200,000.

PFM
The PFM Group
Public Financial Management, Inc.
PFM Asset Management, LLC
PFM Advisors

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

PFM

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.

In addition, does the EFA have any independent data or analysis addressing the current and projected student housing needs in Leon County.

Thanks

Attachment # 7
Page 8 of 16

Hotel Capitalization Rates Bottom Out

Suzanne R. Mellen, MAI, CRE, ISHC, FRICS
Managing Director
HVS International — San Francisco

HVS INTERNATIONAL SAN FRANCISCO
116 New Montgomery Street
Suite 620
San Francisco, CA 94105
(415) 896-0868 OFFICE MAIN NUMBER
(415) 896-0516 FAX

January

HVS INTERNATIONAL

Hotel Capitalization Rates Bottom Out

By Suzanne R. Mellen, MAI, CRE, ISHC, FRICS

Hotel capitalization rates, defined in for purposes of this discussion as the ratio of a hotel's net income to its sales price, have bottomed out, as rates of return remain at record low levels and NOI upside has begun to subside. This article updates hotel capitalization and discount data that was presented in a previous article on hotel capitalization rates (see: *Allure of Hotel Investment Expected to Moderate Rise in Capitalization Rates as Rebound Takes Hold,* Jan 19, 2005, by Suzanne Mellen, in the Library at www.hvsinternational.com)

Since 1988 HVS International has been tracking overall "going-in" capitalization rates, free and clear discount rates and equity internal rates of return for hotels that sell at the time of our appraisal. The following chart sets forth the trend in these rates of return.

Derived and Projected Derived Capitalization and Discount Rates - Select Set of Full Service Hotels

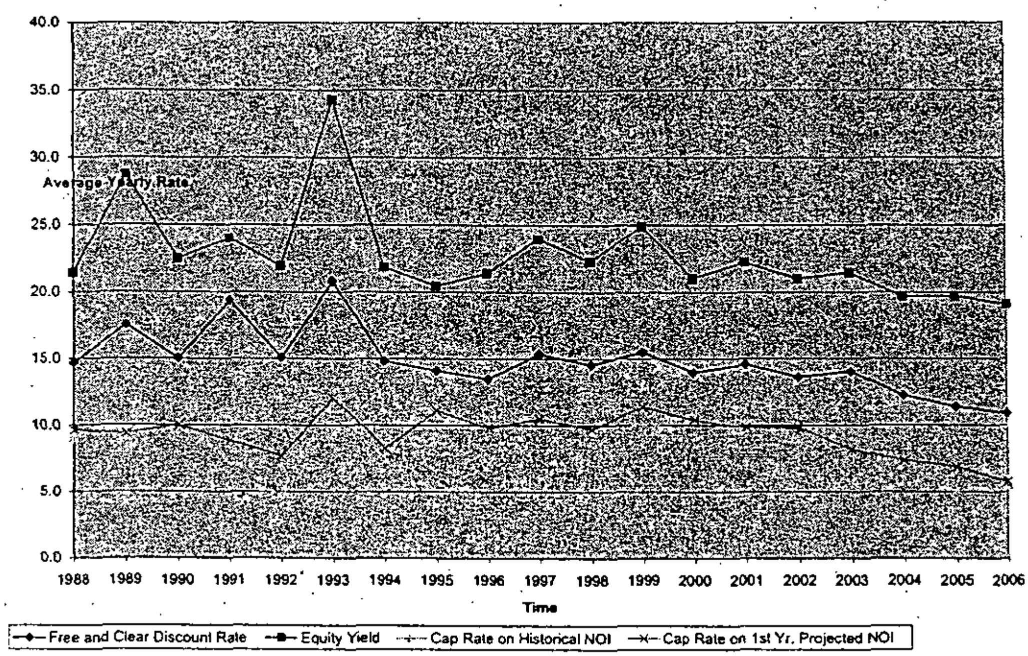
	Cap Rate based on Historical NOI	Cap Rate based on 1st Yr. Projected NOI	Free and Clear Discount Rate	Equity Yield
2006	5.5	5.8	10.9	19.1
2005	5.2	6.9	11.4	19.7
2004	5.8	7.4	12.2	19.7
2003	7.9	8.2	14.0	21.4
2002	8.9	9.8	13.6	21.0
2001	8.2	9.8	14.6	22.2
2000	9.2	10.4	14.0	21.0
1999	10.3	11.4	15.5	24.9
1998	8.8	9.7	14.5	22.2
1997	9.3	10.5	15.4	23.9
1996	7.0	9.8	13.5	21.4
1995	7.0	11.1	14.1	20.5
1994	5.7	8.3	14.8	21.8
1993	8.5	12.0	20.8	34.3
1992	4.8	7.7	15.1	21.9
1991	6.4	8.9	19.4	24.0
1990	8.0	10.0	15.1	22.4
1989	9.5	9.4	17.6	28.8
1988	9.1	9.7	14.7	21.4

Source: HVS International

HVS INTERNATIONAL

The data are graphed in the following chart:

Capitalization and Discount Rates – Select Set of Full Service Hotels



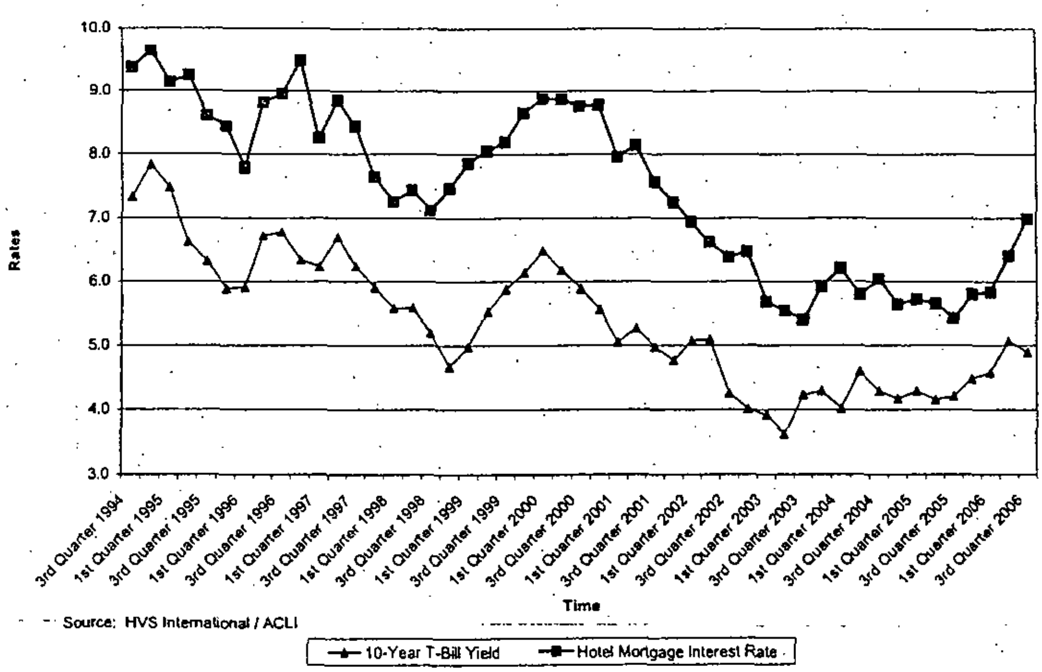
The blue line reflects capitalization rates derived from sales based on trailing twelve or the most recent calendar year NOI, while the red line reflects capitalization rates derived from sales based on 1st year projected net income. Given the perennial optimism of hotel investors, projected net income is generally higher than historical net income. These two rates align or cross over (i.e. projected net income is below historical net income) when the market is wary of flat or declining net income, as was the case when the market was bracing itself for a recession in 1989, when hotels are operating at their peak, as occurred in 2000, or when external factors make the possibility of a rebound in NOI uncertain, as was the case in 2003. For the last two years capitalization rates derived from historical net income have been 100 to 200 basis points below the rate derived from first year projected net income, reflecting the anticipation of improved net income levels. Capitalization rates derived from historical net income hit their historical low in 2005, at 5.2%. In 2006 we started to see these two rates begin to converge, as the expectation of further improvements in operating performance has moderated.

For the first time since HVS International has maintained this data, free and clear discount rates have declined below 11%; the preliminary derived yield rate was 10.9% for 2006 (data still being accumulated). It should be kept in mind that these yields are a product of the type of full service assets being sold and appraised at a given point in time, and thus can be skewed upward or downward, depending upon the characteristics of the hotels that form the basis for the rate calculation.

While the yield on 10-year Treasury notes reached their quarterly low of 4.16% in the 2nd quarter of 2005, hotel mortgage interest rates on loans made by insurance companies which report to the American Council of Life Insurances Companies reached an historic low of 5.43% in the 3rd quarter of 2005, while the yield on 10-year Treasury notes reached their quarterly low of 4.16% in the 2nd quarter of 2005. As is evidenced by the graph, the spreads between the 10-year Treasuries and hotel mortgage interest rates derived from the ACLI data has tightened over the past two years, and reached a low of 126 in the 1st quarter of 2006. Data for the 3rd quarter of 2006 indicates a marked increase in the average hotel mortgage interest rate to 6.9%, while the yield on 10-year treasuries actually declined. Due to the limited hotel mortgage data reported during the ACLI's 3rd quarter bulletin, we consider this to be an aberration. Brokers and lenders we have interviewed indicate the lending environment continues to be very aggressive, and spreads over 10-year treasuries remain at historic lows of 115 to 125 for high quality hotel assets. Nonetheless, hotel interest rates have witnessed a slight rise since their recent low in 2005.

STR Summary

10-Year T-Bill Yields and Hotel Mortgage Interest Rates



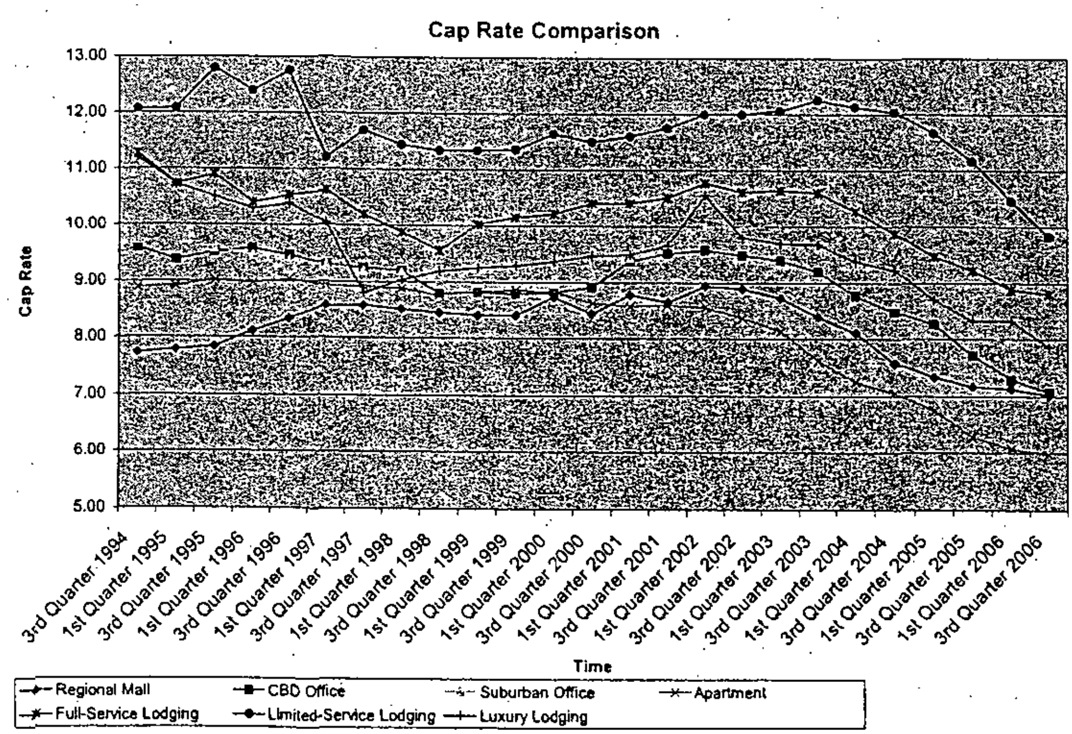
HVS INTERNATIONAL

Pension fund managers, private equity funds and other institutional investors continue to enter the market for hotel investments as they look to allocate a greater portion of their investment portfolio to real estate than in the recent past. While hotel capitalization rates are moderating as the rebound transitions to a more stable operating environment, lodging investments are still very appealing due to their yield relative to other real estate investments. The potential for above-inflationary average rate growth and the positive operating leverage that results continue to make hotel investments particularly appealing.

The following comparison of capitalization rates for limited service, full service and luxury hotels relative to those of other more traditional real estate investments illustrates the positive differential.

Capitalization rates for hotel investments in the Korpacz Survey have slid 200 to 250 basis points over the past four years, paralleling the decline in rates of return for other real estate, other than apartments, which have seen an even greater decline. Relative to other forms of commercial real estate, hotels continue to generate a very attractive yield. As of the 3rd quarter 2006, cap rates for full and limited service hotels were roundly 100 and 200 basis points, respectively, above the cap rate for suburban office buildings. Cap rates for luxury hotels have paralleled those for suburban office buildings since the 3rd quarter of 1997. As of the 3rd quarter of 2006, for the first time, cap rates for limited service, full

Real Estate Investment Capitalization Rates – Korpacz Real Estate Investor Survey Data



service and luxury hotels declined below 10%, 9% and 8%, respectively. While the survey data indicates a continuing downward trend, sales data and our conversations with market participants indicate that cap rates have now bottomed out and may begin to show a slight rise as net incomes continue to improve. We find that the survey data tends to lag the market by one to two quarters, which would explain the most recent decline in cap rates, which we believe was in evidence in market transactions six to twelve months ago.

The conclusion of our first article on this topic two years ago remains valid today. As the net operating income of hotels improves over the next few years we can expect "going-in" cap rates derived from sales transactions to slightly rise due to the reduction in the rate of future net income growth. However, given the significant interest in hotels by new entrants into the hotel investment market, low interest rates, high loan-to-value ratios and the abundance of floating rate and creating financing vehicles, capitalization rates will likely stabilize at a significantly lower level than in previous cycles due to low interest rates and the vast amount of capital that will continue to pursue real estate over the foreseeable future.

About the Author

Suzanne R. Mellen is the Managing Director of the San Francisco office of HVS International. She has been evaluating hotels and associated real estate for 29 years, has authored numerous articles, and is a frequent lecturer and expert witness on the valuation of hotels and related issues. Ms. Mellen has a BS degree in Hotel Administration from Cornell University and holds the following designations: MAI (Appraisal Institute), CRE (Counselor of Real Estate), ISHC (International Society of Hospitality Consultants) and FRICS (Fellow of the Royal Institution of Chartered Surveyors).

Ms. Mellen can be contacted at:
HVS INTERNATIONAL
116 New Montgomery Street
Suite 620
San Francisco, CA 94105
+1 (415) 268.0351 dir.
+1 (415) 896.0516 fax
smellen@hvsinternational.com
http://www.hvsinternational.com

Attachment # 7
Page 14 of 16

From: "Marshall" <marshall@aeclp.com>
To: <rosenzweiga@mail.co.leon.fl.us>
Date: 1/29/2008 4:15 PM
Subject: Create Inc Construction / Hard Costs
Attachments: Create Inc. Preliminary Constuction Budget 1-7-08.pdf

CC: <grayloan@aol.com>, "Lisa Cleveland" <LCleveland@aeclp.com>, <lfortenber...

Alan

In follow up to our conversation today, I had the opportunity to discuss and compare the estimated cost of acquisition + renovation of the Holiday Inn for student housing to the current cost of a newly constructed - purpose built student resident. The following information was provided verbally by Culpepper Construction relative to the FSU - DeGraff building:

* Year Built - 2006
* Construction costs on a design-build basis - $32,000,000
* Building square feet - 106,000
* Number of student beds - 706
* Square feet of building per bed (includes limited service and amenity spaces) - 150
* Construction / Hard Cost per square foot - $301.88
* Construction / Hard Costs per bed - $45,325

The Create Inc. latest project source and use of funds dated January 8, 2008 reveals the following:

* Year to be built - 2008
* Acquisition and renovation costs - $14,491,500
* Building square feet - 105,334
* Number of beds - 323
* Square feet of building per bed (includes service and amenity spaces) - 326
* Hard costs of renovations plus acquisition costs per square foot - $137.57
* Hard costs of renovations plus acquisition costs per bed - $44,865

Attachment # 7
Page 15 of 16

Alan, I am providing you this information for your use as needed. It clearly demonstrates that the Create Inc project will offer students TWICE the space per bed of total living and amenity spaces compared to DeGraff and will do it at a cost per foot of 45% the cost per foot of DeGraff. Another way of looking at it is that Create, Inc is providing twice the space per bed for virtually the same cost per bed as DeGraff.

Obviously, this information does not represent the universe of student housing comparisons. It does, however, present a compelling value statement about the Create Inc. project compared to this one example.

Please feel free to call me to discuss this data.

Marshall Breines

Affirmative Equities Company, L.P.

Affirmative Hillspoint LLC

161 6th Ave., New York, NY 10013

212-925-9600 (office)

203-856-6789 (cell)

marshall@aeclp.com

marshallbreines@optonline.net

Create Inc. Preliminary Construction Budget

Prepared by Owner

As of January 7, 2008

SECTION	ITEM DESCRIPTION	Values
1000	GENERAL CONDITIONS -(includes shipping, storage, delivery)	358,740
	ALLOWANCE (RESTORATION EXTERIOR)	20,000
	DISHWARE	20,000
	Décor	61,930
	STUDENT / ACTIVITY SPACE FURNISHIGS	661,798
2112	ASBESTOS ABATEMENT	50,000
2524	CONCRETE WALKS	7,000
2524	CONCRETE WORK - (Laundy room floors)	22,000
5500	METAL FABRICATIONS	15,000
6100	ROUGH CARPENTRY	8,000
6200	FINISH CARPENTRY	215,200
6410	KITCHEN CABINETS	192,500
6410	CASEWORK	39,600
	MEMBRANE ROOFING	125,000
7900	CAULKING & SEALANTS	5,000
8111	METAL DOORS, WOOD DOORS, FRAMES, HARDWARE	30,000
8800	GLASS & GLAZING	15,000
9250	GYPSUM DRYWALL & ACOUSTICAL CEILINGS	171,900
9270	FRP (Fire Surpression)	285,000
9300	CERAMIC TILE	10,000
9650	RESILIENT FLOORING	23,880
9680	CARPET	128,690
9900	PAINTING	223,142
10100	TOILET PARTITIONS	4,000
10425	SIGNAGE	28,500
10500	MAILBOXES	6,000
10510	PROJECTION SCREEN/EQUIPMENT	12,000
10522	FIRE EXTINGUISHERS & CABINETS	5,000
10800	TOILET ACCESSORIES	Inc
10900	MIRRORS	22,375
12300	RESIDENTIAL APPLIANCES	Inc
	THEATER SEATING	Inc
	FF&E	123,888
	THEATER EQUIPMENMT	Inc
14240	ELEVATOR RENOVATION & ADDITIONS	233,500
15100	HVAC	250,000
15300	PLUMBING	286,280
15300	SPRINKLER	50,000
16100	ELECTRICAL	406,364
17000	CONTINGENCY	325,000
17200	PERMITS & LICENSES	20,000
	SUBTOTAL	4,462,287
	OVERHEAD & PROFIT	223,714
	TOTALS	4,686,000